

Wisconsin's New Production Tax Credit: Boost to Manufacturers

Included in Wisconsin's 2011-2013 budget is a measure that is expected to dramatically improve the business climate for manufacturers.

Known as a "domestic production activities credit," the new law reduces income tax liability for income based on manufacturing production done in Wisconsin.

The bill is effective for tax years beginning on January 1, 2013 and the tax credit percentage is:

- 1.875% for tax year 2013;
- 3.75% for tax year 2014;
- 5.526% for tax year 2015; and
- 7.5% for tax year 2016 and thereafter

The current tax rate is 7.9%. Starting with tax year 2013, the tax will phased in to a credit.

"This is great news for manufacturers," said William Rubin, executive director of St. Croix Economic Development Corporation. "The state's business climate, while improving in national rankings, is enhanced significantly with the tax credit on manufacturing production. Along with the many other advantages in St. Croix County, our area's competitive structure just got better."

The Legislative Fiscal Bureau (LFB) estimates the credit will reduce state income and franchise taxes by an estimated \$10.1 million in 2012-2013; \$44.2 million in 2013-2014; \$72.3 million in 2014-2015; \$104.4 million in 2015-2016; and \$128.7 million in fiscal year 2016-2017 and thereafter.

Even with the reduction of revenue flowing into the state's Department of Revenue, business



organizations from around the state supported the tax credit. They said a healthy environment for manufacturers leads to job creation and greater disposable income that can be spent at retailers and the service sector.

The production credit will also be an economic development tool. The Wisconsin Economic Development Corporation (WEDC), the state's new economic development organization, and even county-regional organizations, are expected to promote the credit as they encourage new manufacturers to locate in Wisconsin.

Rubin added that information on the production tax credits needs to get into the hands of St. Croix County's manufacturers and their tax advisors. The phase-in of the credit starts for the 2013 tax year, but Rubin said a thorough understanding will help manufacturers with future decisions that could lead to additional industrial production in the county.