

Open Meetings Notice

The teleconference of the Awards Administration Committee for the Wisconsin Economic Development Corporation will be held on March 6, 2019 in WEDC's Sixth 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 committee may attend by phone. Note also that the meeting may be closed under Wis. Stat. § 19.85(1) if indicated below.

Agenda

Wisconsin Economic Development Corporation Teleconference of the Awards Administration Committee

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

**March 6, 2019
1:00-2:00pm**

1. Call to Order and Roll Call
2. Approve the minutes from the November 20, 2018 and December 12, 2018 meetings
3. Awards Administration Policy Overview
4. Review Update to Awards Administration Policy
5. Review and Vote on Enterprise Zone Program Guidelines
6. Closed Session
Per Wis. Stat. § 19.85(1)(e) a closed session is authorized for deliberating the investing of public funds whenever competitive or bargaining reasons require a closed session. The Committee will be meeting in closed session to review pending economic development projects. The Committee will open the meeting again at the end of the closed session.
7. Adjournment

**Wisconsin Economic Development Corporation
Teleconference of the Awards Administration Committee**

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

**November 20, 2018
12:30 – 1:00 P.M.**

(These minutes should be read in conjunction with the agenda and documents prepared for the meeting.)

AAC MEMBERS PRESENT VIA TELECONFERENCE:

- Ray Dreger, Seeds 'N Stuff Farm Market, Inc. (Chair)
- Randy Hulke, UW-Stout
- John Reinke, Retired Banker
- Jim Ladwig, SC Johnson

AAC MEMBERS IN PERSON:

- Mark R. Hogan, WEDC Secretary and CEO
- Tricia Braun, WEDC COO
- Brian Nowicki, WEDC CFO

CALL TO ORDER AND ROLL CALL

Ray Dreger called the meeting to order at 12:30 p.m.

CLOSED SESSION

Ray Dreger requested a motion to approve entering closed session. Motion was made by Jim Ladwig with a second by Randy Hulke. The motion to approve entering closed session was passed unanimously.

Members of the public excused themselves for closed session.

See separate minutes for closed session.

RESUMPTION OF OPEN MEETING

The meeting reconvened in open session at 12:49 p.m.

ADJOURNMENT

Ray Dreger requested a motion to adjourn the meeting. A motion was made by Mark Hogan with a second by Brian Nowicki. The motion to adjourn was passed unanimously. Ray Dreger adjourned the meeting at 12:49 p.m.

**Wisconsin Economic Development Corporation
Teleconference of the Awards Administration Committee**

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

**December 12, 2018
10:30 – 11:30 A.M.**

(These minutes should be read in conjunction with the agenda and documents prepared for the meeting.)

AAC MEMBERS PRESENT VIA TELECONFERENCE:

- Ray Dreger, Seeds 'N Stuff Farm Market, Inc. (Chair)
- Randy Hulke, UW-Stout
- Jim Ladwig, SC Johnson

AAC MEMBERS IN PERSON:

- Mark R. Hogan, WEDC Secretary and CEO
- Tricia Braun, WEDC COO
- Brian Nowicki, WEDC CFO

AAC MEMBERS EXCUSED:

- John Reinke, Retired Banker

CALL TO ORDER AND ROLL CALL

Ray Dreger called the meeting to order at 10:30 a.m.

Lisa Mauer explained the process of the joint Awards Administration Committee and Board teleconference to both the Awards Administration Committee and Board members. Lisa explained the first order of business will be the approval of the first 4 awards on the AAC and Board agenda. These discussions were to be held in closed session pursuant to Wisconsin law.

CLOSED SESSION

Ray Dreger requested a motion to approve entering closed session. Motion was made by Jim Ladwig with a second by Randy Hulke. The motion to enter closed session was passed unanimously

Members of the public excused themselves for closed session.

See separate minutes for closed session.

RESUMPTION OF OPEN MEETING

The meeting reconvened in open session at 11:13 a.m.

ADJOURNMENT

Ray Dreger requested a motion to adjourn the meeting. A motion was made by Tricia Braun with a second by Mark Hogan. The motion to adjourn was passed unanimously. Ray Dreger adjourned the meeting at 11:13 a.m.

Intended use of the data – State, as specifically as possible, how the receiver will use the data. Clearly define studies to be performed, questions to be asked and expected outcomes. State if the receiver may use the data to explore additional research questions without the approval or consent of the provider.

Constraints on use of the data – List any restrictions on how the data or data findings can be used (e.g. sharing, publishing or disseminating data findings and reports). Clearly state if the reports created belong to the receiver or the provider.

Data confidentiality – Describe the required processes that the receiver must use to ensure that data remain confidential. Because data may contain information that can be linked to individuals, it is important to put safeguards in place to ensure that sensitive information remains private. Personal data should remain confidential and should not be disclosed verbally or in writing to an unauthorized third party, by accident or otherwise. Personnel who breach data confidentiality will be subject to disciplinary actions.

Data security – Describe the methods that the receiver must use to maintain data security. Clearly define who will have what level of access to the data at the receiver agency.

Methods of data sharing – Identify the way in which data will be transferred from the provider to the receiver whether physically or electronically. If data are to be sent over the Internet, a secure connection and data encryption is necessary.

Financial costs of data sharing – Clearly state who will cover the monetary costs of sharing the data.

FINANCIAL ADMINISTRATION

9.1. Awards Administration

To ensure a proper and thorough review of all awards, WEDC has implemented an awards administration process, an overview of which is provided here. It is through this process that WEDC exercises its due diligence in administering funds.

Award Approval:

- All potential awards are first sent to underwriters for initial analysis and creation of a staff review, before being reviewed by the Senior Financial Underwriting Director. Staff reviews, underwriting checklists, and background checks, which will be performed on all awardees with the exception of local units of state government, are valid for a maximum of 6 months. The size of the award determines the entities required for approval (see below). These multiple levels of review ensure that all potential awards are thoroughly and rigorously analyzed and holds WEDC to the highest standard of accountability. Likewise, any substantive amendments to awards must go through the approval process in place at the time of the amendment.



- Pursuant to the motion enacted by the Board of Directors on December 13, 2016, the Awards Administration Committee must approve any amendment to an award under which jobs must be retained or created and there has been reduction in the awardee’s statewide employment. This only applies to awards for which the application was received after February 1, 2017.
- WEDC uses the tiers identified in the following chart to determine the entity authorized to approve the award. Each staff review will include a listing of all prior awards with WEDC. To determine the level of approval needed for the staff review, WEDC will calculate the aggregate amount issued to the awardee in the award category (tax credits, loans, grants) addressed in the staff review. If the award is made to a local unit of state government, the approval will be based on the award amount identified in the staff review and not the aggregate amount. The following standards should be considered when calculating the aggregate amount:
 - If a loan or grant has not been fully disbursed, but the company still has time to request the remaining funds, the entire loan or grant (even what has not yet been disbursed) counts towards the aggregate.
 - If a loan has been fully disbursed and is now being paid back, the principal and interest counts towards the aggregate.
 - For grants and tax credits, if the company is still in its required reporting timeframe to us, the original grant or tax credit award will count towards the aggregate.

<p>SENIOR FINANCIAL UNDERWRITING DIRECTOR</p> <ul style="list-style-type: none"> • Loans up to \$150,000 • Grants up to \$25,000 • Tax Credits up to \$125,000 • For awards in this tier, an Underwriting Checklist may serve in place of a Staff Review 	<p>CEO</p> <ul style="list-style-type: none"> • Loans between \$150,001 to \$500,000; • Grants between \$25,001 and \$500,000; • Tax Credits between \$125,001 and \$3,500,000; • Key Strategic Partnership Contracts; • All Technical Assistance Programs; and • All Bonding Authority Awards
<p>AWARDS ADMINISTRATION COMMITTEE</p> <ul style="list-style-type: none"> • Loans between \$500,001 to \$1,000,000; • Grants between \$500,001 and \$2,000,000; and • Tax Credits between \$3,500,001 and \$10,000,000. • Specified amendments where there has been a job reduction. • Exercise an option to convert a loan into an equity investment 	<p>FULL BOARD OF DIRECTORS</p> <ul style="list-style-type: none"> • Loans over \$1,000,000; • Grants over \$2,000,000; • Tax Credits over \$10,000,000; • All Enterprise Zone Designations, regardless of amount.

