



**Wisconsin Economic Development Corporation
Program Guidelines for Fiscal Year 2020**

Program Name: Development Opportunity Zone (DOZ)

Program Inception: 1993 Act 232

Lead Division: Business and Community Development

New **Revised** Click here to enter date.

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

Program Goal:

The goal of the Development Opportunity Zone (DOZ) program is to incent new and expanding businesses in the Cities of Beloit, Janesville and Kenosha.

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

Business Development: Business Retention and Expansion

Program Description:

The program supports job creation, job retention, capital investment, and environmental remediation by providing non-refundable tax credits that can help to reduce a company's Wisconsin state income tax liability, thereby helping to enhance its cash flow to either increase the expansion project's scope, accelerate the timing of the project or enhance payroll. Also, the program incents the creation of jobs for target group members.

Eligibility Requirements:

Generally, businesses located in or relocating to an area designated as a DOZ under § 238.395(1), Wis. Stats. – currently the Cities of Beloit, Janesville, and Kenosha – may be eligible for DOZ Tax Credits.

A Certified Business may qualify for tax credits only for activities that occur after an eligibility date established by WEDC and while the particular area(s) is designated as a DOZ – currently:

- The city of Janesville's DOZ designation extends until February 28, 2020,¹
- The city of Kenosha's DOZ designation extends until March 8, 2021,² and
- The city of Beloit's DOZ designation extends until July 31, 2021.³

Any person that is conducting or intends to conduct economic activity under the DOZ must submit a project plan, in conjunction with the local governing body of the city in which the DOZ is located.⁴ The project plan must comply with the requirements under Wis. Stat. Sec. 238.395(3)(b).

¹ Wis. Stat. § 238.395(2)(e)1.

² Wis. Stat. § 238.395(2)(e)2.

³ Wis. Stat. § 238.395(2)(e)3.

⁴ Wis. Stat. § 238.395(3).



DOZ projects must meet the requirements as contained in §§ 238.385, 238.395, 71.07 (2dm) and (2dx), 71.28 (1dm) and (1dx), 71.47 (1dm) and (1dx), and 76.636, Wis. Stats. These statutes cover definitions, eligibility, and limits on these tax credits.

Definitions:

The following definitions supplement those in §§ 238.395, 71.07 (2dm) and (2dx), 71.28 (1dm) and (1dx), 71.47 (1dm) and (1dx), and 76.636, Wis. Stats.

- “Certified Business” means a business certified by WEDC as eligible to earn Tax Credits based on the parameters of this guideline and based on the business’ total number of Eligible Employees in the State of Wisconsin as determined by the Federal Employment Identification Number (“FEIN”) under which the business files its taxes.
- “Certification Date” means the date, designated by WEDC, on which the eligibility to earn Tax Credits begins. No activities occurring prior to the Certification Date will be considered in allocating Tax Credits.
- “Environmental Remediation” means removal or containment of environment pollution, as defined in § 299.01 (4) Wis. Stats, and restoration of soil or groundwater that is affected by environmental pollution, as defined in § 299.01 (4) Wis. Stats, in a brownfield if that removal, containment or restoration fulfills the statutory requirement⁵ and investigation unless the investigation determines that remediation is required and that remediation is not undertaken.
- A “Full-Time Job” means a regular, non-seasonal full-time position in which the annual pay for the position is more than the amount determined by multiplying 2,080 by 150% of the federal minimum wage, and an individual in the position is offered 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.⁶ “Full-Time Job” does not include initial training before an employment position begins.⁷

Employees that do not meet the definition will not be counted toward headcount or wages. Part-time employees do not count.

- “Ineligible Business” means businesses ineligible for tax credits unless extraordinary circumstances exist, including but not limited to a serious threat of a business leaving the state, significant job creation or retention, or significant capital investment, and such extraordinary circumstances are approved by the Board of Directors’ Awards Administration Committee. Such Ineligible Businesses include:
 - Payday loan and title loan companies
 - Telemarketing other than inbound call centers
 - Pawn shops
 - Media outlets
 - Retail

⁵ Wis. Stat. §§ 71.07 (2de) (a) 1., 2013 stats.; 71.28 (1de) (a) 1., 2013 stats.; 71.47 (1de) (a) 1., 2013 stats.

