



Testimony on Assembly Bill 627 before the
Assembly COMMITTEE ON Ways and Means
November 29, 2023

Wisconsin Economic Development Association

Good morning, Chairman Macco and members of the committee. My name is Michael Welsh, and I serve as the Legislative Affairs Director for the Wisconsin Economic Development Association (WEDA). Thank you for the opportunity to testify today in favor of Assembly Bill 627. This important legislation will align the Business Development Tax Credit (BTC) with today's economic realities, making it a more flexible and effective business attraction and retention tool for the state.

I would like to thank Chairman Macco for holding a public hearing on AB 627, as well as Rep. Armstrong and Sen. Feyen for introducing this legislation. WEDA certainly appreciates their efforts to strengthen Wisconsin's economic development toolbox.

By way of background, WEDA is a statewide association representing over 400 public and private sector economic development professionals. We are dedicated to advancing economic prosperity in Wisconsin and providing our members with the necessary tools to encourage business expansion, promote private investment, and attract much-needed talent to the state.

The BTC, which is administered by the Wisconsin Economic Development Corporation (WEDC), is a performance-based, refundable income tax credit designed to encourage business development in Wisconsin. While the tax credit has been used successfully to attract new businesses to the state, the program has lost considerable value due to the state's changing economic environment.

Under current law, BTC awards are based on job creation, which is extremely challenging amid a growing and likely long-term workforce shortage. As you know, one of the biggest challenges currently facing Wisconsin employers is their inability to find enough workers, and they are increasingly turning to automation and other substantial capital expenditures to bridge the labor gap. In fact, BTC recipients have created less than 50 percent of the planned jobs specified in tax credit agreements with WEDC.

The economy is constantly changing, and it is important for economic development policies to be regularly reviewed and updated. Assembly Bill 627 will help ensure the BTC remains relevant by changing it from a job creation-focused program to a capital expenditure-focused program. The bill will steer primary eligibility for BTC awards away from job creation and equally emphasize capital investment. By modernizing eligibility requirements and increasing tax awards for capital expenditures, AB 627 will make the BTC more flexible and competitive. The bill also recognizes the importance of business decision timelines by streamlining the tax credit approval process at WEDC.

WEDA is also excited about the provisions in the bill that create additional BTC tax awards for businesses that invest in workforce housing and childcare for their employees. The lack of affordable

housing and childcare access challenges are two key factors exacerbating Wisconsin's labor crunch. AB 627 will help address these two major problems threatening productivity and growth across the state.

In short, AB 627 will align the BTC with the current economic climate; boost its effectiveness as a business incentive; allow WEDC to pursue key projects more aggressively; and provide Wisconsin with a competitive advantage. As such, I would urge your support for AB 627 and ask that you pass it out of committee as soon as possible.

Thank you for your consideration.