- The CEO may, under urgent circumstances in which not acting expeditiously may result in WEDC losing the opportunity to contract with a business for the benefit of Wisconsin, approve an award request, regardless of amount, without the prior approval of the AAC or the Board of Directors. The CEO may only exercise this authority after obtaining approval to do so from the CFO and the AAC's Chairperson, and if the award in question does not present any exceptions to the mandatory requirements in the relevant program guideline. This authority does not apply to Enterprise Zone Designations. Upon the CEO exercising this authority, a checklist or staff review must be completed by an underwriter and flow through the standard approval process. A summary report of the exercise of this authority and award approval must be submitted to the AAC and the Board of Directors as soon as possible, but no later than thirty (30) days after the CEO's exercise of authority.

Extension of Credit to Past Due Borrowers:

Additional credit may be extended to recipients with delinquent loans for the purpose of paying principal or interest payments only with the approval of the AAC. The AAC may only approve such loans if there is a certain, identifiable source of repayment for the loan and repayment is not solely dependent on collateral available or to be pledged.

Extension of Financial Support to Borrowers with Convertible Notes:

Recipients of WEDC convertible notes or warrants are not eligible for additional WEDC financial awards such as loans, tax credits, grants or other assistance that directly impacts a company's financial status. Recipients of WEDC convertible notes are eligible for WEDC non-monetary and indirect assistance, such as technical assistance and Qualified New Business Venture certification.



March 2019

PROJECT IMPACT ANALYSIS

WHAT IS IT?

Modern input-output analysis was developed at Harvard University in 1949 and has become a backbone principle of macroeconomics, showing how different sectors of the economy are interconnected. WEDC research staff conducts economic impact analysis using industry-standard modelling software as part of its efforts to evaluate and report upon the impacts of business and community development projects.

WHAT DO WE USE?

In 2013 WEDC began using [Emsi](#) Developer to estimate the long-term operational impacts of economic development projects. As part of our continuous process improvement efforts, in 2016 WEDC staff developed an excel-based tool using the outputs of the Emsi impact scenarios to estimate the increase in annual state income tax revenue resulting from job creation. The “ROI Calculator” also estimated the potential payback period for economic development projects and compared individual project metrics (i.e. award amount, job creation, leverage) to program averages. WEDC added [IMPLAN](#) to its research toolbox in 2017 to estimate the short-term impacts of construction and other capital investments.

HOW IS IT USED?

WEDC staff and senior leadership use the impact estimates to assess regional economic conditions, industry trends, and to evaluate award recommendations. For economic development projects, research staff produce the Emsi and IMPLAN reports and enter the project metrics into the ROI calculator. Account managers reference the project impacts in opportunity recommendation memos and letters of support prior to submitting an application for review. The underwriting team includes the results of these analyses in the economic impact section of the WEDC Staff Review. As part of the Annual Report on Economic Development (ARED), the Policy team compiles the aggregate impact and ROI metrics for publication in the report.

In addition, WEDC offers access to the Emsi Developer tool to partner organizations such as Regional Planning Commissions and the nine Regional Economic Development Organizations.

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SENIOR FINANCIAL UNDERWRITING DIRECTOR

- Loans up to \$150,000
- Grants up to \$25,000
- Tax Credits up to \$125,000
- For awards in this tier, an Underwriting Checklist may serve in place of a Staff Review

CEO

- Loans between \$150,001 to \$500,000;
- Grants between \$25,001 and \$500,000;
- Tax Credits between \$125,001 and \$3,500,000;
- Key Strategic Partnership Contracts;
- All Technical Assistance Programs; and
- All Bonding Authority Awards

AWARDS ADMINISTRATION COMMITTEE

- Loans between \$500,001 to \$1,000,000;
- Grants between \$500,001 and \$2,000,000; and
- Tax Credits between \$3,500,001 and \$10,000,000.
- Specified amendments where there has been a job reduction.
- Exercise an option to convert a loan into an equity investment
- **Statutory conflict of interest by a board member.**

FULL BOARD OF DIRECTORS

- Loans over \$1,000,000;
- Grants over \$2,000,000;
- Tax Credits over \$10,000,000;
- All Enterprise Zone Designations, regardless of amount.

- The CEO may, under urgent circumstances in which not acting expeditiously may result in WEDC losing the opportunity to contract with a business for the benefit of Wisconsin, approve an award request, regardless of amount, without the prior approval of the AAC or the Board of Directors. The CEO may only exercise this authority after obtaining approval to do so from the CFO and the AAC's Chairperson, and if the award in question does not present any exceptions to the mandatory requirements in the relevant program guideline. This authority does not apply to Enterprise Zone Designations. Upon the CEO exercising this authority, a checklist or staff review must be completed by an underwriter and flow through the standard approval process. A summary report of the exercise of this authority and award approval must be submitted to the AAC and the Board of Directors as soon as possible, but no later than thirty (30) days after the CEO's exercise of authority.

Extension of Credit to Past Due Borrowers:

Additional credit may be extended to recipients with delinquent loans for the purpose of paying principal or interest payments only with the approval of the AAC. The AAC may only approve such loans if there is a certain, identifiable source of repayment for the loan and repayment is not solely dependent on collateral available or to be pledged.

Extension of Financial Support to Borrowers with Convertible Notes:

Recipients of WEDC convertible notes or warrants are not eligible for additional WEDC financial awards such as loans, tax credits, grants or other assistance that directly impacts a company's financial status. Recipients of WEDC convertible notes are eligible for WEDC non-monetary and indirect assistance, such as technical assistance and Qualified New Business Venture certification.

- Pursuant to the motion enacted by the Board of Directors on December 13, 2016, the Awards Administration Committee must approve any amendment to an award under which jobs must be retained or created and there has been reduction in the awardee's statewide employment. This only applies to awards for which the application was received after February 1, 2017.
- If WEDC confirms that there is a perceived or statutory conflict of interest involving a board member, as described in WEDC's conflict of interest procedures, the board member must recuse themselves from the award approval process. If the conflict of interest qualifies as a statutory conflict of interest, that award must also be approved by AAC. From there, the award follows the standard awarding process, including approval by the Board if it would otherwise be required.
- WEDC uses the tiers identified in the following chart to determine the entity authorized to approve the award. Each staff review will include a listing of all prior awards with WEDC. To determine the level of approval needed for the staff review, WEDC will calculate the aggregate amount issued to the awardee in the award category (tax credits, loans, grants) addressed in the staff review. If the award is made to a local unit of state government, the approval will be based on the award amount identified in the staff review and not the aggregate amount. The following standards should be considered when calculating the aggregate amount:
 - If a loan or grant has not been fully disbursed, but the company still has time to request the remaining funds, the entire loan or grant (even what has not yet been disbursed) counts towards the aggregate.
 - If a loan has been fully disbursed and is now being paid back, the principal and interest counts towards the aggregate.
 - For grants and tax credits, if the company is still in its required reporting timeframe to us, the original grant or tax credit award will count towards the aggregate.



WEDC PROCEDURE: LAW 0820 - Conflicts of Interest
OWNER: Chief Legal Officer
RESPONSIBLE ROLES: WEDC Employees, WEDC Board of Directors
APPLICABLE TO: WEDC Employees, WEDC Board of Directors

SUMMARY:

The Conflicts of Interest (COI) procedure is designed to identify instances in which potential conflicts of interest arise within WEDC, and how to disclose these conflicts.

GOVERNING SOURCE REFERENCES(S):

- Wis. Stat. § 19.42(2), (7)
- Wis. Stat. § 19.45
- Wis. Stat. § 19.46(1)
- Wis. Stat. § 238.046(1), (2)
- Wis. Stat. § 770.01(1)

DEFINITIONS:

Perceived Conflict of Interest¹ - exists in situations where a WEDC employee or Board member, or an immediate family member, has financial interests, personal relationships, or professional associations with an outside individual or organization, such that his or her activities within WEDC could appear to be biased against the WEDC by that interest or relationship.

