



BRIEFING SHEET

[Report 18-18](#)
December 2018

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, which the Wisconsin Economic Development Corporation (WEDC) administers. 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 certain information submitted by recipients of program tax credits. Beginning in 2019, we will 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.

Key Findings

We found:

- Statutes and WEDC’s contract require WEDC to award program tax credits for the wages of employees who perform services in Wisconsin.
- WEDC established written procedures that allow it to award program tax credits for certain employees who do not live in Wisconsin, as long as these employees are paid in the zone. In this way, these written procedures do not comply with statutes or WEDC’s contract. WEDC’s written procedures are not approved by its governing board.
- WEDC indicated that it intends to award Foxconn program tax credits for the wages of employees who are directed from and paid in the zone. However, employees who are directed from and paid in the zone may not necessarily perform services in Wisconsin.
- WEDC’s contract with Foxconn stipulates that WEDC may first award program tax credits in 2019, based on the jobs Foxconn created in 2018.
- Our second evaluation, which we will publish in 2019, will include our first analysis of WEDC’s compliance with statutory and contractual requirements for awarding program tax credits.

Recommendations

We recommend WEDC ensure that it will comply with statutes and its contract, which require that program tax credits be awarded for the wages of employees who perform services in Wisconsin. We also recommend WEDC modify its written procedures to require it to award program tax credits only for the wages of employees who perform services in Wisconsin and provide these modified written procedures to its governing board. We further recommend WEDC report to the Joint Legislative Audit Committee by January 31, 2019, on the status of its efforts to implement these recommendations.



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