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# Wisconsin Legislative Council

## AMENDMENT MEMO

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### 2023 Assembly Bill 627

### Assembly Substitute Amendment 1 and Assembly Amendment 1 to Substitute Amendment 1

## 2023 ASSEMBLY BILL 627

Under current law, the Wisconsin Economic Development Corporation (WEDC), as determined under its policies and procedures, may certify a person for the refundable business development tax credit if the person's business increases net employment above the business's level of employment in the year preceding the certification. Calculation of the business development tax credit is based on wages of eligible employees, training costs, and personal and real property investment.

For taxable years beginning after December 31, 2022, 2023 Assembly Bill 627 revises the employment-related qualifications of the credit to allow eligibility if a person creates new jobs or retains existing jobs and makes a capital investment in the state, or if a person does not decrease net employment in the person's business in the year preceding the certification. The bill increases the maximum amounts that may be claimed for property investment from 3 percent to 10 percent for personal property and from 5 percent to 10 percent for real property, and authorizes additional claims related to investments in workforce housing and establishment of employee child care programs, at a level not to exceed 15 percent of the amounts of those investments. The bill also specifies that WEDC must approve or deny an application for the certification for the credit within 90 days after receiving a person's application.

## ASSEMBLY SUBSTITUTE AMENDMENT 1

Generally, Assembly Substitute Amendment 1 specifies certain changes to the bill's treatment of the business development tax credit, and specifies new, additional changes to the enterprise zone tax credit, also administered by WEDC. In addition, the substitute amendment delays implementation of the proposed revisions to first apply in taxable years beginning after December 31, 2023.

### Business Development Tax Credit

Relative to Assembly Bill 627, Assembly Substitute Amendment 1 makes the following revisions to the business development tax credit:

- Retains the creation of additional claims related to investments in workforce housing and establishment of employee child care programs, with additional related provisions to disallow duplicate claims relative to other provisions of the credit.
- Retains the 90-day review period for applications for certifications.
- Retains changes to the employment-related qualifications for the credit.

- Removes the bill's increase in the maximum amounts of claims related to personal and real property investment.
- Includes additional revisions to WEDC's expenditure authority for the credit to clarify inclusion of unused allocations from closed awards.

## **Enterprise Zone Tax Credit**

The substitute amendment includes the following revisions to the enterprise zone tax credit:

- A new definition of "full-time job", defined as a nonseasonal job for which the annual pay is more than 2,080 multiplied by 150 percent of the federal minimum wage, and for which retirement, health, and other benefits are offered. Current law requires an employee to actually work 2,080 hours per year.
- Amendment of the definition of "zone payroll" to mean amounts attributable to full-time employees "based in" an enterprise zone. Current law requires services to be "performed in" the zone.
- Creation of a new 12-month period "base year" definition for calculation of enterprise zone credits. Current law calculates credits using the prior taxable year as the base year.
- Amendment of WEDC's authority to require repayment of enterprise zone credits to state that repayment may be required for general failure to comply with an agreement entered into between a business and WEDC. Current law specifies that WEDC may require repayment when a business fails to maintain employment levels or significant capital expenditure as required by an agreement with WEDC.
- Sunset of certain "supplemental claims" to the enterprise zone credit that previously allowed certification of enterprise zone benefits for a qualifying financial services technology business.

## **ASSEMBLY AMENDMENT 1 TO ASSEMBLY SUBSTITUTE AMENDMENT 1**

Under current law, in order to award tax credits for property investment under the business development tax credit, a project must involve a total capital investment of at least \$1,000,000, or, if less than \$1,000,000, total capital investment equal to at least \$10,000 per eligible employee employed on the project.

For taxable years beginning after December 31, 2023, Assembly Amendment 1 to Assembly Substitute Amendment 1 lowers the capital investment threshold, described above, to \$250,000.

## **BILL HISTORY**

2023 Assembly Bill 627 was introduced by Representative Armstrong, on November 8, 2023. On December 7, 2023, Representative Armstrong offered Assembly Substitute Amendment 1 to Assembly Bill 627. On January 4, 2024, the Assembly Committee on Ways and Means recommended adoption of Assembly Substitute Amendment 1 and passage of Assembly Bill 627 on successive votes of Ayes, 10; Noes, 0.

Assembly Amendment 1 to Assembly Substitute Amendment 1 was offered by Representative Armstrong on January 30, 2024. On February 7, 2024, the Joint Committee on Finance recommended adoption of Assembly Amendment 1 to Assembly Substitute Amendment 1, adoption of Assembly Substitute Amendment 1, and passage of Assembly Bill 627, as amended, on successive votes of Ayes, 15; Noes, 0.

For a full history of the bill, visit the Legislature's [bill history page](#).

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