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New Markets Tax Credits Legislation Approved by Assembly and Senate Committees

MADISON – Today the Assembly Committee on Jobs, the Economy and Small Business approved legislation to establish a state tax credit program modeled after the Federal New Markets Tax Credit. The proposal, Assembly Bill 642, is authored by Representatives Peter Barca (D-Kenosha) and Phil Garthwaite (D-Dickeyville) and Senators Spencer Cogg (D-Milwaukee) and Pat Kreitlow (D-Chippewa Falls). The vote at committee was 11-1. The companion bill, Senate Bill 461, was unanimously approved by the Senate Committee on Economic Development yesterday.

“This tool is more important now than ever, as private credit markets have struggled and it has become more difficult for businesses to obtain access to necessary capital,” Representative Barca explained. “The program can have a strong influence in directing investments toward hard hit rural and urban areas throughout our state.”

The Federal New Markets Tax Credit was established in 2000 to encourage private sector investment in our most economically distressed communities nationwide. It attracts capital from the private sector in return for a 39 percent federal tax credit over seven years for a qualified equity investment (QEI) made in a community development entity (CDE). CDEs are required to invest the proceeds in low-income communities which are defined as those census tracts with poverty rates over 20 percent or median family incomes that are less than or equal to 80 percent of the area median family income. A 2007 Government Accounting Office report found that over 75% of NMTC investors said obtaining the tax credit was a primary reason they had decided to make an investment in low-income communities. In Wisconsin, Palermo’s Pizza in Milwaukee is an example of a company that has taken advantage of the federal program.

“A Wisconsin New Market Tax Credit program gives us a significant competitive advantage nationally because few states have a companion program to leverage and attract federal credits,” Representative Barca said. “Under this bill, our state will be in a position to attract a larger share of federal new markets investments because highly qualified investors who use the federal program can benefit from both programs. The synergy of the two programs could drive millions of dollars into Wisconsin small businesses.”

The bill provides tax credits for 18% of the claimant’s investment over 7 years. The bill sets a \$10 million annual cap on credits. Under the bill, the Department of Commerce must certify each investment. To be certified, an investment must promote the creation or retention of jobs in Wisconsin or promote other economic development goals established by administrative rule.

“As we strive to revitalize our economy, we must promote innovative programs such as this to grab the attention of investors, move capital to our state, and ultimately grow Wisconsin jobs,” Representative Barca concluded. “I am hopeful that both houses of the legislature will promptly take action on this important piece of legislation.”

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