**Economic Development Incentives Enacted During the 2011-2013 Legislative Session**

During the first six months of the 2011-2013 legislative session, the Governor and Legislature have worked together to create three significant economic development-related incentives, besides the new Wisconsin Economic Development Authority, including:

- Relocation Tax Deductions and Credits. **2011 Wisconsin Act 3** creates a tax deduction for business income earned by an individual or that passes through to an individual from a partnership, limited liability corporation (LLC), or a tax option corporation. The deduction may be claimed by a business that locates to this state from another state or another country and begins doing business in this state. "Locate to this state" means moving either 51% or more of the workforce payroll of the business or at least $200,000 of wages paid to such workforce to Wisconsin during the first taxable year to which the deduction relates. The deduction may be claimed for two consecutive tax years, beginning with the tax year the business locates to the state and begins doing business here. An individual cannot take deduction if the partnership, limited liability corporation (LLC), or a tax option corporation has done business in the state during any of the two taxable years preceding the first taxable year the deduction would otherwise be allowed.

  The act also creates a similar tax credit for corporations. The provisions outlined above for individuals are similar to those for the corporations. Partnerships, limited liability corporations (LLCs), or tax option corporations may not claim the credit, but may claim the deduction.

  The Department of Revenue must prepare rules to administer both the deduction and credit. The act took effect on February 15, 2011, and the provisions apply to tax years beginning on January 1, 2011.

- Small Business Tax Credit. **2011 Wisconsin Act 5** creates an income and franchise tax deduction for job creation. A business with gross receipts of $5 million or less in a taxable year may claim a deduction equal to $4,000 for each new full-time equivalent employee employed in a taxable year. Business with more $5 million in gross receipts may claim a deduction equal to $2,000 for each new full-time equivalent employee employed in a taxable year. The increase in full-time equivalent employees is calculated based on employment data reported to the Department of Revenue (DOR). A person may not claim a tax credit, if they may claim a tax credit based on "Relocation" credit.

  The Department of Revenue must prepare rules to administer the program. The deduction applies initially to taxable years beginning on January 1, 2011. The act became effective on February 19, 2011.

- Domestic Production Activities Income Tax Credit. **2011 Wisconsin Act 32** (the biennial budget act) creates an individual income, corporate income and franchise tax credit for qualified production activities for manufacturers and agricultural businesses. Generally, the act uses the Internal Revenue Service Code definition of "qualified

production income." The credit is calculated based on a specified percentage of the qualified production income that a claimant derives from property assessed as manufacturing or agricultural property in Wisconsin. The credit is phased over four years beginning at 1.875% of production income in calendar year 2013 until it reaches the full credit, which is 7.5% of production income, in 2016. There is a 15-year carry forward provision for unused tax credits. The Department of Revenue will administer the credit.

Partnerships, limited liability corporations (LLCs), or tax option corporations may not claim the credit. However, partners, members of LLCs or shareholders of tax-option corporations may claim the credit in proportion to their ownership interests.

The Governor and Legislature also worked together to expand two existing economic development incentives, including:

- Economic Development Tax Credit Program. **2011 Act 4** adds $25 million in the amount of available tax credits that the Wisconsin Economic Development Authority (as of July 1, 2011) can allocate for the economic development tax credit program, which provides credits for qualified expenses related to job creation/retention, capital investment, employee training or corporate headquarters location. The increase brings the total amount of tax credits available to $98.1 million.

- Enterprise Zones. **2011 Act 26** authorizes the Wisconsin Economic Development Authority (as of July 1, 2011) to designate eight additional enterprise zones (from 12 to 20). An enterprise zone is a designated area in which certified businesses may claim refundable tax credits for qualified expenses related to job creation, job retention, employee training, capital expenditures and purchases from Wisconsin suppliers. Five of the additional zones are targeted for areas with lower population thresholds, with three of the five targeted for areas comprising political subdivisions with populations under 5,000, and the other two targeted for areas comprising political subdivisions with populations between 5,000 and 30,000.