

Make Technology Development Zone Tax Credits Refundable

The citizens of Northwest Wisconsin request that the Legislature:

- **Make changes to the Technology Development Zone Program to allow businesses within the Superior Life Technology Zone to fully utilize the incentives offered by the Program.**

The Superior Life Technology Zone was provided with \$5 million in tax credits under the Wisconsin Technology Development Zone Program to award to companies in Northwest Wisconsin that develop new technology or introduce new technology in their operations. The Zone includes Ashland, Bayfield, Burnett, Douglas, Iron and Washburn Counties.

The purpose of the Wisconsin Technology Development Zone Program is to attract, promote and expand high technology in Wisconsin by providing tax credits to high-technology businesses. The amount of tax credit a business receives under the Program is based on the amount of Wisconsin corporate income tax, property tax and sales tax the business pays or expects to pay in the future. Since S Corporations, Limited Liability Companies and Partnerships do not pay Wisconsin corporate income tax (the owners of such entities pay income tax individually on their share of the businesses profits), the size of their tax credit is based only on their property tax and sales tax payments. The Program, as it was originally implemented, did not take into consideration the business-related income tax the individual business owners pay.

Act 72 (AB 520) which was passed by the legislature and signed by the Governor addressed this issue and changed the way the Department of Commerce will calculate the tax credits. We appreciate the legislature's and the Governor's support on this issue.

However, the ability of S Corporations, Limited Liability Companies and Partnerships in Northwest Wisconsin to fully benefit from the Technology Development Zone Program is impaired because of issues related to where the owners of these businesses reside. Many businesses in Douglas County (and other counties within the Superior Life Technology Zone) have owners who reside in Minnesota (or other states). Because of income tax reciprocity, Wisconsin tax credits issued to an S Corporation, Limited Liability Company or Partnership under the Technology Development Zone Program are of no use to an owner who is domiciled outside of Wisconsin. Thus the tax credits, in situations like this, fail to provide the incentive the Program intended.

In order to attract and nurture high technology business within the Superior Life Technology Zone, we request that the tax credits, provided under the Program to certified technology businesses in the Zone, be refundable.

For Further Information Contact:

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