

MEMO



To: Joint Committee on Finance

From: Mark R. Hogan, CEO & Secretary *M.R.H.*
Wisconsin Economic Development Corporation

CC: Richard Chandler, Secretary
Department of Revenue

Date: May 26, 2016

Re: Reallocation of Tax Credits request pursuant to §238.15(3)(d) and §238.308

The Business Development Tax Credit program became effective January 1, 2016 with the consolidation of the Jobs Tax Credit and Economic Development Tax Credit programs that occurred in the 2015-17 Biennial Budget. The budget provided for a \$17,000,000 allocation for calendar year 2016 and \$22,000,000 each year thereafter. The budget also made changes to the Early Stage Business Investment program that included the consolidation of the Angel and Early Stage Seed Credits into one funding pool, reduction of the annual allocation to \$30,000,000 and the elimination of the carry-forward provision for unallocated credits.

The Business Development Tax Credit program has proved an effective tool in assisting companies seeking to expand or locate their businesses in Wisconsin. To date, WEDC has committed \$10,604,000 in Business Development Tax Credits for 26 projects that are expected to create 1,885 new jobs, retain 2,729 existing and leverage \$314,040,188 in additional investments. Furthermore, the current pipeline of projects indicates at least another \$8,000,000 in requests. At the current utilization rate, the program allocation will be depleted well before the end of the calendar year.

As stated above, the Early Stage Business Investment program receives an annual allocation of \$30,000,000. WEDC recently completed its analysis of Early Stage Business Investments credits for 2015 which shows 86 startup businesses assisted and \$18,282,087 in credits issued. Because of the reporting timeframe companies have to submit investment reports, final utilization numbers are generally not determined until midyear of the following calendar year. Based on historic trends of the program, WEDC anticipates that credits that will be issued for 2016 will be in the range of \$16,000,000 - \$20,000,000.

The 2015-17 Biennial Budget maintained the statutory provision found in §238.15 that authorizes the Wisconsin Economic Development Corporation (WEDC) to reallocate tax credits from the Early Stage Business Investment program for use in the Business Development Tax Credit program. §238.15(3)(d) requires this reallocation to be made from the current calendar year in which the Early Stage Business Investment credits are allocated to the Corporation.

Based on the utilization analysis for both programs, WEDC intends to reallocate \$8,000,000 in Early Stage Investment Credits from §238.15 for eligible applicants under §238.308.

Past allocations made from the Early Stage Business Investment program to the Jobs Tax Credit program include:

Calendar Year	Reallocation Amount
2009	\$3,091,375
2010	\$6,836,188
2011	\$7,000,000
2012	\$10,000,000

WEDC looks forward to your approval of our plan of reallocation. Please contact Rebecca Deschane at rebecca.deschan@wedc.org if you have any additional questions.