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New Report Says Foxconn Tax Credits Could Cost Taxpayers up to \$587,000 per Job

The new state tax credits that have been proposed to bring Foxconn to southeast Wisconsin could cost state taxpayers as much as \$587,000 per job if the new manufacturing facility employs 3,000 people. That is one of the findings of [a new analysis by the Wisconsin Budget Project](#), which calculated the cost of the credits per job under four different scenarios.

According to the new report, the cost of the two new tax credits designed just for Foxconn will depend on whether the company strives to have a large workforce or focuses instead on state-of-the-art automation. The report analyzes four different scenarios of employment and capital investment and concludes that the state spending for the new tax credits could range from about \$219,000 per job for 13,000 employees to \$587,000 each if the new enterprise employs 3,000 people.

Jon Peacock, director of the Wisconsin Budget Project, said that calling the proposed subsidies “tax credits” is a bit misleading because some people probably assume that these credits will be offsets against the company’s income tax liability, which he said will not be the case.

“Other recent tax law changes designed to benefit manufacturers make it highly unlikely that Foxconn will owe any corporate income taxes in Wisconsin,” Peacock said, “and that means the proposed new subsidies will be huge payments made to Foxconn each year by the Department of Revenue.”

Under the terms of the legislation, the two new tax credits could result in payments to Foxconn of up to \$2.85 billion over a 15-year period. In addition, the proposed legislation includes a sales tax exemption of up to \$150 million for purchases that Foxconn makes for materials and services related to the construction of the new Wisconsin facilities.

On an annual basis, the proposed credits would cost state taxpayers an average of \$17,273 per job per year for 15 years under the optimistic scenario of 13,000 Foxconn jobs. However, the Budget Project report concluded that the cost could exceed \$54,000 per job per year if Foxconn employs the minimum number of 3,000 workers it has committed to hire, and if those jobs last for 10 years rather than a minimum of 15 years.

Peacock cautioned that the tax credits are just part of the public subsidies because the proposed deal would also have many other costs for state and local taxpayers that are more difficult to quantify.

“The other subsidies include huge local infrastructure investments, \$10 million for state grants to local governments, and the potential costs to state taxpayers from making a guarantee to cover up to 40 percent of local losses that result from spending for the project,” Peacock said.

(more)

The proposed legislation would substantially change Wisconsin's tax incremental financing (TIF) law, which allows local governments to use bonding to pay for infrastructure improvements, such as the new roads and sewers needed for a project, and then gradually pay off the bonds using the increase in property taxes resulting from the project. The proposed bill would create an exemption for the Foxconn project from the current cap on the amount of local spending for a TIF district and would allow the district and bonding to last for 30 years, rather than the current limit of 20 years.

Peacock warned that the TIF changes and other proposals create substantial risks for state and local taxpayers. "In light of the magnitude of the proposed subsidies and the risks to taxpayers if the project does not last as long as we hope it will, state lawmakers should move cautiously on this legislation and provide ample opportunity for public input."

He added, "All of us need to remove our rose-colored glasses and think carefully about the potential risks and rewards, and whether the huge public expenditures for the Foxconn project would undermine the state's ability to make other investments that could do more for the future health of Wisconsin's economy."

The Wisconsin Budget Project is a nonpartisan research group focusing on tax and budget policy.

The new report is posted online here: [Different Assumptions about Foxconn Job Creation Yield Much Higher Estimates of the Cost of Jobs](#)

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