Conflict of Interest - Conflict of interest are established by statute. Consult the Conflicts of Interest checklist contained herein for specific guidance regarding the statutory conflicts.

Substantial Benefit² - "Substantial benefit" includes but is not limited to financial interest. Examples of substantial gain include monetary compensation, reputational gain or recognition, employment, equity, a director position on a board of directors, any form of stock, a limited partnership interest, a partner's interest in a partnership, a membership in an association or joint venture, an interest in a limited liability company or partnership, or the interest of a sole proprietor. Substantial benefit does not include mortgages on a Board member's or employee's home or other residence, consumer loans, retirement plans (e.g. 401K, IRA, pension), or ownership of less than one-half of one percent of any class of publicly traded securities.

Immediate Family³ - "Immediate family" means:

- (a) An individual's spouse; and

1 WEDC specific definition.
2 WEDC specific definition.
3 Wis. Stat. § 19.42(7).



- (b) An individual's relative by marriage, lineal descent or adoption who receives, directly or indirectly, more than one-half of his or her support from the individual or from whom the individual receives, directly or indirectly, more than one-half of his or her support.

Domestic Partner⁴ - "Domestic partner" means an individual who has signed and filed a declaration of domestic partnership in the office of the register of deeds of the county in which he or she resides.

PROCEDURE DETAILS:

COI for WEDC Employees

Employees must disclose potential COI where they, their immediate family, or an organization with which they or their immediate family are associated receives a substantial benefit, or is seeking financial or other assistance from WEDC.

Consult with the Conflicts of Interest Checklist provided below to evaluate potential conflicts. WEDC employees are required to check for possible conflicts at time of hire, on an annual basis, and as they arise.

If a conflict of interest is confirmed with a WEDC employee, one of two outcomes will arise:

- a. WEDC cannot contract with the entity; or
- b. The WEDC employee cannot take official action with regards to the organization with which they have a conflict.

If you (1) own or control directly or indirectly 51% or more of the ownership interest of the organization or (2) serve as president or chief executive officer or otherwise have the authority to act as the senior executive officer of the organization, then you must immediately report it to WEDC. All other conflicts may be reported as you become aware of the organization working with WEDC.

If you believe that you have a conflict of interest, then "LAW 0820Wa – WEDC Employee Conflicts of Interest Reporting Instructions" will provide the work instructions on the COI disclosure process.

⁴ Wis. Stat. § 770.01(1).



CONFLICTS OF INTEREST CHECKLIST

WEDC PROHIBITED FROM CONTRACTING WITH ENTITY:		
WEDC Employees	YES	NO
<p>1) Do you own or control directly or indirectly 51% or more of the ownership interest of the organization?</p> <p>State law (Wis. Stat. § 238.046(2)) prohibits WEDC from executing a contract with an organization in which a WEDC employee maintains a controlling interest that is sufficient to ensure control over its direction. This prohibition does not include Board members.</p>	<p>WEDC cannot contract with this organization. Notify the CLO immediately. You are required to submit a COI in Salesforce. If an account does not exist for the organization, you are required to create an account in Salesforce. Consult LAW 0820-Wa for further instructions.</p>	<p>No action required</p>
<p>2) Do you serve as president or chief executive officer or otherwise have the authority to act as the senior executive officer of the organization?</p> <p>State law (Wis. Stat. § 238.046(2)) prohibits WEDC from executing a contract with an organization in which a WEDC employee maintains a controlling interest that is sufficient to ensure control over its direction. This prohibition does not include Board members.</p>	<p>WEDC cannot contract with this organization. Notify the CLO immediately. You are required to submit a COI in Salesforce. If an account does not exist for the organization, you are required to create an account in Salesforce. Consult LAW 0820-Wa for further instructions.</p>	<p>No action required</p>

**WEDC EMPLOYEE OR BOARD MEMBER
MAY NOT TAKE OFFICIAL ACTION**

As WEDC Employees and Board Members you cannot take official action if the



involvement produces or assists in the production of a Substantial Benefit (financial or otherwise) for you, your Immediate Family or an organization with which you, or your Immediate Family is associated. You will be required to disclose these conflicts at the time you become aware of the organization working with WEDC.

State law (Wis. Stat. § § 19.46(1) and 238.046(1)) prohibits WEDC employees and Board members (collectively referred to as “official”) to use his or her office or position in a way that produces or assists in the production of a substantial benefit, direct or indirect, for the official, any member of the official’s immediate family or an organization with which the official is associated or participate in a contract in which the member or employee has a direct or indirect, private pecuniary interest.

WEDC Employees and Board Members	YES	NO
<p>1) Are you, or your Immediate Family receiving a Substantial Benefit (financial or otherwise) from an organization outside of WEDC?</p> <p>Reference the definition of Substantial Benefit provided above for more information.</p>	<p>You are required to disclose these conflicts as you become aware of the organization working with WEDC. You cannot take further action in the matter, and are required to submit a COI in Salesforce. Consult LAW 0820-Wa for further instructions.</p>	<p>No action required</p>
<p>2) Is an organization with which you or your Immediate Family are associated receiving a Substantial Benefit (financial or otherwise) from WEDC?</p> <p>Your relationship qualifies as an association with the organization under the statutes if you answer yes to any of the following:</p> <ul style="list-style-type: none"> • Are you or your Immediate Family directors, officers, or trustees of an organization? • Do you or your Immediate Family collectively own or control, directly or indirectly at least 10 percent of the outstanding equity? • Are you or your Immediate Family authorized representatives or an agent of an organization? <p>Wis. Stat. § 19.42(2).</p> <p>Your relationship does not qualify as an association with the organization if you are on the Board of</p>	<p>You are required to disclose these conflicts as you become aware of the organization working with WEDC. You cannot take further action in the matter, and are required to submit a COI in Salesforce. Consult LAW 0820-Wa for further instructions.</p>	<p>No action required</p>



<p>Directors as a representative of WEDC. But your role as a WEDC Board representative must be reported through the Salesforce COI process and clearly identified as a WEDC representation.</p>		
<p>3) Do you have any other affiliation(s) that could be perceived as a Conflict of Interest such that your actions or activities could have an adverse effect on WEDC?</p> <p>Your relationship with a Domestic Partner, Fiancé, or other close relationship(s), although not included in the statutory definition of Immediate Family, could be perceived as a Conflict of Interest.</p>	<p>You are required to disclose these conflicts as you become aware of the organization working with WEDC. You should not take further action in the matter until otherwise authorized, and are required to submit a COI in Salesforce. Consult LAW 0820-Wa for further instructions.</p>	<p>No action required</p>

RELATED DOCUMENTS:

LAW 0820-Wa – WEDC Employee Conflicts of Interest Reporting Instructions – work instructions



MEMO

To: WEDC Awards Administrations Committee
From: Office of Public Policy
CC: Jennifer Jin, Chief Legal Officer
Date: March 6, 2019

Re: Wisconsin 2017 Act 369 Revisions to Enterprise Zone Program Guidelines

Per the Program Guidelines Approval and Revision Policy and Procedure, when statutory changes are made to WEDC's economic development programs, WEDC will abide by the law as of the law's effective date and will follow the procedures outlined in the policy for developing new or revised programs. This memo summarizes the statutory revisions included in 2017 Act 369 relating to the WEDC Enterprise Zone program.

Effective December 16, 2018, 2017 Wisconsin Act 369 expanded the Enterprise Zone program by eliminating the statutory cap of thirty (30) zone designations. New zone designations will now be subject to a passive review by the Legislature's Joint Committee on Finance (JFC) prior to contracting. After the WEDC Board approves a new zone designation, the corporation will notify the JFC, which will have fourteen (14) days to consider the zone and, if it chooses, to schedule a hearing.

