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Details: January 2011 Special Session Assembly Bill 3

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2011-12

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on Rural Economic Development and Rural Affairs...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Assembly

Record of Committee Proceedings

Committee on Rural Economic Development and Rural Affairs

January 2011 Special Session Assembly Bill 3

Relating to: an income and franchise tax credit for businesses that relocate to this state.

By Committee on Assembly Organization, by request of Governor Scott Walker, Representative Knilans, and Senator Wanggaard.

January 04, 2011 Referred to Committee on Rural Economic Development and Rural Affairs.

January 11, 2011 **PUBLIC HEARING HELD**

Present: (15) Representatives A. Ott, Steineke, Petrowski, Murtha, Tauchen, Ripp, Krug, T. Larson, Rivard, Danou, Vruwink, Jorgensen, Radcliffe, Roys and Ringhand.

Absent: (0) None.

Excused: (0) None.

Appearances For

- Secretary Rick Chandler — Wisconsin Department of Revenue
- Secretary Paul Jadin — Wisconsin Department of Commerce
- Representative Joe Knilans — 44th Assembly District
- Senator Van Wanggaard — 21st Senate District

Appearances Against

- None.

Appearances for Information Only

- None.

Registrations For

- Brad Boycks, Madison — Wisconsin Builders Association
- Laurie Fischer, Madison — Dairy Business Association

Registrations Against

- None.

Registrations for Information Only

- None.

January 13, 2011

EXECUTIVE SESSION HELD

Present: (15) Representatives A. Ott, Steineke, Petrowski, Murtha, Tauchen, Ripp, Krug, T. Larson, Rivard, Danou, Vruwink, Jorgensen, Radcliffe, Roys and Ringhand.

Absent: (0) None.

Excused: (0) None.

Moved by Representative Tauchen, seconded by Representative Petrowski that **Assembly Amendment LRBA0004/1** be recommended for introduction.

Ayes: (15) Representatives A. Ott, Steineke, Petrowski, Murtha, Tauchen, Ripp, Krug, T. Larson, Rivard, Danou, Vruwink, Jorgensen, Radcliffe, Roys and Ringhand.

Noes: (0) None.

**INTRODUCTION OF ASSEMBLY AMENDMENT
LRBA0004/1 RECOMMENDED, Ayes 15, Noes 0**

Moved by Representative Petrowski, seconded by Representative Vruwink that **Assembly Amendment LRBA0004/1** be recommended for adoption.

Ayes: (15) Representatives A. Ott, Steineke, Petrowski, Murtha, Tauchen, Ripp, Krug, T. Larson, Rivard, Danou, Vruwink, Jorgensen, Radcliffe, Roys and Ringhand.

Noes: (0) None.

**ASSEMBLY AMENDMENT LRBA0004/1 ADOPTION
RECOMMENDED, Ayes 15, Noes 0**

Moved by Representative A. Ott, seconded by Representative Steineke that **Assembly Amendment 1** be recommended for Tabling.

Ayes: (10) Representatives A. Ott, Steineke, Petrowski, Murtha, Tauchen, Ripp, Krug, T. Larson, Rivard, Vruwink.

Noes: (5) Representatives Danou, Jorgensen, Radcliffe, Roys and Ringhand.

TABLING OF ASSEMBLY AMENDMENT 1
RECOMMENDED, Ayes 10, Noes 5

Moved by Representative Roys, seconded by Representative Vruwink that **Assembly Amendment 2** be recommended for adoption.

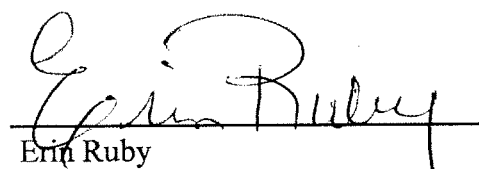
- Ayes: (6) Representatives Danou, Vruwink, Jorgensen, Radcliffe, Roys and Ringhand.
Noes: (9) Representatives A. Ott, Steineke, Petrowski, Murtha, Tauchen, Ripp, Krug, T. Larson and Rivard.

