

New Tax Credit Available for Food Processors Investing in Wisconsin Operations and Equipment

In an effort to create jobs and stimulate investment in Wisconsin's food processing industry, Governor Doyle has recently signed into law legislation creating a new income tax credit designed to benefit food processors interested in expanding or modernizing their operations in Wisconsin.

Enacted into law on May 12, 2010 as Wisconsin Act 295, the new tax credit is intended to benefit businesses involved in Wisconsin's multi-billion dollar food processing industry that are interested in investing in new technologies, expanding their operations and modernizing their equipment and facilities. Eligible Wisconsin taxpayers participating in the new program would be able to claim an income tax credit equivalent to 10% of the amount that such taxpayer pays in a given tax year for eligible expenses. Among the eligible expenses for which a taxpayer could claim this new food processing tax credit are the following:

- Constructing, improving or acquiring buildings or facilities exclusively for food processing or food warehousing if such building or facilities were acquired and placed in service any time after December 31, 2009 and prior to January 1, 2017.
- Acquiring and installing new equipment is exclusively used for food processing or food warehousing if such equipment was acquired and placed in service any time after December 31, 2009 and prior to January 1, 2017. Wisconsin Act 295 specifically states that eligible food processing equipment costs would include:
 1. (i) upgrades to utilities, including water, electric, heat, refrigeration, freezing and waste facilities;
 2. (ii) installing energy-saving equipment or equipment that converts waste to energy;
 3. food or raw material intake and storage equipment;
 4. processing and manufacturing equipment, including vats, cookers, freezers, pipes, motors, pumps and valves;
 5. packaging and handling equipment, including cleaning, sealing, bagging,

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boxing, labeling, conveying and product-movement equipment;

6. warehouse equipment, including storage racks and loading and unloading equipment; and
 7. waste treatment and waste management equipment, including tanks, blowers, separators, dryers, digesters, and equipment to produce energy, fuel or industrial products.
- Acquiring computer software or hardware for managing the taxpayer's food processing or food warehousing operations, including software and hardware related to logistics, inventory, management, production plant controls, and temperature monitoring controls.

The new food processing tax credit program will be implemented by the Wisconsin Department of Commerce, which already administers similar programs for the dairy manufacturing investment tax credit and the meat processing facility investment tax credit. Once the Department implements this new food processing tax credit program, taxpayers seeking this new credit will be required to apply to the Department for certification. If the Department certifies a taxpayer as eligible, the Department will then determine the amount of tax credits to be allocated to that taxpayer, which amount is capped at a maximum aggregate total of \$200,000 per taxpayer. Although the Department of Commerce is still implementing this new tax credit program, it appears that the total amount of food processing tax credits available to all certified taxpayers is intended to be set at \$1 million for fiscal year 2009-2010, \$1.2 million for fiscal year 2010-2011 and \$700,000 for subsequent fiscal years until the program concludes on December 31, 2016.

If you have questions about the opportunities offered by this new tax credit program and whether your business may be eligible, please contact your Reinhart attorney or John Murphy.

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