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**Wisconsin Economic Development Corporation
Program Guidelines for Fiscal Year 2019**

Program Name: Enterprise Zone (EZ)
Program Inception: 2005 Act 361
Lead Division: Business and Community Development
 ~~New~~ ~~Revised~~ [Click here to enter date 3/6/2019](#)
 Aid **Pass-thru Aid** **Technical Assistance**

Program Goal:

The goal of the Enterprise Zone (EZ) Program is to incent projects involving expansion of existing Wisconsin businesses or relocation of major business operations from other states 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, job retention, capital investment, training, and Wisconsin supply chain investment by providing companies with refundable Tax Credits that can help to reduce their Wisconsin state income tax liability or provide a refund, thereby helping to enhance their cash flow to either expand the expansion project's scope, accelerate the timing of the project or enhance payroll.

Eligibility Requirements:

A business may qualify for EZ certification where the business: (1) Begins operation in EZ; (2) Relocates to EZ from out of state; (3) Expands operation in EZ; (4) Retains Jobs in the EZ; or (5) Purchases items or services through a Wisconsin Supply Chain.

EZ Tax Credit projects must meet the requirements in §§ 238.399, 71.07 (3w), 71.28 (3w), and 71.47 (3w), Wis Stats. Among other things, these statutes cover applicable definitions, eligibility for tax benefits, and limits on the tax benefits.

Each EZ may exist for up to 12 years.¹ WEDC may cap the award and/or limit the number of years in which credits may be claimed by a Certified Business within the EZ. But there is no statutory cap on allocated Tax Credits per award, or on the overall program.

Definitions:

The following definitions supplement those in §§ 238.399, 71.07 (3w), 71.28 (3w), 71.47 (3w) Wis Stats.

¹ Wis. Stat. Sec. 238.399(4).



- “Base Year” means the taxable year beginning during the calendar year prior to the calendar year in which the enterprise zone in which the Certified Business is located takes effect.²
- “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.
- “Eligible Training Cost” means (1) the cost of the trainer; (2) the cost of the training materials; (3) the wages of the trainee while in a classroom setting; or (4) the costs of the trainer and the wages of the trainee while in an on-the-job or job shadowing setting.³ Eligible training costs do not include travel expenses, food or lodging.
- A “Full-Time Employee”: means an individual who is employed in a regular, nonseasonal job for which the annual pay is more than the amount determined by multiplying 2,080 by 150 percent of the federal minimum wage, and an individual in the position 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.⁴

Employees that do not meet the definition will not be counted toward headcount or wages.

- 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. Part-time or seasonal employees do not count as Partial-Year Employees.
- “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

² Wis. Stat. Sec. 71.07(3w)(a)1; Wis. Stat. Sec. 71.28(3w)(a)1; Wis. Stat. Sec. 71.47(3w)(a)1.

³ Wis. Stat. Sec. 71.07(3w)(bm)1; Wis. Stat. Sec. 71.28(3w)(bm)1; Wis. Stat. Sec. 71.47(3w)(bm)1.

⁴ While there are two statutory definitions of Full-Time Employee, WEDC utilizes the above identified definition in its contracts: W 238.399(1)(am)2.



- Farms
 - Primary care medical facilities
 - Financial Institutions
 - The hospitality industry
-
- “Significant Capital Expenditure” means a capital investment in a WEDC-designated EZ, beyond a Certified Business’s normal capital expenditures, that is needed to achieve a specific purpose agreed to by WEDC.⁵
 - “Significant Capital Investment” means a capital investment in excess of \$10 million in a WEDC-designated EZ, beyond a Certified Business’s normal capital expenditures, that is needed to achieve a specific purpose agreed to by WEDC.⁶
 - “Significant Supply Chain” means a business that has a supply chain in the state which is designated by WEDC as significant. In determining whether the chain is significant, WEDC may consider any of the following factors:
 - The number of employees throughout the supply chain
 - The number of suppliers in the supply chain
 - The total cost of the components purchased from the supply chain
 - The number of units purchased from the chain
 - “Tax Credits” means the EZ Tax Credits authorized pursuant to Wisconsin Statutes §§ 238.399, 71.07 (3w), 71.28 (3w), 71.47 (3w)
 - “Taxable Year” means the taxable period upon the basis of which the taxable income of the taxpayer is computed for federal income tax purposes.⁷
 - “Tier I county or municipality” and “Tier II county or municipality” means a county or municipality so designated by WEDC. In designating either a Tier I county or municipality or a Tier II county or municipality, WEDC will consider the most current data available for the area and state using the following indicators:
 - Unemployment rate
 - Percentage of families with incomes below the poverty line
 - Median family income
 - Median per capita income
 - Average annual wage
 - Manufacturing assessment values by county
 - Other significant or irregular indicators of economic distress – such as a natural disaster, or plant closings and layoffs

In determining a distressed county (Tier 1), each category above will annually be assigned a value between 1-72 with 72 being the highest distress ranking and an aggregate score for each county considering the 7 factors. The counties are ranked by their aggregate score

⁵ Wis. Stat. Sec. 238.399(6)(g)3.

⁶ Wis. Stat. Sec. 238.399(6)(g)2m.

⁷ Wis. Stat. Sec. 71.01(12),



with the highest-ranked one-third (24) counties considered distressed. Additionally, the City of Milwaukee and any county with two top-ten distress rankings in any given category will also be considered distressed.

- “Zone Payroll” means the amount of state payroll that is attributable to wages paid to Full-Time Employees for services that are performed in an EZ. Zone Payroll does not include the amount of wages paid to any Full-Time Employees that exceeds \$100,000.⁸

Enterprise Zone Designation

Designation of Enterprise Zone is based on the following factors.⁹

- 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.

WEDC designates Enterprise Zones based on company specific projects. In determining whether to designate an EZ, 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 Department of Commerce/WEDC.

~~WEDC shall designate at least three Enterprise Zones in political subdivisions of less than 5,000 and at least two in political subdivisions with populations between 5,000 and 30,000.¹⁰ Of the 30 EZ available,¹⁴ 5 should be in “Low Population Zones.”¹²~~

- ~~• 3 must be located in political subdivisions with populations of less than 5,000; and~~
- ~~• At least 2 must be located in political subdivisions with populations between 5,000 and 30,000.~~

⁸ Wis. Stat. Sec. 71.07(3w)(a)5; Wis. Stat. Sec. 71.28(3w)(a)5; Wis. Stat. Sec. 71.47(3w)(a)5. “State Payroll” is defined in Wis. Stat. 7

⁹ Wis. Stat. Sec. 238.339(3)(b).

¹⁰ ~~Wis. Stat. Sec. 238.399(3)(d).~~

¹¹ ~~Wis. Stat. Sec. 238.399(3)(a).~~

¹² ~~Wis. Stat. Sec. 238.399(3)(d).~~



~~WEDC must designate the EZ as a Tier 1 or Tier 2 as of the Certification Date. WEDC shall specify whether an Enterprise Zone is located in a Tier I county or municipality or a Tier II county or municipality.~~¹³

Certification

A business may qualify for EZ certification in the following five circumstances where the business:

- 1. Begins operation in EZ¹⁴**
- 2. Relocates to EZ from out of state¹⁵**
 - a. The business must offer compensation and benefits to employees in the EZ that are at least as favorable as those offered to employees working outside the zone for the same type of work.
- 3. Expands operation in EZ (Must meet either sub. a or sub. b)**
 - a. Increase Personnel by 10%¹⁶
 - i. The business enters into an agreement to claim benefit only for years in which the business maintains increased level of personnel;
and
 - ii. Compensation and benefit for employees in the EZ that are at least as favorable as those offered to employees working in Wisconsin but outside zone
 - “Personnel” defined to include both (1) A business' employees in an enterprise zone and (2) Individuals who provide services to a business as independent contractors in this state.¹⁷
 - b. Significant Capital Investment¹⁸
 - i. The business enters into an agreement to claim benefit only for years in which the business maintains increased level of capital investment;
and
 - ii. Compensation and benefit for employees in the EZ that are at least as favorable as those offered to employees working in Wisconsin but outside zone
- 4. Retains Jobs in the EZ¹⁹**
 - a. But must also make a Significant Capital Investment in property located in enterprise zone and, unless EZ located in Rural Zone, must either:
 - i. Qualify as a manufacturer with Significant Supply Chain in state;
or
 - ii. Or have more than 500 Full-Time Employees in EZ
- 5. Wisconsin Supply Chain²⁰**

¹³ Wis. Stat. Sec. 238.399(5)(e)(3)(bm).