ASSEMBLY AMENDMENT 2 ADOPTION NOT
RECOMMENDED, Ayes 6, Noes 9

Moved by Representative Steineke, seconded by Representative Petrowski that **January 2011 Special Session Assembly Bill 3** be recommended for passage as amended.

- Ayes: (14) Representatives A. Ott, Steineke, Petrowski, Murtha, Tauchen, Ripp, Krug, T. Larson, Rivard, Danou, Vruwink, Jorgensen, Radcliffe and Ringhand.
Noes: (1) Representative Roys.

PASSAGE AS AMENDED RECOMMENDED, Ayes 14, Noes 1


Erin Ruby
Committee Clerk

Vote Record

Committee on Rural Economic Development and Rural Affairs

Date: 1/13/11

Moved by: Steineke

Seconded by: Petrowski

SAB 3 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

A/S Amdt _____
 A/S Amdt _____ to A/S Amdt _____
 A/S Sub Amdt _____
 A/S Amdt _____ to A/S Sub Amdt _____
 A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:

<input checked="" type="checkbox"/> Passage	<input type="checkbox"/> Adoption	<input type="checkbox"/> Confirmation	<input type="checkbox"/> Concurrence	<input type="checkbox"/> Indefinite Postponement
<input type="checkbox"/> Introduction	<input type="checkbox"/> Rejection	<input type="checkbox"/> Tabling	<input type="checkbox"/> Nonconcurrency	

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jim Steineke	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jerry Petrowski	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative John Murtha	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Gary Tauchen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Keith Ripp	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Scott Krug	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Thomas Larson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Roger Rivard	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Chris Danou	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Amy Sue Vruwink	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Andy Jorgensen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mark Radcliffe	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Kelda Helen Roys	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Janis Ringhand	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 14 1 - -

Motion Carried Motion Failed

Vote Record

Committee on Rural Economic Development and Rural Affairs

Date: 11/13/11

Moved by: Roys

Seconded by: Vruwink

SS AB 3 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

A/S Amdt 2
 A/S Amdt _____ to A/S Amdt _____
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Be recommended for:

- Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrency

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jim Steineke	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jerry Petrowski	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative John Murtha	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Gary Tauchen	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Keith Ripp	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Scott Krug	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Thomas Larson	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Representative Kelda Helen Roys	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Janis Ringhand	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>6</u>	<u>9</u>	<u>-</u>	<u>-</u>

Motion Carried

Motion Failed

Vote Record

Committee on Rural Economic Development and Rural Affairs

Date: 1/13/11

Moved by: Ott

Seconded by: Steineke

SS AB 3 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

A/S Amdt 1
 A/S Amdt _____ to A/S Amdt _____
 A/S Sub Amdt _____
 A/S Amdt _____ to A/S Sub Amdt _____
 A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:

- Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrency

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jim Steineke	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jerry Petrowski	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Representative Amy Sue Vruwink	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Andy Jorgensen	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mark Radcliffe	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Kelda Helen Roys	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Janis Ringhand	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 10 5 - -

Motion Carried Motion Failed

Vote Record

Committee on Rural Economic Development and Rural Affairs

Date: 11/13/11

Moved by: Petrovski

Seconded by: Vruwink

SS AB 3 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

A/S Amdt LRB a 0004/1

A/S Amdt _____ to A/S Amdt _____

A/S Sub Amdt _____

A/S Amdt _____ to A/S Sub Amdt _____

A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:

- Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrence

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jim Steineke	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jerry Petrovski	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative John Murtha	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Representative Kelda Helen Roys	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Janis Ringhand	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 15 0 - -

Motion Carried Motion Failed

Vote Record

Committee on Rural Economic Development and Rural Affairs

Date: 1/13/11

Moved by: Tauchen

Seconded by: Petrovski

SS AB 3 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

(A) S Amdt LRB 000411

A/S Amdt _____ to A/S Amdt _____

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A/S Amdt _____ to A/S Sub Amdt _____