⁶ Wis. Stat. §§ 238.30(2m)(b)

⁷ Wis. Stat. §§ 238.30(2m)(a). While there are two statutory definitions of Full-Time Employee, WEDC utilizes the above identified definition in its contracts.



- Farms
 - Primary care medical facilities
 - Financial Institutions
 - The hospitality industry
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- “Member of a targeted group” means a person who resides in an area designated by the federal government as an economic revitalization area, a person who is employed in an unsubsidized job but meets eligibility requirements for a Wisconsin Works employment position, a person who is employed in a trial job, or in a trial employment match program, a person who is eligible for child care assistance, a person who is a vocational rehabilitation referral, an economically disadvantaged youth, and economically disadvantaged veteran, a supplemental security income recipient, a general assistance recipient, and economic disadvantaged ex-convict, a dislocated worker, or a food stamp recipient.⁸

 - “Tax Credits” means the DOZs Tax Credits authorized pursuant to Wisconsin Statutes §§ 238.395, 71.07 (2dx), 71.28 (1dx), and 71.47 (1dx).

Certification:

Companies can be certified for DOZ tax credits in four categories: Job Creation, Job Retention, Capital Investment (Real and Personal Property) and Environmental Remediation. Each are described in detail herein.

Job Creation:

Job creation allocations will be based on projected jobs to be created over three years. Businesses will earn job creation tax credits for a maximum of three years, and must maintain jobs for five years, commencing on the Certification Date established by WEDC. Full-Time Jobs filled by Eligible Employees for which Tax Credits have been verified must be maintained for a period of at least either five years from the Certification Date, or a period of two years after the final earning period for job creation and retention, whichever is longer, measured as of the last day of the maintenance period. Once the DOZ expiration date passes, no additional tax credits can be claimed under the program, but the company must maintain all jobs for the full five years after the Certification Date.

The following job creation credits may be available:

- Up to \$8,000 in tax benefits will be allowed for creating a Full-Time Job in the DOZ filled by a member of the targeted population.⁹ Any Wisconsin Works subsidy under Wis. Stat. Sec. 49.147(3)(a) paid for the created jobs must be deducted from the calculation of credits.¹⁰
- Up to \$6,000 in tax benefits will be allowed for creating a Full-Time Job in the DOZ filled by an individual who is a Wisconsin Resident that is not a member of the targeted population.¹¹ Any Wisconsin Works subsidy under Wis. Stat. Sec. 49.147(3)(a) paid for the created jobs must be deducted from the calculation of credits.¹²

⁸ Wis. Stat. §§ 71.07(2dx)(a)5; 71.28(1dx)(a)5; 71.47(1dx)(a)5.

⁹ Wis. Stat. § 238.385(1)(b).

¹⁰ Wis. Stat. §§ 71.07(2dx)(b)2; 71.28(1dx)(b)2; 71.47(1dx)(b)2.

¹¹ Wis. Stat. § 238.385(1)(c)1.

¹² Wis. Stat. §§ 71.07(2dx)(b)3; 71.28(1dx)(b)3; 71.47(1dx)(b)3.



Award amounts will be made with consideration of unemployment rates, recent layoffs, health benefits, regional poverty rates, distressed county, per capita income, and public involvement necessary to move the project forward.

At least one-third of the tax credits claimed by a business based on creating full-time jobs shall be based on creating jobs that are filled by members of a targeted group.¹³ WEDC may grant exceptions to this requirement if the corporation determines that a business has made reasonable attempts to hire members of a targeted group, but has been unable to hire sufficient numbers of target group members to reach the one-third standard.¹⁴

Job Retention:

Job retention tax credits are available only for positions that WEDC identifies would not have been retained without the tax credits.¹⁵ Businesses will earn job retention tax credits over five years and must maintain those jobs during the entire five-year period, commencing on the Certification Date. Once the DOZ expiration date passes, no additional tax credits can be claimed under the program, but the company must maintain all jobs for the full five years after the Certification Date, measured as of the last day of the maintenance period.