¹⁴ Wis. Stat. Sec. 238.399(5)(a).

¹⁵ Wis. Stat. Sec. 238.399(5)(b).

¹⁶ Wis. Stat. Sec. 238.399(5)(c)1.

¹⁷ Wis. Stat. Sec. 238.399(1)(bm).

¹⁸ Wis. Stat. Sec. 238.399(5)(c)2.

¹⁹ Wis. Stat. Sec. 238.399(5)(d).

²⁰ Wis. Stat. Sec. 238.399(5)(e).



- a. Business located in the EZ purchases substantial amounts of tangible personal property, items, property or goods or services from Wisconsin vendors

The corporation shall revoke the certification²¹ to claim tax benefits if the person does any of the following:

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

Tax Credits Calculation

A Certified Business may qualify for Tax Credits only for eligible activities that occur after the Certification Date established by WEDC. A Certified 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.

A Certified Business may qualify for EZ Tax Credits in one or more of the following categories: Job Creation, Job Retention, Training Tax Credit, Capital Investments, and Wisconsin Supply Chain. Each are described in detail herein.

Job Creation Tax Credit Calculation:²²

Business would be entitled to a credit of up to seven percent (7%) as identified in the following 5 step calculation.

Step 1: Identify “New Full-Time Employees.”²³ For calculation purposes, the New Full-Time Employees are identified as the lesser of:²⁴

- **New Full-Time Employees in the EZ:** The number of Full-Time Employees in the EZ in the taxable year minus the number of Full-Time Employees in the EZ in the base year; or
- **New Full-Time Employees in the State:** The number of Full-Time Employees in the state in the taxable year minus the number of Full-Time Employees in the state in the base year.

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 2: Identify “Average Zone Payroll.” Determine the recipient’s average Zone Payroll by dividing the total wages of Full-Time Employees employed in the EZ in the taxable year by the number of Full-

²¹ Wis. Stat. Sec. 238.399(6)(b).

²² Wis. Stat. Sec. 71.07(3w)(b)1; Wis. Stat. Sec. 71.28(3w)(b)1; Wis. Stat. Sec. 71.47(3w)(b)1.

²³ Wis. Stat. Sec. 238.399 (1) (am).

²⁴ Wis. Stat. Sec. 71.28(3w)(b).



Time Employees employed in the EZ in the taxable year.²⁵ Any wages earned by a Full-Time employee in excess of one hundred thousand dollars (\$100,000) will not be counted in this calculation;²⁶

Step 3: Calculate “Average Eligible Wage Amount.” Subtract the minimum threshold (depending on the Tier) as identified below from the Average Zone Payroll.

- Tier 1: 2,080 multiplied by 150 percent of the federal minimum wage
- Tier 2: \$30,000

Step 4: Calculate “Creditable Wage Amount.” Multiply the Average Eligible Wage Amount by the New Full-Time Employees in the zone.²⁷ After identifying the total wages for all New Full-Time Employees, add the qualified wages for all Partial-Year Employees.

Step 5: Job Creation Credit Determination. Multiply the Creditable Wage Amount by the credit percentage (which cannot exceed 7 percent).²⁸

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

Job Retention Tax Credit Calculation:²⁹

Business would be entitled to a credit of up to seven percent (7%) as identified in the following calculation.

To qualify, the total number of Full-Time Employees must be equal to or greater than the total number of Full-Time Employees in the base year to earn retention credits. The calculation of Job Retention credits cannot include wages paid to any Full-Time Employee that exceeds \$100,000.³⁰

Step 1: Confirm “Retained Employees.” The number of Retained Employees must be equal to or greater than the Full-Time Employees identified in the base year.

Partial-Year Employees are included in this calculation as follows:

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

Step 2: Confirm “Base Year Zone Payroll.” Current Zone Payroll must be the same or more than Base Year Zone Payroll. Wages for all Partial-Year Employees are included in these calculations.

²⁵ Wis. Stat. Sec. 71.07(3w)(b)2; Wis. Stat. Sec. 71.28(3w)(b)2; Wis. Stat. Sec. 71.47(3w)(b)2.

²⁶ Wis. Stat. Sec. 71.07(3w)(a)6; Wis. Stat. Sec. 71.28(3w)(a)6; Wis. Stat. Sec. 71.47(3w)(a)6.

²⁷ Wis. Stat. Sec. 71.07(3w)(b)4; Wis. Stat. Sec. 71.28(3w)(b)4; Wis. Stat. Sec. 71.47(3w)(b)4.

²⁸ Wis. Stat. Sec. 71.07(3w)(b)5; Wis. Stat. Sec. 71.28(3w)(b)5; Wis. Stat. Sec. 71.47(3w)(b)5.

²⁹ Wis. Stat. Sec. 71.07(3w)(bm)2; Wis. Stat. Sec. 71.28(3w)(bm)2; Wis. Stat. Sec. 71.47(3w)(bm)2.

³⁰ Wis. Stat. Sec. 71.07(3w)(a)6; Wis. Stat. Sec. 71.28(3w)(a)6; Wis. Stat. Sec. 71.47(3w)(a)6.



Step 3: Job Retention Credit Determination.” Multiply the Base Year Zone Payroll by the credit percentage (which cannot exceed seven percent (7%)).

Job retention credits may only be earned in years in which the Certified Business has maintained the number of Full-Time Employees employed in the Base Year and may only be earned for 5 consecutive taxable years.

Training Tax Credit Calculation:³¹

Business would be entitled to a credit of up to 100% of the amount paid in a taxable year for any of the following activities:

- Upgrade or improve the job-related skills of any of the claimant’s full-time employees;
- Train any of the claimant’s full-time employees on the use of job-related new technologies; or
- Provide job-related training to any full-time employee whose employment with the claimant represents the employee’s first full-time job.

This credit only applies to employees who work in an enterprise zone.

Wisconsin Supply Chain Tax Credit Calculation:³²

The amount of Tax Credits earned may equal up to 1% of the amount that the Certified Business will pay to purchase tangible personal property, items, property, or goods under s. 77.52(1)(b), (c), or (d), or services from Wisconsin vendors, as determined by WEDC, except that the Certified Business may not be awarded supply chain and capital investment Tax Credits for the same expenditures.

Significant Capital Expenditure Tax Credit Calculation:³³

Business entitled to up to 10 percent of the Certified Business’ Significant Capital Expenditures.

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.

Significant Capital Expenditures made for which Capital Investment Tax Credits are earned shall be maintained for the duration of the zone and may be subject to additional contractual requirements as required by WEDC.

Verification:

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

³¹ Wis. Stat. Sec. 71.07(3w)(bm)1; Wis. Stat. Sec. 71.28(3w)(bm)1; Wis. Stat. Sec. 71.47(3w)(bm)1.

³² Wis. Stat. Sec. 71.07(3w)(bm)4; Wis. Stat. Sec. 71.28(3w)(bm)4; Wis. Stat. Sec. 71.47(3w)(bm)4.

³³ Wis. Stat. Sec. 71.07(3w)(bm)3; Wis. Stat. Sec. 71.28(3w)(bm)3; Wis. Stat. Sec. 71.47(3w)(bm)3.