A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

- Be recommended for:
- Passage Adoption Confirmation Concurrence Indefinite Postponement
 - Introduction Rejection Tabling Nonconcurrence

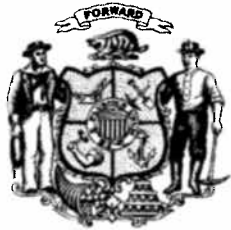
Committee Member	Aye	No	Absent	Not Voting
Representative Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jim Steineke	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jerry Petrovski	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Representative Chris Danou	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Amy Sue Vruwink	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Andy Jorgensen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mark Radcliffe	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Kelda Helen Roys	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Janis Ringhand	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 15 0 - -

Motion Carried Motion Failed



WISCONSIN STATE LEGISLATURE





Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

January 7, 2011

TO: Representative Alvin Ott
Room 323 North, State Capitol

FROM: Bob Lang, Director

SUBJECT: January 2011 Special Session Assembly Bill 3 and Special Session Senate Bill 3:
Individual Income and Corporate Income/Franchise Tax -- Relocated Business Tax
Credit

January 2011 Special Session Assembly Bill 3 and Senate Bill 3, are companion bills that would provide a tax credit for businesses that relocated from another state to Wisconsin. SS AB 3 was introduced on January 4, 2011, and referred to the Assembly Committee on Rural Economic Development and Rural Affairs. SS SB 3 was introduced on January 5, 2011, and referred to the Senate Committee on Workforce Development, Small Business, and Tourism.

BACKGROUND

Generally, corporations and pass-through entity businesses, including partnerships, tax-option corporations (S corporations) and limited liability companies (LLCs) are subject to the state individual income or corporate income/franchise tax if they are conducting a trade or business in Wisconsin. There are two circumstances which give Wisconsin taxing jurisdiction (nexus) over corporations. First, corporations which are created and authorized to act in a corporate capacity (incorporated) under Wisconsin law or foreign corporations which are licensed to transact business in the state are subject to the Wisconsin corporate income/franchise tax. Second, corporations which are organized under the laws of other states or foreign nations are generally subject to the Wisconsin corporate income/franchise tax if they exercise a franchise, conduct business, or own property within the state.

Business income of pass-through entities is passed through to partners, shareholders and members and taxed under the individual income tax. All income or loss of residents is taxable in Wisconsin. Business income or loss for nonresidents is assigned to the situs (location) of the

business. Therefore, if the situs of a pass-through entity business is Wisconsin, the partners, shareholders or members are subject the Wisconsin income tax.

Under provisions included in 2009 Wisconsin Act 2, corporations that are members of a combined group must file a combined income/franchise tax return. For a combined group, nexus is determined for the unitary business as a whole. Therefore, if a member of a combined group has nexus with Wisconsin and that nexus is attributable to the combined group's unitary business, all members of the combined group have nexus in Wisconsin. Pass-through entities that are members of a unitary combined group, including partnerships, LLCs, and tax-option corporations are not included in the combined report. However, the income of these entities that is derived from the group's unitary business is included in the combined unitary income of the group to the extent it is included in or distributed to a corporation that is a group member.

SUMMARY OF BILLS

SS AB 3 and SS SB 3 would create a relocated business tax credit, under the state individual income and corporate income and franchise taxes, for tax years beginning after December 31, 2010. The tax credit could be claimed by a business that located in Wisconsin from another state and began operations in the state, and would equal the amount of the claimant's state individual income or corporate income/franchise tax liability after applying all other allowable tax credits, deductions, and exclusions. The tax credit could be claimed for two consecutive tax years, beginning with the tax year the business began operations in Wisconsin. A person could not claim the tax credit if that person had done business in Wisconsin during any of the ten tax years preceding the tax year for which the person would otherwise be eligible for the tax credit.