The following job retention credits may be available:

- Up to \$8,000 in tax benefits will be allowed for retaining a Full-Time Job in the DOZ if the WEDC identifies that a significant capital investment was made to retain that job.¹⁶ Any Wisconsin Works subsidy under Wis. Stat. Sec. 49.147(3)(a) paid for the retained jobs must be deducted from the calculation of credits.¹⁷
- Up to \$6,000 in tax benefits will be allowed for retaining a Full-Time Job in the DOZ filled by an individual who is a Wisconsin Resident that is not a member of the targeted population.¹⁸ Any Wisconsin Works subsidy under Wis. Stat. Sec. 49.147(3)(a) paid for the retained jobs must be deducted from the calculation of credits.¹⁹

Award amounts will be made with consideration of unemployment rates, recent layoffs, health benefits, regional poverty rates, distressed county, per capita income, and public involvement necessary to move the project forward.

Capital Investment:

Allocation of capital investment tax credits will be limited to up to 3% of the eligible capital investment.²⁰ The tax credits can be earned on both real and personal property capital investments.

Businesses whose primary activity includes retail, commercial development, recreation, entertainment or direct health care are not eligible to earn tax credits through capital investment.

¹³ Wis. Stat. § 238.385(1)(e).

¹⁴ Wis. Stat. § 238.385(2)(a).

¹⁵ Wis. Stat. § 238.385(1)(a).

¹⁶ Wis. Stat. § 238.385(1)(bm).

¹⁷ Wis. Stat. §§ 71.07(2dx)(b)4; 71.28(1dx)(b)4; 71.47(1dx)(b)4.

¹⁸ Wis. Stat. § 238.385(1)(c)2.

¹⁹ Wis. Stat. §§ 71.07(2dx)(b)5; 71.28(1dx)(b)5; 71.47(1dx)(b)5.

²⁰ Wis. Stat. §§ 71.07(2dm)(b); 71.28(1dm)(b); 71.47(1dm)(b).



Allocation of credits will be based on eligible capital investments projected over a three-year period. Businesses will have three years in which to earn allocated credits, which will be released annually based on the actual eligible capital investment taking place during the preceding year.

Tax credits allocated for capital investment must meet the following criteria:

- There must be capital investment in a project that is beyond a Certified Business's normal capital expenditures. This specific purpose includes, but is not limited to, diversifying product lines and modernizing and enhancing the efficiency of production processes.
- The amount of the investment is at least \$10,000 for each full-time employee working at the Certified Business's project location, or \$1,000,000, whichever is less.
- At least 25% of the tax benefit verified by WEDC must be based on creating or retaining full-time jobs.²¹ WEDC may grant exceptions to this requirement if WEDC determines that a business makes a significant capital investment.²²

Personal Property Capital Investment

At least 50% of the use of the depreciable, tangible personal property (i.e., equipment, machinery) shall be for the Certified Business's operations located in the DOZ.²³

The depreciable, tangible personal property (i.e., equipment, machinery) must be purchased after the certification date and cannot be purchased from a Related Person. "Related Person" includes a family member, such as a brother, sister, parent, grandparent, child, grandchild, spouse or in-laws; a corporation or any entity that owns more than 50% of the Certified Business; or any corporation which is part of the same controlled group of corporations.

Real Property Capital Investment

A Certified Business may qualify for capital investment tax credits for an amount expended to construct, rehabilitate, remodel or repair real property if the business began the physical work of construction, rehabilitation, remodeling or repair, or any demolition or destruction in preparation for the physical work after the Certification Date specified by WEDC.²⁴ Physical work does not include preliminary activities such as planning, designing, securing financing, researching, developing specifications or stabilizing property to prevent deterioration.²⁵

The claimant may claim credits for amounts expended to acquire the real property if either of the following are met:

- (1) the claimant acquired the real property after the designation of the property as a DOZ and the property was not a "Previously Owned Property" as defined in Wis. Stat. Sec. 71.07(a)4; or
- (2) the completed project was placed in service after the claimant was certified.²⁶

²¹ Wis. Stat. § 238.385(1)(d).

²² Wis. Stat. § 238.385(2)(a).

²³ Wis. Stat. §§ 71.07(2dm)(c); 71.28(1dm)(c); 71.47(1dm)(c).

²⁴ Wis. Stat. §§ 71.07(2dm)(d); 71.28(1dm)(d); 71.47(1dm)(d).

²⁵ Id.