WEDC will annually determine the amount of Tax Credits earned and able to be claimed by the Certified Business based on eligible activities, actual wages and expenditures pursuant to ss. 71.07 (3w), 71.28 (3w), or 71.47 (3w).³⁴

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.³⁵ A Certified Business 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.³⁶

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 Certified Business.³⁷

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.³⁸

Incentives and Available Funding (FY 2019): ~~3 standard and 1 rural (<5,000 residents) EZ designations~~

~~As of June 30, 2018, 4 of 30 EZ designations are still available for use.~~

~~Subject to passive review by the Joint Committee on Finance³⁹, WEDC may designate any number of Enterprise Zones in Wisconsin⁴⁰. WEDC may consider different factors when evaluating zone requests for political subdivisions with a population of less than 30,000.⁴¹ WEDC shall designate at least Of the five (5) zones subject to population limits in a political subdivision.⁴² Currently, WEDC has is seeking one (1) undesignated statutorily required additional-zone available designation is available for communities a political subdivision with a population of 5,000 or less. Previously designated Enterprise Zones may be reused under the following circumstances:
If the enterprise zone is revoked.⁴³
If the enterprise zone expires.⁴⁴~~

The incentives under this program are refundable Tax Credits according to the following stipulations:

EZ Job Creation Credit: A Tax Credit equal to no more than 7% of the net increase in EZ payroll from base in a Tier I county or municipality, less 150% times the Federal Minimum Wage per new, Full-Time Employee and up to \$100,000 per employee, or a 7% Tax Credit against the lesser of the net increase

³⁴ Wis. Stat. Sec. 238.399(6)(f).

³⁵ Wis. Stat. Sec. 238.399(6)(e).

³⁶ Wis. Stat. Sec. 71.07(3w)(c)3; Wis. Stat. Sec. 71.28(3w)(c)3; Wis. Stat. Sec. 71.47(3w)(c)3.

³⁷ Wis. Stat. Sec. 71.07(3w)(c); Wis. Stat. Sec. 71.28(3w)(c); Wis. Stat. Sec. 71.47(3w)(c).

³⁸ Wis. Stat. Sec. 238.399(6)(d).

³⁹ Wis. Stat. Sec. 238.399(3)(am).

⁴⁰ Wis. Stat. Sec. 238.399(3)(a).

⁴¹ Wis. Stat. Sec. 238.399(3)(d).

⁴² Wis. Stat. Sec. 238.399(3)(d).

⁴³ Wis. Stat. Sec. 238.399 (3) (e).

⁴⁴ Wis. Stat. Sec. 238.399 (4) (b).



in state payroll and EZ payroll from base in a Tier II county or municipality, less \$30,000 per new, Full-Time Employee and up to \$100,000 per employee. Calculations are relative to a base year which is fixed as the year before the EZ takes effect. This benefit may be awarded for up to 12 years.

EZ Job Retention Credit: A Tax Credit equal to no more than 7% of the taxpayer's EZ payroll in a Tier I county or municipality that is paid to full-time employees who earn more than 150% times the Federal Minimum Wage, but less than \$100,000, in annual wages, less the amount paid to new full-time employees, or no more than 7% of the taxpayer's EZ payroll in a Tier II county or municipality that is paid to full-time employees who earn more than \$30,000, but less than \$100,000, in annual wages, less the amount paid to new full-time employees. This benefit may be awarded for no more than five consecutive years.

Training Credit: The amount of Tax Credits for training for a Certified Business may equal up to 100% of the total eligible training costs.

- Amount paid to upgrade or improve skills of full-time employees
- Amount paid to train any full-time employees on new technology
- Amount paid to train full-time employees who are in their first full-time job

Investment Credit: The business may also claim up to 10% of its Significant Capital Expenditures. This benefit may be awarded for up to 12 years.

Wisconsin Supply Chain Credit: The business may also claim up to 1% of the amount it paid to purchase tangible personal property, items, property, goods or services from Wisconsin vendors. Businesses may not claim the Wisconsin Supply Chain Credit and the Investment Credit for the same expenditures. This benefit may be awarded for up to 12 years.

Activities and Expected Outcomes:

Assist 2 businesses to support the creation of 1,000 jobs, retention of 800 jobs, and achieve a 5:1 leverage of other investment.

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

Application and Awards Process:

The EZ program has a continuous application process. Applicants for the EZ 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
7/1/2017	Added "Base Year" and "Zone Payroll" definitions to clarify eligibility 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 business certification requirements
7/1/2017	Added statutory references to calculation of tax credits to clarify methodology used for eligible activities
7/1/2017	Added statutory references to verification of tax credits to clarify the required documentation
9/18/2017	Added "Financial Services Technology Corporate Headquarters Retention Addendum" per the statutory revisions in 2017 Act 58 (approved 9/28/2017)
9/23/2017	Pursuant to 2017 Act 59, WEDC may reuse expired or revoked zones
11/7/2017	Added and clarified some definitions
<u>12/16/2018</u>	<u>Pursuant to 2017 Wisconsin Act 369, eliminated statutory cap on zone designations and clarified new designations may be subject to approval by the Joint Committee on Finance</u>



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 _____

Awards Committee Chair: _____ Date _____



**Wisconsin Economic Development Corporation
Program Guidelines for Fiscal Year 2019**

Program Name: Enterprise Zone (EZ)
Program Inception: 2005 Act 361
Lead Division: Business and Community Development
 New **Revised** 3/6/2019
 Aid **Pass-thru Aid** **Technical Assistance**

Program Goal:

The goal of the Enterprise Zone (EZ) Program is to incent projects involving expansion of existing Wisconsin businesses or relocation of major business operations from other states 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, job retention, capital investment, training, and Wisconsin supply chain investment by providing companies with refundable Tax Credits that can help to reduce their Wisconsin state income tax liability or provide a refund, thereby helping to enhance their cash flow to either expand the expansion project's scope, accelerate the timing of the project or enhance payroll.

Eligibility Requirements:

A business may qualify for EZ certification where the business: (1) Begins operation in EZ; (2) Relocates to EZ from out of state; (3) Expands operation in EZ; (4) Retains Jobs in the EZ; or (5) Purchases items or services through a Wisconsin Supply Chain.

EZ Tax Credit projects must meet the requirements in §§ 238.399, 71.07 (3w), 71.28 (3w), and 71.47 (3w), Wis Stats. Among other things, these statutes cover applicable definitions, eligibility for tax benefits, and limits on the tax benefits.

Each EZ may exist for up to 12 years.¹ WEDC may cap the award and/or limit the number of years in which credits may be claimed by a Certified Business within the EZ. But there is no statutory cap on allocated Tax Credits per award, or on the overall program.

Definitions:

The following definitions supplement those in §§ 238.399, 71.07 (3w), 71.28 (3w), 71.47 (3w) Wis Stats.

¹ Wis. Stat. Sec. 238.399(4).



- “Base Year” means the taxable year beginning during the calendar year prior to the calendar year in which the enterprise zone in which the Certified Business is located takes effect.²
- “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.
- “Eligible Training Cost” means (1) the cost of the trainer; (2) the cost of the training materials; (3) the wages of the trainee while in a classroom setting; or (4) the costs of the trainer and the wages of the trainee while in an on-the-job or job shadowing setting.³ Eligible training costs do not include travel expenses, food or lodging.
- A “Full-Time Employee”: means an individual who is employed in a regular, nonseasonal job for which the annual pay is more than the amount determined by multiplying 2,080 by 150 percent of the federal minimum wage, and an individual in the position 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.⁴

Employees that do not meet the definition will not be counted toward headcount or wages.

- 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. Part-time or seasonal employees do not count as Partial-Year Employees.
- “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

² Wis. Stat. Sec. 71.07(3w)(a)1; Wis. Stat. Sec. 71.28(3w)(a)1; Wis. Stat. Sec. 71.47(3w)(a)1.

³ Wis. Stat. Sec. 71.07(3w)(bm)1; Wis. Stat. Sec. 71.28(3w)(bm)1; Wis. Stat. Sec. 71.47(3w)(bm)1.

⁴ While there are two statutory definitions of Full-Time Employee, WEDC utilizes the above identified definition in its contracts: W 238.399(1)(am)2.