Partnerships, LLCs, and tax-option corporations could not claim the credit, but the eligibility for and amount of the credit would be based on the amount of the entity's taxes. The partnership, LLC, or tax-option corporation would be required to compute the amount of credit each of its partners, members, or shareholders could claim, and provide that information to them. Partners, members of LLCs, and tax-option corporation shareholders could claim the credit in proportion to their ownership interests. The statutory provision in the bill specifies that the tax credit would be based on a pass-through entity's payment of tax amounts. However, the tax credit would eliminate any required tax payments. [An amendment is needed to clarify that the tax credit would be based on the amount of the claimant's tax liability.]

The Department of Revenue would administer the tax credit, and current law provisions related to timely claims, change of business and ownership, and ineligible claimants would apply. The bill also cross references a current law provision that would provide a 15 year carry-forward of unused tax credit amounts. Since the credit would equal the claimant's tax liability net of all other allowable deductions, credits, and exclusions, there would not be unused credits. An amendment is necessary to eliminate the statutory cross-reference to the carry-forward provision.

The bills also include a nonstatutory provision specifying that the general fund statutory

reserve requirement (\$65 million in 2010-11 and the 2011-13 biennium) does not apply to the action of the Legislature in enacting the bills.

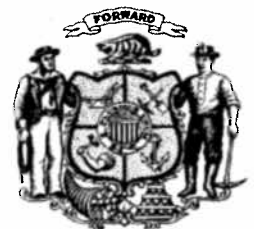
FISCAL EFFECT

As noted, the bills would create a relocated business tax credit, under the state individual income and corporate income/franchise taxes for a business that relocated operations to Wisconsin. Based on information compiled by the Department of Revenue from the tax returns of newly filing corporations, and for corporations that move in state (from the National Establishment Time Series database, compiled by Walls & Associates and Dunn and Bradstreet), the relocated business tax credit would reduce state individual income and corporate income/ franchise tax revenues by an estimated \$280,000 annually in 2011-12, and thereafter.

Prepared by: Ron Shanovich



WISCONSIN STATE LEGISLATURE



- Good afternoon Mr. Chair and Committee Members. Thank you for the opportunity to testify before you, today, on Special Session Assembly Bill 3.
- Just over two years ago, on January 2nd, 2009 the State Department of Revenue released a report stating that Wisconsin's economy had officially entered into a recession, something nearly every Wisconsin resident had already felt in their own household budget.
- During this recession, personal income growth has slowed and state unemployment has risen dramatically. Quite simply, we have all witnessed the impact the recession has had on Wisconsin's economy as our state has lost more than 180,000 jobs since the recession began.
- As most of you may know I represent the 44th district in Rock County, and more specifically, Janesville. In 2008 the unemployment rate in Janesville was 6.1%. Today, the Unemployment rate in Janesville is nearly 10%. (9.6%) The 10% unemployment rate does not even begin to account for the thousands of residents that have left the area to search for new jobs and economic opportunities. Obviously, this double digit unemployment rate is largely in part due to The General Motors plant closing in Janesville and taking 2,600 jobs with it. My job as a supervisor and as a Union Worker at GM being one of them.
- The past election cycle was about one issue...fixing Wisconsin's economy and getting our citizens back to work. One way we can do that is by passing Special Session Assembly Bill 3, which implements a relocated business tax credit for businesses that moved to Wisconsin from another state. The credit would be equal to the amount that the

