



Testimony on AB 62, Small Business Credit NOW
Assembly Committee on Jobs and the Economy
January 13, 2016

Good morning, Chairman Neylon and committee members. I appreciate the opportunity to testify today in favor of Assembly Bill 62, the Small Business Credit NOW bill.

Small businesses and business startups are the backbone of Wisconsin's economy and contribute substantially to job creation. However, the margin between success and failure is often razor-thin, and many new businesses fail due to the lack of access to even a small amount of additional capital. One of the most frequently expressed concerns from small businesses is the difficulty to secure financing to grow. As our economy recovers and small businesses look to expand, many businesses find it difficult to secure financing at attractive terms, leaving them unable to capitalize on growth opportunities.

Small Business Credit NOW grants will make financing available to small businesses by allowing them to use state tax credits up front as equity in a financing package. In the past, both Democrats and Republicans have passed millions of dollars in targeted tax credits to create incentives for business investment and expansion. The legislature is good at creating tax credits, but tax credits are only of value after the investment is made and when a company turns a profit. If a business can't make an investment to begin with, a tax credit holds no value. This bill makes state tax credits work for new businesses through a grant program.

Small Business Credit NOW grants will allow small businesses, with fewer than 25 employees or less than \$5 million in gross receipts, to receive up-front grants in lieu of tax credits upon approval by the Wisconsin Economic Development Corporation.

While larger corporations have cash reserves and can hire finance experts to help them create liquidity mechanisms to weather tough times, smaller family-owned businesses do not have the same "rainy day" funds on hand, giving them fewer options to succeed.

These tax credit grants would have no fiscal impact, since the bill directs WEDC to allocate up to \$8 million from the existing WEDC Economic Development Fund to support the program.

I introduced this bill prior to the passage of the 2015-17 budget, which repealed the tax credits on which the bill's grants are based. The bill would need to be updated to reflect these changes. Perhaps a better, more fluid approach would be to simply base Small Business Credit NOW grants on existing business tax credits administered through WEDC. That way, the legislature would not have to come back and redefine which tax credits the program should be based on every time a specific tax credit is repealed.

I am committed to the underlying model this bill advances, but I am certainly willing to work with committee members and with the committee chairman to adjust the bill to guarantee Small Business Credit NOW grants are as effective a tool for small businesses as possible.

Thank you for your time and consideration, and I would be happy to answer any questions you may have.



January 13, 2016

Small Business Tax Credits Now – Assembly Bill 62

Assembly Committee on Jobs and the Economy

Representative Peter Barca

Chairman Neylon and members of the Assembly Committee on Jobs and the Economy, thank you for holding a public hearing on Assembly Bill 62, which would establish a grant program to help ensure small businesses in our state can better take advantage of available tax credits.

This proposal was developed after small business owners expressed the concern that they were not able to fully take advantage of state tax credits. State tax credits are often intended to incentivize positive actions by companies such as further investment or adding jobs, but some small companies are not able to obtain the financing necessary to make the investments that will advance their business.

Rather than a tax credit after an investment or action is taken by the company, Assembly Bill 62 allows small businesses to receive grants on the front end to be used as equity to assist with securing the financing they need. The bill defines small businesses as a company with fewer than 25 employees or less than \$5 million in receipts.

We are working to develop an amendment on this proposal, as the bill was drafted to interact with tax credits that were modified in the 2015-17 budget. Nonetheless, we remain committed to the goal of partnering with small businesses to ensure the tax incentives available in our state work for small businesses.

Our retired colleague, Representative Fred Clark took the lead on initially authoring this legislation. In previous sessions the bill has been supported by the National Federation of Independent Business, Wisconsin Business Alliance, Bio Forward, and the Wisconsin Growth Capitol Coalition (2011 AB 90; 2013 AB 47).

In the previous session the bill passed the Assembly Committee on Jobs, Economy and Mining on a bipartisan 13-3 vote.

Thank you for your time today and I hope that I can count on your support when Assembly Bill 62 comes for a vote before this committee.