

**Clearinghouse Rule 11-009**

**ORDER OF THE  
DEPARTMENT OF COMMERCE**

**CREATING RULES**

The Wisconsin Department of Commerce proposes an order to create chapter Comm 102 relating to enterprise zones, and affecting small businesses.

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**Rule Summary**

**1. Statutes Interpreted.**

Section 560.799.

**2. Statutory Authority.**

Sections 227.11 (2) (a) and 560.799 (1) (am) 2. and (6) (g).

**3. Explanation of Agency Authority.**

Section 227.11 (2) (a) of the Statutes authorizes the Department to promulgate rules interpreting the provisions of any Statute administered by the Department. Section 560.799 (1) (am) 2. authorizes the Department to promulgate rules specifying circumstances under which “full-time employee” includes individuals who work fewer than 2,080 hours per year. Section 560.799 (6) (g) requires the Department to promulgate by rule definitions for tier I and tier II counties and municipalities, original equipment manufacturers with significant supply chains in Wisconsin, and significant capital expenditures.

**4. Related Statute or Rule.**

Several statutes and other Departmental rules address tax incentives for business development in Wisconsin, but those rules do not include the proposed definitions for tier I and tier II counties and municipalities, and for original equipment manufacturers with significant supply chains in Wisconsin. Chapter Comm 100 defines “full-time job” in a manner similar to the proposed definition of “full-time employee,” and defines “significant investment of capital” in a manner similar to the proposed definition of “significant capital expenditures.”

**5. Plain Language Analysis.**

The rules in this order consist of definitions for (1) full-time employees, (2) tier I and tier II counties and municipalities, (3) original equipment manufacturers with significant supply chains in Wisconsin and (4) significant capital expenditures.

**6. Summary of, and Comparison With, Existing or Proposed Federal Regulations.**

In researching federal tax incentives, the Department did not find any tax credits at the federal level that are exactly like the enterprise zone tax credit in sections 71.07 (3w), 71.28 (3w), 71.47 (3w) and 560.799 of the Statutes. The following federal tax credit may apply to some of the activities that may be addressed by the proposed rules, but this federal tax credit is structured differently than the credit in these sections of the Statutes.

Job creation that would be eligible for tax credits under the proposed rules may qualify for the federal consolidated Work Opportunity Tax Credit – which includes tax credits for an employer that hires an individual who is (1) a qualifying Hurricane Katrina employee, (2) a member of a qualifying family with long-term or recent receipt of Temporary Assistance to Needy Families payments, (3) a qualifying food stamp recipient, (4) a qualifying veteran, (5) a qualifying ex-felon, (6) a resident of a designated community, (7) a qualifying summer youth employee, (8) a qualifying recipient of vocational rehabilitative services, or (9) a qualifying recipient of Supplemental Security income.

## **7. Comparison With Rules in Adjacent States.**

### *Michigan*

Michigan has several tax credit and tax abatement programs targeting specific business activities – development, manufacture and commercialization of advanced batteries; brownfield clean-up; manufacturers seeking defense contracts; promotion of renewable energy operations; tool and die operations; agricultural processing facilities; and forest products processing facilities.

The Michigan Economic Growth Authority Job Creation Tax Credits and Job Retention Tax Credits may be awarded for up to 20 years and up to 100 percent of an amount equal to the salaries and wages and employer-paid health care benefits multiplied by the personal income tax rate.

### *Minnesota*

Minnesota's Job Opportunity Building Zone program offers a variety of tax exemptions and tax credits to businesses beginning operations in a designated zone, expanding in a zone, relocating to a zone from another state or relocating to a zone from another Minnesota location if employment is increased by five jobs or 20 percent, whichever is greater, within the first full year of operation in the zone. Businesses may qualify for exemptions to corporate franchise taxes, and income taxes for operators or investors, including capital gains taxes; sales taxes on goods and services used in the zone; property taxes on commercial and industrial improvements; and wind energy production taxes. The program also includes a refundable job credit that is calculated in much the same manner as Wisconsin's Enterprise Zone job credit.

### *Iowa*

Iowa's Enterprise Zone program offers businesses a local property tax exemption of up to 100 percent of the value added to the property for up to 10 years; a refund of state sales, service or use taxes paid to contractors during construction; and an investment credit of up to 10 percent of the qualifying investment, amortized over 5 years.

Iowa's High Quality Job Creation program offers businesses various combinations of the following: a local property tax exemption of up to 100 percent of the value added to the property for up to 20 years; a refund of state sales, service or use taxes paid to contractors during

construction; and an investment credit equal to a percentage of the qualifying investment, amortized over 5 years.

### *Illinois*

The Illinois Economic Development for a Growing Economy (EDGE) program offers tax credits as high as the amount of tax receipts collected from state income taxes paid by newly-hired or retained employees as pertaining to the project. Each project must add to the export potential of Illinois, involve capital investment of at least \$5 million and create at least 25 new jobs, or meet requirements set forth by the Illinois Department of Commerce and Economic Opportunity. EDGE credits are available for up to 10 years for each project. Jobs and capital investments must be maintained for the period in which the credits are claimed.

In addition to a variety of tax exemptions, the Illinois Enterprise Zone program offers an investment credit of 0.5 percent and a jobs credit of \$500 per eligible employee hired to work in a zone during a taxable year. Eligible employees are individuals who are certified as economically disadvantaged or as dislocated workers.

## **8. Summary of Factual Data and Analytical Methodologies.**

The data and methodology for developing these rules were derived from and consisted of (1) implementing the changes to section 560.799 of the Statutes that were enacted in 2009 Wisconsin Acts 11 and 28; and (2) incorporating applicable best practices the Department has developed in administering similar programs for economic development, business development, and tax-credit verification.

## **9. Analysis and Supporting Documents Used to Determine Effect on Small Business or in Preparation of an Economic Impact Report.**

The primary documents that were used to determine the effect of the rules on small business were 2009 Wisconsin Acts 11 and 28. These Acts apply their private-sector requirements only to businesses for which a corresponding tax credit is desired.

## **10. Effect on Small Business.**

The rules are not expected to impose significant costs or other adverse impacts on small businesses because the rules address submittal of documentation, and other activities, only by applicants that choose to pursue tax credits for enterprise zones.

## **11. Agency Contact Person.**

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## **12. Place Where Comments Are to Be Submitted, and Deadline for Submission.**

Comments on the proposed rules may be submitted by e-mail to [sam.rockweiler@wi.gov](mailto:sam.rockweiler@wi.gov), no later than March 30, 2011. If e-mail submittal is not possible, written comments may be

mailed, by the same date, to Sam Rockweiler, Department of Commerce, Division of Environmental and Regulatory Services, P.O. Box 14427, Madison, WI 53708-0427.

*File reference: Comm 102/rules analysis pH*