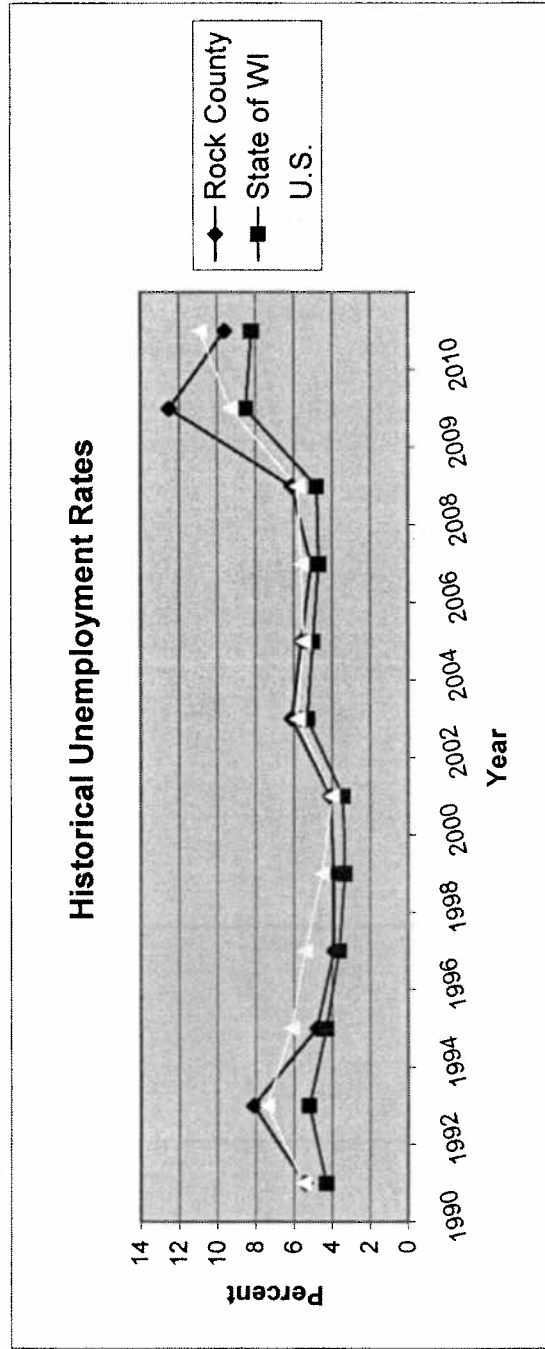
business's state individual income tax or corporate income tax, and it could be claimed for two consecutive years.

- With Wisconsin's Unemployment rate still at 7.6%, now is the time to give the Department of Commerce every possible tool to bring businesses and jobs to Wisconsin.
- This is an issue that I have a personal passion for. I am a witness to how a large company closing their doors can impact every aspect of the local economy. When GM closed in Janesville it impacted every business from; suppliers, to vendors, to restaurants, to gas stations, to every aspect of the service industry economy in my community.
- This is why it is so important to give the State and Local economy the tools it needs to develop a prosperous Wisconsin.
- This Bill is a practical solution to bring jobs back to my District and fulfilling Governor Walker's promise to bring jobs to Wisconsin. Assembly Bill 3 is actual proof that we in Madison are serious about bring jobs to Wisconsin and that **WISCONSIN IS OPEN FOR BUSINESS.**
- Throughout Janesville and Wisconsin, as a whole, we have the infrastructure and the skilled and trained workforce that employers desire...now is the time to offer the incentive to locate in our great state because while IL, IA, and MN are debating raising their taxes in 2011, Wisconsin will be offering a two year tax holiday, which will make Wisconsin an even more attractive state to move your business to.
- Thank you for your time.

Annual Unemployment Rates
1990-2010

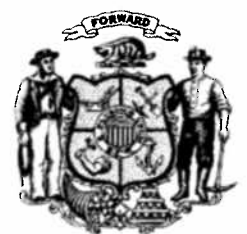
Location	1990	1992	1994	1996	1998	2000	2002	2004	2006	2008	2009	2010
Rock Co.	5.4	8.1	4.8	3.9	3.9	4.1	6.1	5.6	5.1	6.1	12.5	9.6
WI	4.3	5.2	4.3	3.6	3.3	3.4	5.3	5.0	4.7	4.8	8.5	8.2
US	5.5	7.4	6.1	5.4	4.5	4.0	5.8	5.5	5.6	5.8	9.3	10.9

NOTE: Nov. 2010





WISCONSIN STATE LEGISLATURE



Testimony of Secretary Paul Jadin
Assembly Committee on Rural Economic Development and Rural Affairs
January 2011 Special Session Assembly Bill 3
January 11, 2011

Thank you Chairman Ott and committee members. I appreciate the opportunity to speak to you today.

Your willingness to hold a prompt hearing on this legislation demonstrates your shared commitment with Governor Walker to address the need to implement aggressive job creation efforts on an expedited timeline.

