

## Open Meetings Notice

The teleconference meeting of the Board of Directors for the Wisconsin Economic Development Corporation will be held on October 17, 2017 at 11:00 a.m. in WEDC's First Floor Conference Room, located at 201 West Washington Avenue, Madison, WI 53703. The items to be discussed are included below. Note that some members of the Board may attend by phone. Note also that the meeting will be closed under Wis. Stat. § 19.85(1) as indicated below.

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### Agenda

#### Wisconsin Economic Development Corporation Meeting of the Board of Directors

WEDC  
First Floor Conference Room  
201 West Washington Avenue  
Madison, WI 53703

October 17, 2017  
11:00 a.m. – 12:00 p.m.

1. Call to Order and Roll Call
2. Review and Vote on the EIMTZ Program Guideline
3. Closed Session  
*Under Wis. Stat. § 19.85(1)(e) and (g), a closed session is authorized for deliberating the investing of public funds whenever competitive or bargaining reasons and conferring with legal counsel regarding litigation, respectively, require a closed session. The Board will be meeting in closed session for the purpose of updating the Board on economic development project negotiations and confer with legal counsel. The Board will open the meeting again at the end of the closed session.*
4. Adjournment





**Wisconsin Economic Development Corporation  
Program Guidelines for Fiscal Year 2018**

**Program Name:** Electronics and Information Technology Manufacturing Zone (EITMZ)

**Program Inception:** 2017 Act 58

**Lead Division:** Business and Community Development

**New**             **Revised**    [Click here to enter a date.](#)

**Aid**             **Pass-thru Aid**     **Technical Assistance**

**Program Goal:**

The goal of the Electronics and Information Technology Manufacturing Zone (EITMZ) Program is to incent a project involving the attraction of major business operations to Wisconsin.

This program primarily supports the following WEDC Strategic Pillar and Focus Area:

Business Development: Business and Investment Attraction

**Program Description:**

The program supports job creation and capital investment by providing refundable tax credits that can help to reduce Wisconsin state income tax liability or provide a refund, thereby helping to enhance cash flow to attract a business to begin operations in Wisconsin.

**Eligibility Requirements:**

One EITMZ may be designated by WEDC.

An electronics and information technology manufacturing business may qualify for EITMZ certification where the business begins operation in EITMZ.

EITMZ Tax Credit projects must meet the requirements in §§ 238.396, 71.07 (3wm), and 71.28 (3wm), Wis. Stats. Among other things, these statutes cover applicable definitions, eligibility for tax benefits, and limits on the tax benefits.

The EITMZ may exist for up to 15 years.<sup>1</sup> WEDC may cap the award and/or limit the number of years in which credits may be claimed within the EITMZ. The maximum amount of tax credits that may be awarded is \$2,850,000,000. Of that amount, a maximum \$1,500,000,000 may be awarded for job creation and a maximum \$1,350,000,000 may be awarded for significant capital investment.<sup>2</sup>

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<sup>1</sup> Wis. Stat. Sec. 238.396(2).

<sup>2</sup> Wis. Stat. Sec. 238.396(3s).



## Definitions:

The following definitions supplement those in §§ 238.396, 71.07 (3wm), and 71.28 (3wm), Wis. Stats.

- “Claimant” means a person who is certified to claim tax benefits under s. 238.396 (3) and who files a claim under s. 71.07 (3wm) or s. 71.28 (3wm).
- “Certification Date” means the date, designated by WEDC, on which the eligibility to earn Tax Credits begins.
- A “Full-Time Employee” means an individual who is employed in a job for which the annual pay is at least \$30,000 and who is offered the retirement, health, and other benefits that are equivalent to the retirement, health, and other benefits offered to an individual who is required to work at least 2,080 hours per year.<sup>3</sup>
- A “Partial-Year Employee” means an individual who only worked part of the year due to their hiring or termination dates, who would have met the Full-Time Employee definition had they worked the full year.
- “Significant capital expenditure” means a capital investment in a WEDC-designated EITMZ that is needed to achieve a specific purpose agreed to by WEDC.
- “State payroll” means the amount of payroll apportioned to this state, as determined under s. 71.25 (8).
- “Tax Credits” means the EITMZ Tax Credits authorized pursuant to Wisconsin Statutes §§ 238.396, 71.07 (3wm), and 71.28 (3wm).
- “Taxable year”, as defined in Wis. Stat. Sec. 71.01(12), means the taxable period upon the basis of which the taxable income of the taxpayer is computed for federal income tax purposes.
- “Zone Payroll” means the amount of state payroll that is attributable to wages paid by the claimant to full-time employees for services that are performed in the zone or that are performed outside the zone, but within the state, and for the benefit of the operations within the zone, as determined by the Wisconsin Economic Development Corporation. “Zone payroll” does not include the amount of wages paid to any full-time employees that exceeds \$100,000.<sup>4</sup>

## EITMZ Designation<sup>5</sup>

One electronics and information technology manufacturing zone may be designated in this state.

