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The Top 10 Most Interesting Facts about the Foxconn Deal

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In 2017, Foxconn Technology Group (Foxconn)^[1] and the Wisconsin Economic Development Corporation (WEDC) reached agreement on one of the largest and most significant economic development projects in history. News reports about the project proliferated after it was first revealed that Foxconn had chosen Wisconsin to build a new state of the art manufacturing facility and technology campus to create Liquid Crystal Displays (LCD). This will be the first LCD manufacturing facility of its kind in North America. What really grabbed headlines was the size of the project and its ground breaking amount of economic development incentives – which not only became a lightning rod for the national media but also a talking point to showcase an economic success story in speeches by President Trump.

Although perhaps not yet a household name in the United States, Foxconn casts a long shadow. Foxconn is a multinational electronics manufacturing company. It's the maker of numerous well-known consumer electronics items, including the: (i) iPad, (ii) iPhone, (iii) iPod, (iv) Kindle, (v) BlackBerry, (vi) Nintendo 3DS, (vii) Nokia devices, (viii) PlayStation 3, (ix) PlayStation 4, (x) Wii U, and (xi) Xbox One. Foxconn is also the largest private employer in China and one of the largest employers worldwide. So when Foxconn proposed to create a new LCD facility in the US, it drew plenty of attention from a variety of competing States and communities.

When the dust settled, Foxconn selected southeastern Wisconsin to locate its new LCD facility. The following is a top-10 list of the most interesting facts about the Foxconn project and the related incentives.

1. **Bigger is Better.** The Foxconn deal will require an estimated 10 billion dollars of capital investment to construct and equip the Foxconn facility. With a projected floor area of over 20 million square feet, the facility will be big enough to hold nearly a dozen football fields.
2. **Boom Town.** The development of the Foxconn facility is expected to support 10,000 construction jobs over each of the next four years.

The facility will be operational in 2020 and be the centerpiece of a 1,000+ acre corporate campus in southeastern Wisconsin.

3. **Jobs, Jobs, Jobs.** Once the facility is up and running, Foxconn expects employ up to 13,000 full time employees, with an average salary of \$53,875, plus benefits. To qualify as a full time employee, each employee must work at least 2,080 hours per year and have an average annual pay of at least \$30,000.
4. **Incentives to Sweeten the Deal.** To close the deal, Wisconsin agreed to offer Foxconn up to \$3 billion of incentives. Those incentives include up to: (1) \$2.85 billion in income and franchise tax credits; and (2) \$150 million in sales and use tax exemptions for the purchase of building materials, supplies, and equipment used for the construction project.
5. **Shake Hands.** On November 10, 2017 Foxconn and the WEDC struck an agreement titled, Electronics and Information Technology Manufacturing Zone Tax Credit Agreement (the agreement). This agreement was made possible by new legislation passed by the Wisconsin Legislature and signed by the governor, titled 2017 Wisconsin Act 58.
6. **Promises, Promises.** Foxconn makes several key commitments under the agreement. Those commitments include: (1) to employ “to best of [its] ability” full time employees at an average annual wage of \$53,875; (2) to employ an increasing number of full time employees until reaching at least 6,500 full time employees in 2024, with the obligation to maintain that total through 2032; and (3) to make capital expenditures, to “the best of [its] ability,” of “up to Ten Billion Dollars.” It also must maintain operations during the 15-year term of the agreement.
7. **Finders Not Always Keepers.** Although Foxconn is eligible to earn incentives based on its actual job creation and capital investment, the agreement includes a clawback provision. That provision entitles Wisconsin to, among other things, recover tax credits from Foxconn if Foxconn defaults under the agreement – including the recovery up to \$965 million as a Maximum Recovery Payment. The agreement also allows the state to revoke Foxconn’s ability to claim future credits.
8. **A Little Extra Insurance.** With so much at stake, the WEDC made sure that it obtained guarantees from not only from Foxconn and its affiliates, but also from Foxconn’s Chairman Terry Gou. In what is perhaps the largest personal guarantee ever signed for an economic development incentives deal, Mr. Gou guaranteed up to 25% of the Maximum Recovery Payment (*i.e.*, \$241.25 million).
9. **We Report, You Decide.** Like many other incentive deals, the agreement with Foxconn requires regular reporting. Foxconn must provide the WEDC with an annual project report (for each tax credit recipient) along with supporting documentation. The annual project report must be CPA attested. Foxconn also has additional reporting obligations for Wisconsin-related expenditures. Any failure by Foxconn to timely submit required reports may jeopardize the award of a tax credit for the applicable year.
10. **Transparency.** Foxconn’s performance of the agreement is certain to draw heavy scrutiny. The agreement and all other materials submitted to the WEDC may constitute public records subject to disclosure under Wisconsin’s Open Records Law, § 19.31-.39. In addition, Foxconn must maintain project and financial records which are subject to inspection by the WEDC on 48 hours written notice.

Beyond these interesting details and the top 10 list, it’s important not to lose sight of the big picture. The Foxconn project is going to have a massive impact on the Wisconsin economy. The Metropolitan Milwaukee Association of Commerce has estimated that the Foxconn project will add an additional \$3.4 billion annually to the State’s gross domestic product. That would produce an eye-popping 51 billion-dollar boost to the Wisconsin economy over the 15-year life of the agreement. [See](#) “Analysis: Foxconn plant could

add over 51B to Wisconsin economy over 15 years," *Wisconsin State Journal* (March 24, 2018).^[2]

The Foxconn project has the ability to transform the future of an entire state.

^[1]Foxconn Technology Group is a dba for Hon Hai Precision Industry Company, Ltd. Unless otherwise noted by the context, all references to Foxconn herein shall also include its subsidiaries and affiliates that signed the incentives agreement with the WEDC, including: (i) SIO International Wisconsin, Inc., (ii) FEWI Development Corporation, and (iii) AFE, Inc.

^[2]http://host.madison.com/wsj/business/analysis-foxconn-plant-could-add-b-to-wisconsin-economy-over/article_6287e7ad-d967-5487-927e-a757c07b3c56.html