

Wisconsin's New Jobs Creation Deduction

By Al Lopata, CPA

New Law Provides Hiring Incentives

Wisconsin employers who hire more workers may qualify for additional deductions to lower their taxable income. On February 4th, Governor Scott Walker signed into law Wisconsin's New Jobs Creation bill.

Under the new law, effective for tax years beginning in 2011, businesses with sales of up to \$5 million annually would receive an additional state tax deduction of \$4,000 for each job they create. Businesses with sales of more than \$5 million a year would receive an additional \$2,000 deduction for each job they create.

Jobs "created" will be based on the increase in the number of full-time equivalent ("FTE") employees employed by the employer in the state during the year. To determine whether a business has increased employment, the average employee count from the business' quarterly Unemployment Insurance reports for the current year will be compared with those from the prior year.

These additional deductions are available under both the personal and corporation income tax, meaning that it can benefit corporations, proprietors, as well as S corporation, partnership and LLC owners who add Wisconsin employees. The deductions are not available, however, to companies who claim a credit under Wisconsin's new Business Relocation law.

The new Jobs Creation law is a key part of Walker's special legislative session on boosting job creation and the state economy, but also will add to the budget shortfall. Proponents believe the incentive will help inspire employer confidence and could lead some businesses to hire more workers. Additionally, on January 28, the Governor's office released a Jobs Hotline giving job creators a direct line into his office. Businesses that call (855) 854-JOBS looking to create or retain jobs in Wisconsin are to receive a call back from the administration within 24-hours.

Job Creation Incentives

If Gross Receipts Up To \$5,000,000

- Deduction equals the increase in Full Time Equivalent (FTE) employees x \$4,000
- FTE employees based on state Unemployment Insurance reports
- Increase equals average FTE employees from current year less average FTE employees from prior year

If Gross Receipts Greater Than \$5,000,000

- Deduction equals the increase in Full Time Equivalent (FTE) employees x \$2,000
- FTE employees based on state Unemployment Insurance reports
- Increase equals average FTE employees from current year less average FTE employees from prior year