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<sup>3</sup> Wis. Stat. Sec. 71.07(3wm)(a)2; Wis. Stat. Sec. 71.28(3wm)(a)2.

<sup>4</sup> Wis. Stat. Sec. 71.07(3wm)(a)8; Wis. Stat. Sec. 71.28(3wm)(a)8.

<sup>5</sup> Wis. Stat. Sec. 238.396(1m).



Designation of EITMZ is based on the following factors.

- Indicators of the area's economic need, data regarding household income, average wages, the condition of property, housing values, population decline, job losses, infrastructure and energy support, the rate of business development, and the existing resources available to the area.
- The effect of designation on other initiatives and programs to promote economic and community development in the area, including job retention, job creation, job training, and creating high-paying jobs.
- Preference is given based on the greatest economic need.

In determining whether to designate an EITMZ, WEDC may evaluate a wide range of factors including the following:

- Whether the project might not occur without the allocation of tax credits.
- The extent to which the project will increase employment in this state.
- The extent to which the project will contribute to the economic growth of this state.
- The extent to which the project will increase geographic diversity of available tax credits throughout this state.
- The financial soundness of the business.
- Whether the business offers health, retirement and other benefits.
- Any previous financial assistance that the business received from the WEDC.

### **Certification**

A business (which may consist of one or more Claimants) may qualify for EITMZ certification where the electronics and information technology manufacturing business begins operations in the zone.<sup>6</sup>

The corporation shall revoke the certification<sup>7</sup> to claim tax benefits if the business does any of the following:

- Supplies false or misleading information to obtain tax benefits.
- Leaves the EITMZ to conduct substantially the same business outside of the EITMZ
- Ceases operations in the EITMZ and does not renew operation of the business or a similar business in the EITMZ within 12 months.

The corporation may not certify a business to claim tax benefits under ss. 71.07 (3wm) (b) and 71.28 (3wm) (b) for services performed outside this state.<sup>8</sup>

### **Tax Credits Calculation**

A business may qualify for Tax Credits only for eligible activities that occur after the Certification Date established by WEDC. A business may be eligible to earn Tax Credits for multiple eligible activities. The amount of Tax Credits earned for each activity shall align with the following calculations, capped at amounts determined by WEDC to be reflective of the economic impact the project will have in the state of Wisconsin.

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<sup>6</sup> Wis. Stat. Sec. 238.396(3).

<sup>7</sup> Wis. Stat. Sec. 238.396(4).

<sup>8</sup> Wis. Stat. Sec. 238.396(3s)(c).



A business may qualify for EITMZ Tax Credits in one or more of the following categories: Job Creation and Capital Investments. Each are described in detail herein.

**Job Creation Tax Credit Calculation:**<sup>9</sup>

A business would be entitled to a credit of up to seventeen percent (17%) as identified in the following calculation. Job creation thresholds must be set for each year in the zone.<sup>10</sup>

To qualify for Job Creation and Capital Expenditure Tax Credits, a business must meet the job creation thresholds. Partial Year Employees are included in these calculation as follows:

- Partial-Year Employees whose employment was terminated prior to the end of the taxable year will not be counted as a New Full-Time Employee.
- Partial-Year Employees employed as of the end of the taxable year will be counted as a New Full-Time Employee.

**Step 1: Identify Zone Payroll for Full-Time Employees.**<sup>11</sup>

- For each taxable year, determine the total state payroll for all Wisconsin employees making \$30,000 or more. All paid wages up to \$100,000 must be included. The wages for Partial-Year Employees will be included in the zone payroll for Job Creation credit calculation.
- The use of State Payroll which is limited to “compensation paid in this state” ensures that WEDC identifies credit for “services performed in the zone or that are performed outside the zone, but within the state, and for the benefit of the operations within the zone.”

**Step 2: Job Creation Credit Determination.** Multiply the Zone Payroll by the credit percentage (which cannot exceed seventeen percent (17%)).<sup>12</sup>

Full-Time Employees created for which Job Creation Tax Credits are earned shall be maintained for the duration of the EITMZ and may be subject to additional contractual requirements as required by WEDC.

**Significant Capital Expenditure Tax Credit Calculation:**<sup>13</sup>

A business is entitled to up to 15% of the Certified Business’ Significant Capital Expenditures. WEDC shall, in a manner determined by WEDC, allocate the tax credits earned over a period of seven years. The capital expenditure tax benefits shall be tied to the job creation thresholds.<sup>14</sup>

Capital Expenditures are generally defined as depreciable, tangible assets such as land, buildings, and equipment. Credit will be allowed for both capital leases or purchased property.

<sup>9</sup> Wis. Stat. Sec. 71.07(3wm)(b); Wis. Stat. Sec. 71.28(3wm)(b).