- Farms
 - Primary care medical facilities
 - Financial Institutions
 - The hospitality industry
-
- “Significant Capital Expenditure” means a capital investment in a WEDC-designated EZ, beyond a Certified Business’s normal capital expenditures, that is needed to achieve a specific purpose agreed to by WEDC.⁵
 - “Significant Capital Investment” means a capital investment in excess of \$10 million in a WEDC-designated EZ, beyond a Certified Business’s normal capital expenditures, that is needed to achieve a specific purpose agreed to by WEDC.⁶
 - “Significant Supply Chain” means a business that has a supply chain in the state which is designated by WEDC as significant. In determining whether the chain is significant, WEDC may consider any of the following factors:
 - The number of employees throughout the supply chain
 - The number of suppliers in the supply chain
 - The total cost of the components purchased from the supply chain
 - The number of units purchased from the chain
 - “Tax Credits” means the EZ Tax Credits authorized pursuant to Wisconsin Statutes §§ 238.399, 71.07 (3w), 71.28 (3w), 71.47 (3w)
 - “Taxable Year” means the taxable period upon the basis of which the taxable income of the taxpayer is computed for federal income tax purposes.⁷
 - “Tier I county or municipality” and “Tier II county or municipality” means a county or municipality so designated by WEDC. In designating either a Tier I county or municipality or a Tier II county or municipality, WEDC will consider the most current data available for the area and state using the following indicators:
 - Unemployment rate
 - Percentage of families with incomes below the poverty line
 - Median family income
 - Median per capita income
 - Average annual wage
 - Manufacturing assessment values by county
 - Other significant or irregular indicators of economic distress – such as a natural disaster, or plant closings and layoffs

In determining a distressed county (Tier 1), each category above will annually be assigned a value between 1-72 with 72 being the highest distress ranking and an aggregate score for each county considering the 7 factors. The counties are ranked by their aggregate score

⁵ Wis. Stat. Sec. 238.399(6)(g)3.

⁶ Wis. Stat. Sec. 238.399(6)(g)2m.

⁷ Wis. Stat. Sec. 71.01(12),



with the highest-ranked one-third (24) counties considered distressed. Additionally, the City of Milwaukee and any county with two top-ten distress rankings in any given category will also be considered distressed.

- “Zone Payroll” means the amount of state payroll that is attributable to wages paid to Full-Time Employees for services that are performed in an EZ. Zone Payroll does not include the amount of wages paid to any Full-Time Employees that exceeds \$100,000.⁸

Enterprise Zone Designation

Designation of Enterprise Zone is based on the following factors.⁹

- 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.

WEDC designates Enterprise Zones based on company specific projects. In determining whether to designate an EZ, 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 Department of Commerce/WEDC.

WEDC shall designate at least three Enterprise Zones in political subdivisions of less than 5,000 and at least two in political subdivisions with populations between 5,000 and 30,000.¹⁰ WEDC shall specify whether an Enterprise Zone is located in a Tier I county or municipality or a Tier II county or municipality.¹³

Certification

A business may qualify for EZ certification in the following five circumstances where the business:

⁸ Wis. Stat. Sec. 71.07(3w)(a)5; Wis. Stat. Sec. 71.28(3w)(a)5; Wis. Stat. Sec. 71.47(3w)(a)5. “State Payroll” is defined in Wis. Stat. 7

⁹ Wis. Stat. Sec. 238.339(3)(b).

¹⁰ Wis. Stat. Sec. 238.399(3)(d).

¹³ Wis. Stat. Sec. 238.399(3)(bm).



1. **Begins operation in EZ**¹⁴
2. **Relocates to EZ from out of state**¹⁵
 - a. The business must offer compensation and benefits to employees in the EZ that are at least as favorable as those offered to employees working outside the zone for the same type of work.
3. **Expands operation in EZ** (Must meet either sub. a or sub. b)
 - a. Increase Personnel by 10%¹⁶
 - i. The business enters into an agreement to claim benefit only for years in which the business maintains increased level of personnel; and
 - ii. Compensation and benefit for employees in the EZ that are at least as favorable as those offered to employees working in Wisconsin but outside zone
 - b. Significant Capital Investment¹⁸
 - i. The business enters into an agreement to claim benefit only for years in which the business maintains increased level of capital investment; and
 - ii. Compensation and benefit for employees in the EZ that are at least as favorable as those offered to employees working in Wisconsin but outside zone
4. **Retains Jobs in the EZ**¹⁹
 - a. But must also make a Significant Capital Investment in property located in enterprise zone and, unless EZ located in Rural Zone, must either:
 - i. Qualify as a manufacturer with Significant Supply Chain in state; or
 - ii. Or have more than 500 Full-Time Employees in EZ
5. **Wisconsin Supply Chain**²⁰
 - a. Business located in the EZ purchases substantial amounts of tangible personal property, items, property or goods or services from Wisconsin vendors

The corporation shall revoke the certification²¹ to claim tax benefits if the person does any of the following:

- Supplies false or misleading information to obtain tax benefits.
- Leaves the enterprise zone to conduct substantially the same business outside of the enterprise zone.

¹⁴ Wis. Stat. Sec. 238.399(5)(a).

¹⁵ Wis. Stat. Sec. 238.399(5)(b).

¹⁶ Wis. Stat. Sec. 238.399(5)(c)1.

¹⁷ Wis. Stat. Sec. 238.399(1)(bm).

¹⁸ Wis. Stat. Sec. 238.399(5)(c)2.

¹⁹ Wis. Stat. Sec. 238.399(5)(d).

²⁰ Wis. Stat. Sec. 238.399(5)(e).

²¹ Wis. Stat. Sec. 238.399(6)(b).



- Ceases operations in the enterprise zone and does not renew operation of the business or a similar business in the enterprise zone within 12 months.

Tax Credits Calculation

A Certified Business may qualify for Tax Credits only for eligible activities that occur after the Certification Date established by WEDC. A Certified 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.

A Certified Business may qualify for EZ Tax Credits in one or more of the following categories: Job Creation, Job Retention, Training Tax Credit, Capital Investments, and Wisconsin Supply Chain. Each are described in detail herein.

Job Creation Tax Credit Calculation:²²

Business would be entitled to a credit of up to seven percent (7%) as identified in the following 5 step calculation.

Step 1: Identify “New Full-Time Employees.”²³ For calculation purposes, the New Full-Time Employees are identified as the lesser of:²⁴

- **New Full-Time Employees in the EZ:** The number of Full-Time Employees in the EZ in the taxable year minus the number of Full-Time Employees in the EZ in the base year; or
- **New Full-Time Employees in the State:** The number of Full-Time Employees in the state in the taxable year minus the number of Full-Time Employees in the state in the base year.

Partial Year Employees are included in the 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 2: Identify “Average Zone Payroll.” Determine the recipient’s average Zone Payroll by dividing the total wages of Full-Time Employees employed in the EZ in the taxable year by the number of Full-Time Employees employed in the EZ in the taxable year.²⁵ Any wages earned by a Full-Time employee in excess of one hundred thousand dollars (\$100,000) will not be counted in this calculation;²⁶

Step 3: Calculate “Average Eligible Wage Amount.” Subtract the minimum threshold (depending on the Tier) as identified below from the Average Zone Payroll.

- Tier 1: 2,080 multiplied by 150 percent of the federal minimum wage
- Tier 2: \$30,000

²² Wis. Stat. Sec. 71.07(3w)(b)1; Wis. Stat. Sec. 71.28(3w)(b)1; Wis. Stat. Sec. 71.47(3w)(b)1.

²³ Wis. Stat. Sec. 238.399 (1) (am).

²⁴ Wis. Stat. Sec. 71.28(3w)(b).

²⁵ Wis. Stat. Sec. 71.07(3w)(b)2; Wis. Stat. Sec. 71.28(3w)(b)2; Wis. Stat. Sec. 71.47(3w)(b)2.

²⁶ Wis. Stat. Sec. 71.07(3w)(a)6; Wis. Stat. Sec. 71.28(3w)(a)6; Wis. Stat. Sec. 71.47(3w)(a)6.



Step 4: Calculate “Creditable Wage Amount.” Multiply the Average Eligible Wage Amount by the New Full-Time Employees in the zone.²⁷ After identifying the total wages for all New Full-Time Employees, add the qualified wages for all Partial-Year Employees.

Step 5: Job Creation Credit Determination. Multiply the Creditable Wage Amount by the credit percentage (which cannot exceed 7 percent).²⁸

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

Job Retention Tax Credit Calculation:²⁹

Business would be entitled to a credit of up to seven percent (7%) as identified in the following calculation.

