

Business Tax Credit Costs Pile Up on Wisconsin Taxpayers

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\$472.1 million in awards to businesses through August 1 this year produce fewer new jobs, but would go far in covering the cost of reforming our state's flawed school funding formula or funding repairs for local roads.

ALMA, WI - "Where did all that money go?" Dennis asked me during a recent visit to the Jackson County Fair.

Dennis is one of many constituents who ask where the money for schools and roads is as our state recovers from the recession. Economic recovery means more money and more money should equal more resources for the public. Instead, state funds are very tight. For example, state aid to local public schools is less now than in 2006.

One reason is that the state is not collecting tax money from some large, and in several cases, very profitable companies. Recently I received a memo from the nonpartisan Legislative Fiscal Bureau detailing the awards given out for one large tax credit known as the Enterprise Zone Tax Credit. This credit – originally conceived to help rural communities – has morphed into large credits for single companies.

The memo contained a list of the total awards made and the companies that received them:

Amazon.com	\$10.3 million
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Bucyrus International, Inc.	\$20.0 million
Direct Supply	\$22.5 million
Dollar General Corporation	\$ 5.5 million
Exact Sciences Corporation	\$ 9.0 million
Fincantieri Marine Group, LLC	\$28.0 million
InSinkErator	\$15.5 million
Kestrel Aircraft Company, Inc.	\$18.0 million
Kohl's Corporation	\$62.5 million
Mercury Marine	\$65.0 million
MKE Electric Tool Corporation	\$18.0 million
Northstar Med. Radioisotopes, LLC	\$14.0 million

Oshkosh Corporation	\$47.0 million
Plexus Corporation	\$15.0 million
Quad/Graphics, Inc.	\$61.7 million
Trane US Incorporated	\$ 5.5 million
Uline, Incorporated	\$18.6 million
W Solar Group, Incorporated	\$28.0 million
Weather Shield Mfg, Incorporated	\$ 8.0 million
TOTAL (through Aug. 1, 2016)	\$472.1 million

All of those award amounts are refundable tax credits. This means a company can claim the credit directly against taxes owed. If the company owes little or nothing in taxes and claims the credit, they can receive a payment from the state in the form of a refund.

Owing little or nothing in state taxes is made possible, in part, by changes in tax law for corporations that date back to 2011. Majority legislators passed the Manufacturing and Agriculture Tax Credit that resulted in very low tax liability for some. A recent study released by the Wisconsin Budget Project found most of this credit goes to reducing taxes for millionaires, including “some tax filers with incomes of over \$1 million receiving tax cuts of more than \$100,000.”

That list of Enterprise Zone Tax Credit awards includes the total credits that can be claimed over a 16-year period (2009-2024). Different companies are on different schedules. One company's contract began in 2009. Seven of the listed companies have contracts that go back to 2010. The remaining contracts were written since 2011. The credits are awarded for various business activities. Some credits are given for jobs created or retained, for training or buying from Wisconsin companies. In every case, the "Enterprise Zone" created is the footprint of the company itself.

Credit compliance is overseen by the troubled Wisconsin Economic Development Corporation (WEDC), which does not have a good track record for independently verifying that jobs were created. Three separate audits by the nonpartisan Legislative Audit Bureau showed that not one single job created was independently verified.

Earlier this year, the Wisconsin State Journal reported that WEDC's claims of jobs created were based on "faulty calculations". They went on to report, "The agency gave out almost \$90 million more in awards, but the total number of related jobs fell by nearly 6,000."

The cost of the Enterprise Zone Tax Credit and the Manufacturing and Agriculture Tax Credit would go far in covering the cost of reforming our state's flawed school funding formula or funding repairs for local roads.

Funding for road repair is something on the minds of many in Wisconsin. We were reminded once again that in a short time the power of Mother Nature and water can demolish our roads. I offer my heartfelt thanks to the road crews, law enforcement, emergency management, the Red Cross and county officials all of whom worked tirelessly to keep the people safe in the aftermath of the torrential rains and flooding that hit western Wisconsin. We will not be back to normal for a while but we are all safe. If you need help please call 211. And read Rep. Danou's column this week.

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