<sup>10</sup> Wis. Stat. Sec. 238.396(3m).

<sup>11</sup> Wis. Stat. Sec. 71.07(3wm)(b)1; Wis. Stat. Sec. 71.28(3wm)(b)1.

<sup>12</sup> Wis. Stat. Sec. 71.07(3wm)(b)2; Wis. Stat. Sec. 71.28(3wm)(b)2.

<sup>13</sup> Wis. Stat. Sec. 71.07(3wm)(bm); Wis. Stat. Sec. 71.28(3wm)(bm).

<sup>14</sup> Wis. Stat. Sec. 238.396(3m).



Significant Capital Expenditures made for which Capital Investment Tax Credits are earned shall remain titled in the name of the Claimant for the duration of the EITMZ and may be subject to additional contractual requirements as required by WEDC.

**Verification:**

The business will be required to submit documentation outlining the eligible activities, actual wages and expenditures to be awarded its designated EITMZ Tax Credits.

WEDC will annually determine the amount of Tax Credits earned and able to be claimed by the Claimants based on eligible activities, actual wages and expenditures pursuant to ss. 71.07 (3wm) and 71.28 (3wm).<sup>15</sup>

WEDC will notify the Claimants and the Department of Revenue of the amount eligible to be claimed against the Claimants' taxes each year with a written verification of the Tax Credits earned.<sup>16</sup> Claimants must attach appropriate forms to its Wisconsin tax return submitted to the Department of Revenue to obtain the tax benefits. No person may file with the Department of Revenue for Tax Credits without the written verification of WEDC.<sup>17</sup>

Tax Credits are refundable and non-transferable. If the amount of Tax Credits approved for a tax year exceeds the amount of tax due for the tax year, the excess credit amount will be refunded to the Claimants.<sup>18</sup>

The corporation may require a business to repay any tax benefits the business claims for a year in which the business failed to maintain employment levels or a significant capital investment in property required by its agreement.<sup>19</sup> Additionally, if, within five years of the business's certification date, the business ceases operations in the state, and commences substantially the same economic activity outside the state, the business must repay 100% of tax credits claimed.<sup>20</sup>

**Incentives and Available Funding (FY18): 1 EITMZ designation**

The incentives under this program are refundable tax credits according to the following stipulations:

EITMZ Job Creation Credit: A tax credit equal to no more than 17% of the amount of zone payroll that is attributable to wages (capped at \$100,000 per employee) paid to Full-Time Employees for services that are performed in the zone or that are performed outside the zone, but within the state, and for the benefit of the operations within the zone, as determined by WEDC. This benefit may be awarded for up to 15 years, and cannot exceed \$1,500,000,000 in total tax benefits.

Investment Credit: The business may also claim up to 15% of its significant capital expenditures. This benefit may be allocated for up to 7 years, and cannot exceed \$1,350,000,000 in total tax benefits.

**Activities & Expected Outcomes:**

<sup>15</sup> Wis. Stat. Sec. 238.396(4)(d).

<sup>16</sup> Wis. Stat. Sec. 238.396(4)(c).

<sup>17</sup> Wis. Stat. Sec. 71.07(3wm)(c)2; Wis. Stat. Sec. 71.28(3wm)(c)2.

<sup>18</sup> Wis. Stat. Sec. 71.07(3wm)(d)2; Wis. Stat. Sec. 71.28(3wm)(d)2.

<sup>19</sup> Wis. Stat. Sec. 238.396(4)(b).

<sup>20</sup> Wis. Stat. Sec. 238.12(2)



Assist one business (which may consist of multiple Claimants) to support the creation of 13,000 jobs and achieve a 4:1 leverage of other investment.

**Performance Reporting:**

As part of the verification process referenced above, recipients will be required to annually submit a performance report documenting the project's total capital investment and job creation, as well as any other contract deliverable.

WEDC will require an annual independent third-party verification of project deliverables.

WEDC may impose additional reporting requirements to evaluate project performance and to ensure compliance with contract deliverables.

**Application and Awards Process:**

Applicants for the EITMZ program should complete an application through an Account Manager. The completed application will be assigned to an underwriter and go through the award review process

For more information on application review, internal process, and award distribution, please refer to WEDC's award administration policies and procedures.

**Revision History:**

Effective Date	Description of Change

**PROGRAM REVIEW:**

This document has been reviewed by the following parties (Check all that apply):

- Chief Operating Officer
- Chief Legal Counsel & Compliance Officer
- Chief Financial Officer
- Other \_\_\_\_\_

Director of Public Policy: \_\_\_\_\_ Date \_\_\_\_\_

Division Vice President: \_\_\_\_\_ Date \_\_\_\_\_

**AUTHORIZED APPROVAL:**

CEO or Designee: \_\_\_\_\_ Date \_\_\_\_\_



**Board Chair:**

\_\_\_\_\_

**Date** \_\_\_\_\_