²⁶ Wis. Stat. §§ 71.07(2dm)(e); 71.28(1dm)(e); 71.47(1dm)(e).



To the extent that the property is not being used for the purpose for which the claimant is certified, the credit will be reduced on a proportional basis.

Environmental Remediation:

Tax benefits for environmental remediation are determined as 50% of eligible costs.²⁷

A business is not required to qualify for job creation, job retention, or capital investment credit in order to obtain credits for environmental remediation under §§ 71.07(2dx)(b)1, 71.28(1dx)(b)1, 71.47(1dx)(b)1, or 76.636, Wis. Stats.²⁸ Credits may only be earned under this activity for an eligible remediation activity.

Eligibility to Claim:

Certified Businesses will be required to submit documentation outlining the eligible activities, actual wages and expenditures to be awarded its designated DOZ Tax Credits. WEDC may request additional information from the Certified Business.

WEDC will annually determine the amount of Tax Credits earned and able to be claimed by the Certified Business based on eligible activities and expenditures.²⁹ WEDC will notify the Certified Business and the Department of Revenue of the amount eligible to be claimed against the Certified Business' taxes each year with a written verification of the Tax Credits earned. A Certified Business must attach appropriate forms to its Wisconsin tax return submitted to the Department of Revenue to obtain the tax benefits.³⁰ No person may file with the Department of Revenue for Tax Credits without the written verification of WEDC.

Tax Credits are non-refundable. If the amount of Tax Credits approved for a tax year exceeds the amount of tax due for the tax year, the excess credit may be carried forward for up to 15 years.³¹

The corporation shall revoke the entitlement of a person to claim tax benefits if the person does any of the following:

- Supplies false or misleading information to obtain the tax benefits;
- Leaves the development opportunity zone to conduct substantially the same business outside of the development opportunity zone; or
- Ceases operations in the development opportunity zone and does not renew operation of the trade or business or a similar trade or business in the development opportunity zone within 12 months.³²

Incentives and Available Funding (FY20): \$2,972,650 – Janesville; \$9,519,000 – Beloit; \$9,250,000 – Kenosha

²⁷ Wis. Stat. §§ 71.07(2dx)(b)1; 71.28(1dx)(b)1; 71.47(1dx)(b)1.

²⁸ Wis. Stat. § 238.385(1)(d).

²⁹ Wis. Stat. § 238.395(3)(d).

³⁰ Wis. Stat. §§ 71.07(2dm)(f); 71.28(1dm)(f); 71.47(1dm)(f); Wis. Stat. §§ 71.07(2dx)(e)1; 71.28(1dx)(e)1; 71.47(1dx)(e)1.

³¹ Wis. Stat. §§ 71.07(2dm)(h); 71.07(2dx)(e)1; 71.28(1dm)(h); 71.28(1dx)(e)1; 71.47(1dm)(h); 71.47(1dx)(e)1; 76.636(3).

³² Wis. Stat. § 238.395(4).



Activities and Expected Outcomes:

No awards are expected in this program in FY20.

Performance Reporting:

Recipients will be required to annually submit a performance report documenting capital investment, job creation, job retention, as well as any other contract deliverable.

WEDC annually selects awards on a sample basis for an audit. All backup documentation to the performance report is required to be maintained for the life of the award.

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

Application and Awards Process:

The DOZ program has a continuous application process. Applicants for a DOZ certification 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
7/1/2017	Added statutory references to eligibility requirements to clarify submission requirements
7/1/2017	Clarified definition of Full-Time Employee to reflect standard WEDC contract language
7/1/2017	Eliminated redundant language related to benefits offered by the business
7/1/2017	Added statutory references to clarify certification requirements for eligible activities
7/1/2017	Clarified the conditions under which WEDC may revoke tax benefits
7/1/2018	Added statutory citations
7/1/2018	Clarified maintenance requirements for job creation and retention
7/1/2019	Added statutory citations; clarified duration of maintenance period; clarified performance reporting requirements

PROGRAM REVIEW:

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

- Chief Operating Officer
- Chief Legal Officer
- Chief Financial Officer
- Other _____

Senior Director of Public Policy: _____ Date _____

Division Vice President: _____ Date _____

AUTHORIZED APPROVAL:

CEO or Designee: _____

Date _____