To qualify, the total number of Full-Time Employees must be equal to or greater than the total number of Full-Time Employees in the base year to earn retention credits. The calculation of Job Retention credits cannot include wages paid to any Full-Time Employee that exceeds \$100,000.³⁰

Step 1: Confirm “Retained Employees.” The number of Retained Employees must be equal to or greater than the Full-Time Employees identified in the base year.

Partial-Year Employees are included in this calculation as follows:

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

Step 2: Confirm “Base Year Zone Payroll.” Current Zone Payroll must be the same or more than Base Year Zone Payroll. Wages for all Partial-Year Employees are included in these calculations.

Step 3: Job Retention Credit Determination.” Multiply the Base Year Zone Payroll by the credit percentage (which cannot exceed seven percent (7%)).

Job retention credits may only be earned in years in which the Certified Business has maintained the number of Full-Time Employees employed in the Base Year and may only be earned for 5 consecutive taxable years.

Training Tax Credit Calculation:³¹

²⁷ Wis. Stat. Sec. 71.07(3w)(b)4; Wis. Stat. Sec. 71.28(3w)(b)4; Wis. Stat. Sec. 71.47(3w)(b)4.

²⁸ Wis. Stat. Sec. 71.07(3w)(b)5; Wis. Stat. Sec. 71.28(3w)(b)5; Wis. Stat. Sec. 71.47(3w)(b)5.

²⁹ Wis. Stat. Sec. 71.07(3w)(bm)2; Wis. Stat. Sec. 71.28(3w)(bm)2; Wis. Stat. Sec. 71.47(3w)(bm)2.

³⁰ Wis. Stat. Sec. 71.07(3w)(a)6; Wis. Stat. Sec. 71.28(3w)(a)6; Wis. Stat. Sec. 71.47(3w)(a)6.

³¹ Wis. Stat. Sec. 71.07(3w)(bm)1; Wis. Stat. Sec. 71.28(3w)(bm)1; Wis. Stat. Sec. 71.47(3w)(bm)1.



Business would be entitled to a credit of up to 100% of the amount paid in a taxable year for any of the following activities:

- Upgrade or improve the job-related skills of any of the claimant's full-time employees;
- Train any of the claimant's full-time employees on the use of job-related new technologies; or
- Provide job-related training to any full-time employee whose employment with the claimant represents the employee's first full-time job.

This credit only applies to employees who work in an enterprise zone.

Wisconsin Supply Chain Tax Credit Calculation:³²

The amount of Tax Credits earned may equal up to 1% of the amount that the Certified Business will pay to purchase tangible personal property, items, property, or goods under s. 77.52(1)(b), (c), or (d), or services from Wisconsin vendors, as determined by WEDC, except that the Certified Business may not be awarded supply chain and capital investment Tax Credits for the same expenditures.

Significant Capital Expenditure Tax Credit Calculation:³³

Business entitled to up to 10 percent of the Certified Business' Significant Capital Expenditures.

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.

Significant Capital Expenditures made for which Capital Investment Tax Credits are earned shall be maintained for the duration of the zone and may be subject to additional contractual requirements as required by WEDC.

Verification:

Certified Businesses will be required to submit documentation outlining the eligible activities, actual wages and expenditures to be awarded its designated EZ 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, actual wages and expenditures pursuant to ss. 71.07 (3w), 71.28 (3w), or 71.47 (3w).³⁴

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.³⁵ A Certified Business must attach appropriate forms to its Wisconsin tax return submitted to the

³² Wis. Stat. Sec. 71.07(3w)(bm)4; Wis. Stat. Sec. 71.28(3w)(bm)4; Wis. Stat. Sec. 71.47(3w)(bm)4.

³³ Wis. Stat. Sec. 71.07(3w)(bm)3; Wis. Stat. Sec. 71.28(3w)(bm)3; Wis. Stat. Sec. 71.47(3w)(bm)3.

³⁴ Wis. Stat. Sec. 238.399(6)(f).

³⁵ Wis. Stat. Sec. 238.399(6)(e).



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.³⁶

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 Certified Business.³⁷

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.³⁸

Incentives and Available Funding (FY 2019):

Subject to passive review by the Joint Committee on Finance³⁹, WEDC may designate any number of Enterprise Zones in Wisconsin⁴⁰. WEDC shall designate at least five (5) zones subject to population limits in a political subdivision.⁴² Currently, WEDC has one (1) undesignated statutorily required zone available for a political subdivision with a population of 5,000 or less.

The incentives under this program are refundable Tax Credits according to the following stipulations:

EZ Job Creation Credit: A Tax Credit equal to no more than 7% of the net increase in EZ payroll from base in a Tier I county or municipality, less 150% times the Federal Minimum Wage per new, Full-Time Employee and up to \$100,000 per employee, or a 7% Tax Credit against the lesser of the net increase in state payroll and EZ payroll from base in a Tier II county or municipality, less \$30,000 per new, Full-Time Employee and up to \$100,000 per employee. Calculations are relative to a base year which is fixed as the year before the EZ takes effect. This benefit may be awarded for up to 12 years.

EZ Job Retention Credit: A Tax Credit equal to no more than 7% of the taxpayer's EZ payroll in a Tier I county or municipality that is paid to full-time employees who earn more than 150% times the Federal Minimum Wage, but less than \$100,000, in annual wages, less the amount paid to new full-time employees, or no more than 7% of the taxpayer's EZ payroll in a Tier II county or municipality that is paid to full-time employees who earn more than \$30,000, but less than \$100,000, in annual wages, less the amount paid to new full-time employees. This benefit may be awarded for no more than five consecutive years.

Training Credit: The amount of Tax Credits for training for a Certified Business may equal up to 100% of the total eligible training costs.

- Amount paid to upgrade or improve skills of full-time employees
- Amount paid to train any full-time employees on new technology
- Amount paid to train full-time employees who are in their first full-time job

Investment Credit: The business may also claim up to 10% of its Significant Capital Expenditures. This benefit may be awarded for up to 12 years.

³⁶ Wis. Stat. Sec. 71.07(3w)(c)3; Wis. Stat. Sec. 71.28(3w)(c)3; Wis. Stat. Sec. 71.47(3w)(c)3.

³⁷ Wis. Stat. Sec. 71.07(3w)(c); Wis. Stat. Sec. 71.28(3w)(c); Wis. Stat. Sec. 71.47(3w)(c).

³⁸ Wis. Stat. Sec. 238.399(6)(d).

³⁹ Wis. Stat. Sec. 238.399(3)(am).

⁴⁰ Wis. Stat. Sec. 238.399(3)(a).

⁴² Wis. Stat. Sec. 238.399(3)(d).



Wisconsin Supply Chain Credit: The business may also claim up to 1% of the amount it paid to purchase tangible personal property, items, property, goods or services from Wisconsin vendors. Businesses may not claim the Wisconsin Supply Chain Credit and the Investment Credit for the same expenditures. This benefit may be awarded for up to 12 years.

Activities and Expected Outcomes:

Assist 2 businesses to support the creation of 1,000 jobs, retention of 800 jobs, and achieve a 5:1 leverage of other investment.

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

Application and Awards Process:

The EZ program has a continuous application process. Applicants for the EZ 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
7/1/2017	Added "Base Year" and "Zone Payroll" definitions to clarify eligibility 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 business certification requirements
7/1/2017	Added statutory references to calculation of tax credits to clarify methodology used for eligible activities
7/1/2017	Added statutory references to verification of tax credits to clarify the required documentation
9/18/2017	Added "Financial Services Technology Corporate Headquarters Retention Addendum" per the statutory revisions in 2017 Act 58 (approved 9/28/2017)
9/23/2017	Pursuant to 2017 Act 59, WEDC may reuse expired or revoked zones
11/7/2017	Added and clarified some definitions
12/16/2018	Pursuant to 2017 Wisconsin Act 369, eliminated statutory cap on zone designations and clarified new designations may be subject to approval by the Joint Committee on Finance



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 _____

Awards Committee Chair: _____ Date _____