As the appointed Secretary of the state agency responsible for fostering economic development and job creation, I am appearing today in support of Special Session Assembly Bill 3.

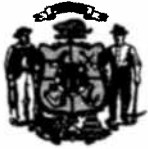
As you know, AB 3 creates a new tax credit that is designed to improve Wisconsin's competitive standing to businesses and industries looking at alternative sites for their company operations. This legislation would provide a relocation tax credit for up to two years upon commencing operations in Wisconsin from another state.

The urgent need for jobs in our state demands aggressive strategies. While we will continue to nurture and support the expansion and start-up efforts of homegrown Wisconsin businesses, we should not ignore opportunities to attract out-of-state businesses looking for the types of incentives presented in Assembly Bill 3.

Both the Walker Administration and the Legislature, and members of both parties, have stressed that our most pressing policy-making focus must be on job creation. In the series of bills that comprise the special session package, the legislation before you today is a key initiative that will spur job growth in the near term. As the state and nation look to a long-term economic recovery, we need to position Wisconsin to take maximum advantage of those opportunities to improve the climate for job growth.

Again, thank you for your consideration. I look forward to your continued progress on this bill, and will be glad to respond to any comments or questions at this time.





State of Wisconsin • DEPARTMENT OF REVENUE

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Scott Walker
Governor

Richard G. Chandler
Secretary of Revenue

Relocation Tax Credit SS SB3 and SS AB 3 January 11, 2011

Goal: Encourage out-of-state businesses to relocate to Wisconsin

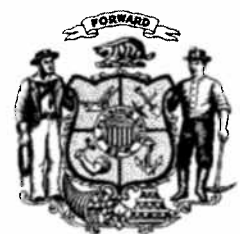
Proposal: Provide an income tax credit that fully offsets income tax liability for first two years for firms relocating to Wisconsin

Points to Consider:

- There is considerable competition among states for employment and investment. Tax incentives are a common form of development incentive throughout the country.
- Relocating a business to another state can be a costly undertaking. For relocations, income taxes should not be a disincentive to relocate to Wisconsin.
- SS SB3 and SS AB3 are designed to work in tandem with SS SB4 and SS AB 4. The economic development credits which are expanded in SS SB4 and SS AB 4 provide a flexible incentive for firms that have done business in Wisconsin that have an interest in relocating or expanding here. The Relocation Tax Credit provides an attractive assurance that a firm relocating to Wisconsin that has not previously done business here will not have to pay income taxes for two years.



WISCONSIN STATE LEGISLATURE





Legislative Fiscal Bureau

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January 18, 2011

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: January 2011 Special Session Assembly Bill 3 and Special Session Senate Bill 3:
Individual Income and Corporate Income/Franchise Tax -- Relocated Business Tax
Credit

January 2011 Special Session Assembly Bill 3 and Senate Bill 3 are companion bills that would provide a tax credit for businesses that relocated from another state to Wisconsin. SS AB 3 was introduced on January 4, 2011, and referred to the Assembly Committee on Rural Economic Development and Rural Affairs. On January 13, 2011, Assembly Amendment 1 to SS AB 3 was adopted by a vote of 15 to 0, and SS AB 3, as amended, was recommended for passage by a vote of 14 to 1. SS SB 3 was introduced on January 5, 2011, and referred to the Senate Committee on Workforce Development, Small Business, and Tourism. On January 13, 2011, Senate Amendment 1 to SS SB 3 was adopted, and SS SB 3, as amended, was recommended for passage by a vote of 5 to 0.

BACKGROUND

Generally, corporations and pass-through entity businesses, including partnerships, tax-option corporations (S corporations) and limited liability companies (LLCs) are subject to the state individual income or corporate income/franchise tax if they are conducting a trade or business in Wisconsin. There are two circumstances which give Wisconsin taxing jurisdiction (nexus) over corporations. First, corporations which are created and authorized to act in a corporate capacity (incorporated) under Wisconsin law or foreign corporations which are licensed to transact business in the state are subject to the Wisconsin corporate income/franchise tax. Second, corporations which are organized under the laws of other states or foreign nations are generally subject to the Wisconsin corporate income/franchise tax if they exercise a franchise, conduct business, or own property within the state.

