



BRIEFING SHEET

[Report 19-27](#)
December 2019

State Auditor
[Joe Chrisman](#)

Electronics and Information Technology Manufacturing Zone Program

Wisconsin Economic Development Corporation

Background

2017 Wisconsin Act 58 created the Electronics and Information Technology Manufacturing Zone program that is administered by the Wisconsin Economic Development Corporation (WEDC). In November 2017, WEDC executed a \$2.85 billion contract with three corporations that are collectively referred to as “Foxconn.” If Foxconn creates contractually specified jobs and makes contractually specified capital investments, WEDC will award Foxconn \$2.85 billion in program tax credits over the 15-year period of the contract.

Beginning in 2018, statutes require us to annually evaluate for five years WEDC’s process for verifying information submitted by recipients of program tax credits. We are also statutorily required to evaluate whether WEDC adhered to statutory and contractual requirements when it verified the amount of program tax credits to award recipients as a result of their efforts to create jobs and make capital investments. In December 2018, we published the first such evaluation as report 18-18.

Key Findings

We found:

- WEDC’s contract with Foxconn stipulates that WEDC may first award program tax credits in 2019, based on the jobs Foxconn created in 2018. In 2019, WEDC did not award any program tax credits because Foxconn did not create the contractually specified minimum number of jobs in 2018.
- Statutes and WEDC’s contract require WEDC to award program tax credits for the wages paid to employees for services performed in Wisconsin.
- WEDC’s written procedures continue to allow WEDC to award program tax credits for the wages paid to employees for services not performed in Wisconsin.
- There are several concerns with the information Foxconn reported to WEDC in April 2019 on its job creation and capital investment efforts in 2018 and how this information was reviewed.

Recommendations

We recommend WEDC comply with statutes by modifying its written procedures to explicitly require it to award job creation tax credits under the program for only the wages paid to employees for services performed in Wisconsin. We also recommend that WEDC comply with its contract when calculating the amounts of wages eligible for program tax credits, not award any program tax credits unless the certified public accountant hired and paid for by Foxconn uses procedures that WEDC approves in writing to assess information reported by Foxconn, and award program tax credits for only capital investments made in the zone.



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