



DAVE ARMSTRONG

STATE REPRESENTATIVE • 75TH ASSEMBLY DISTRICT

Testimony on Assembly Bill 627 December 12, 2023

Thank you for the opportunity to speak again on behalf of Assembly Bill 627, which makes a number of changes to Wisconsin's Business Development Tax Credit (BDTC) to reflect changing economic realities.

As you may remember from the November 29 hearing, the Wisconsin Economic Development Corporation had several suggestions, and a few amendments were already being prepared. I have combined those drafts into a single substitute amendment for your consideration. Assembly Substitute Amendment 1 includes some technical changes, such as updating the effective dates, but I will highlight some of the substantive changes.

The biggest change in ASA 1, compared to the original bill, is that it no longer increases the current caps on tax benefits for personal and real property investment – those will remain at 3% and 5%. My personal preference remains 10% each, or at least an intermediate increase, but that will probably be a question for a future session, once WEDC's evaluation of the BDTC program is complete.

Otherwise, ASA 1 still shifts the BDTC's focus from job creation to job retention and capital investment. Both creation and retention would require capital investment, which the substitute amendment makes clear (the original bill language was ambiguous). ASA 1 also continues to authorize credits for employers that invest in workforce housing and childcare for their employees. The substitute amendment also imposes the 90-day deadline.

ASA 1 also makes several changes to Wisconsin's Enterprise Zone Jobs Tax Credit. These changes were suggested by WEDC. For example, the substitute amendment alters a few definitions, such as by saying that "zone payroll" is state payroll attributed to full-time employees *based* in an EZ.

In addition, ASA 1 updates the definition of "full-time job" for the purposes of both EZs and the BDTC. Under the substitute amendment, a full-time job is a non-seasonal job that pays at least 2,080 times 150% of the federal minimum wage *and* offers retirement, health, and other benefits. This change ensures that the jobs for which employers are rewarded under these programs are quality.

Thank you for your consideration and for your patience with the process. I am happy to hear your feedback and to answer any questions you may have.



DAN FEYEN

STATE SENATOR

18th Senate District
(608) 266-5300
Sen.Feyen@legis.wi.gov

PO Box 7882, Madison, WI 53707-7882
<http://legis.wisconsin.gov/senate/18/feyen>

To: The Assembly Committee on Ways and Means
From: Sen. Dan Feyen
Re: Assembly Substitute Amendment 1 to Assembly Bill 627

Hello Chairman Macco and members of the committee, thank you for taking the time to hear testimony on Assembly Substitute Amendment 1 to Assembly Bill 627.

To quickly recap the original bill, AB 627 modernizes the Business Development Tax Credit to focus on capital investments and job retention instead of job creation. Given Wisconsin's current economic conditions, the way we measure success must change to recognize the workforce shortages we have. By shifting the focus from job creation to investment, we will be providing more flexibility for businesses in how they choose to grow and improve their operations.

AB 627 also creates a tax benefit of up to 15% of their investment in workforce housing or up to 15% of their investment in child care programs for eligible employees. AB 627 also requires WEDC to either approve or deny BTC certifications within 90 days.

The substitute Amendment maintains all of these requirements, but also expands the bills scope to include Enterprise Zones as well.

This amendment came about through conversations with WEDC to clean up definitions, effective dates, and make a few technical changes that will aid in the administration of both credits while also refocusing the Enterprise Zone Tax Credit on capital investments and job retention.

Enterprise Zones and Business Development Tax Credit use some of the same definitions in statute. Changing the definition of full time job creates uniformity between the two credits.

The change to the definition of Zone Payroll in the substitute amendment allows a business to claim credit for wages paid to full time employees that are based within the zone instead of wages paid to employees for tasks completed within the zone.

This amendment changes definition of Base Year to the immediate 12 month period prior to WEDC certification rather than the calendar year prior to the creation of the enterprise zone.

Lastly, the amendment maintains the current credit for 3% of a business's personal property investment and 5% of their real property investment rather than the increase to 10% for each that was in the original bill. I would still prefer to see an increase in this



DAN FEYEN

STATE SENATOR

18th Senate District
(608) 266-5300
Sen.Feyen@legis.wi.gov

PO Box 7882, Madison, WI 53707-7882
<http://legis.wisconsin.gov/senate/18/feyen>

credit to spur growth, but I understand WEDC is currently in the process of evaluating these credits and would like to see the results of this evaluation prior to any suggested increases.

Thank you very much for taking the time to hold a public hearing on this amendment.



MEMO

TO: Representative Macco, Chairman
Honorable Members, Assembly Committee on Ways and Means

FROM: Jennifer H. Campbell, Chief Legal Officer

DATE: December 12, 2023

SUBSTITUTE AMENDMENT 1 TO ASSEMBLY BILL 627

The Wisconsin Economic Development Corporation (WEDC) supports the substitute amendment to Assembly Bill 627, relating to the Business Development (BTC) and Enterprise Zone (EZ) tax credit programs.

Following last month's public hearing on the bill, Representative Armstrong and Senator Feyen worked closely with WEDC to incorporate our recommendations into the substitute amendment. The substitute amendment incorporates needed changes to make our administration of the tax credit programs clear and efficient for all parties and will enable WEDC to continue offering attractive incentives to businesses interested in expanding or locating in Wisconsin. WEDC respectfully requests the Committee adopt it.

Specifically, in WEDC's view, the substitute amendment improves current law by:

- Maintaining current rates at which capital expenditure incentives can be earned. This will ensure that WEDC can continue to assist businesses of all sizes across the state, while maintaining the ability for WEDC to offer competitive incentive packages.
- Removing the requirement for a business to create new jobs in each year in order to earn tax credits. Under the substitute amendment, a business who retains their existing Wisconsin workforce and makes a capital investment can earn credits. This allows WEDC to support businesses in the current economic environment.
- Incentivizing businesses to invest in workforce housing and childcare for their employees.
- Eliminating the requirement under EZs that a company may only earn credits for the time during which an employee is "performing services in the zone." This change reflects current workforce realities companies are facing without imposing undue reporting burdens on tax credit recipients.
- Clarifying and cleaning up language that was confusing or had unintended consequences in administration:
 - Updating the definition for "Base Year" for EZs.
 - Updating the definition for "full-time employees" for both BTCs and EZs. The new language (1) eliminates the current law phrase "regular employees," which

LOOK FORWARD >

- can cause some shift-workers to not qualify; and (2) ensures that WEDC only awards tax credits for employees that are offered benefits.
- Updating the language related to when WEDC may require a business to repay credits for both BTCs and EZs.

Again, WEDC thanks Representative Armstrong and Senator Feyen for their work on this legislation. WEDC believes the bill as amended will enable our state to more effectively assist businesses as they retain their existing workforce and make much-needed investments to increase productivity and remain globally competitive in the current workforce environment.

I am available to answer any questions you may have. Please feel free to contact me at jennifer.campbell@wedc.org or 608-210-6811 if you have questions beyond the hearing.