Business income of pass-through entities is passed through to partners, shareholders and members and taxed under the individual income tax. All income or loss of residents is taxable in Wisconsin. Business income or loss for nonresidents is assigned to the situs (location) of the business. Therefore, if the situs of a pass-through entity business is Wisconsin, the partners, shareholders or members are subject the Wisconsin income tax.

Under provisions included in 2009 Wisconsin Act 2, corporations that are members of a combined group must file a combined income/franchise tax return. For a combined group, nexus is determined for the unitary business as a whole. Therefore, if a member of a combined group has nexus with Wisconsin and that nexus is attributable to the combined group's unitary business, all members of the combined group have nexus in Wisconsin. Pass-through entities that are members of a unitary combined group, including partnerships, LLCs, and tax-option corporations are not included in the combined report. However, the income of these entities that is derived from the group's unitary business is included in the combined unitary income of the group to the extent it is included in or distributed to a corporation that is a group member.

SUMMARY OF BILLS

SS AB 3 and SS SB 3 would create a relocated business tax credit, under the state individual income and corporate income and franchise taxes, for tax years beginning after December 31, 2010. The tax credit could be claimed by a business that located in Wisconsin from another state and began operations in the state, and would equal the amount of the claimant's state individual income or corporate income/franchise tax liability after applying all other allowable tax credits, deductions, and exclusions. The tax credit could be claimed for two consecutive tax years, beginning with the tax year the business began operations in Wisconsin. A person could not claim the tax credit if that person had done business in Wisconsin during any of the ten tax years preceding the tax year for which the person would otherwise be eligible for the tax credit.

Partnerships, LLCs, and tax-option corporations could not claim the credit, but the eligibility for and amount of the credit would be based on the amount of the entity's taxes. The partnership, LLC, or tax-option corporation would be required to compute the amount of credit each of its partners, members, or shareholders could claim, and provide that information to them. Partners, members of LLCs, and tax-option corporation shareholders could claim the credit in proportion to their ownership interests. The statutory provision in the bill specifies that the tax credit would be based on a pass-through entity's payment of tax amounts. However, the tax credit would eliminate any required tax payments. An amendment is needed to clarify that the tax credit would be based on the amount of the claimant's tax liability.

The Department of Revenue would administer the tax credit, and current law provisions related to timely claims, change of business and ownership, and ineligible claimants would apply. The bill also cross references a current law provision that would provide a 15 year carryforward of unused tax credit amounts. Since the credit would equal the claimant's tax liability net of all other allowable deductions, credits, and exclusions, there would not be unused credits. An amendment is

necessary to eliminate the statutory cross-reference to the carryforward provision.

The bills also include a nonstatutory provision specifying that the general fund statutory reserve requirement (\$65 million in 2010-11 and the 2011-13 biennium) does not apply to the action of the Legislature in enacting the bills.

SUMMARY OF ASSEMBLY AMENDMENT 1 AND SENATE AMENDMENT 1

* AA 1 to SS AB 3 and SA 1 to SS SB 3 would delete the statutory cross-reference that would provide a 15 year carryforward for unused credit amounts. As noted, because the credit would equal the claimant's tax liability, there would be no unused credit amounts.

FISCAL EFFECT

As noted, the bills would create a relocated business tax credit, under the state individual income and corporate income/franchise taxes for a business that relocated operations to Wisconsin. Based on information compiled by the Department of Revenue from the tax returns of newly filing corporations, and for corporations that move in state (from the National Establishment Time Series database, compiled by Walls & Associates and Dunn and Bradstreet), the relocated business tax credit would reduce state individual income and corporate income/ franchise tax revenues by an estimated \$280,000 annually in 2011-12, and thereafter.

AA 1 and SA 1 to the respective bills would not have a fiscal effect.

Prepared by: Ron Shanovich