

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 99-4732/1
INTRODUCTION # SB 486
Admin. Rule #

Subject

Income and Franchise Tax Credit for Businesses That Employ Certain Undergraduate Students

Fiscal Effect

- State:** No State Fiscal Effect
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation
- | | | |
|----------------------------------------------------------|----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Increase Existing Appropriation | <input type="checkbox"/> Increase Existing Revenues | <input checked="" type="checkbox"/> Increase Costs - May be Possible to Absorb Within Agency's Budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| <input type="checkbox"/> Decrease Existing Appropriation | <input checked="" type="checkbox"/> Decrease Existing Revenues | <input type="checkbox"/> Decrease Costs |
| <input type="checkbox"/> Create New Appropriation | | |

Local: No Local Government Costs

- | | | |
|----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. <input type="checkbox"/> Increase Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 3. <input type="checkbox"/> Increase Revenues
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 5. Types of Local Governmental Units Affected:
<input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities
<input type="checkbox"/> Counties <input type="checkbox"/> Others _____
<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts |
| 2. <input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 4. <input type="checkbox"/> Decrease Revenues
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | |

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

20.566 (1)(a)

Assumptions Used in Arriving at Fiscal Estimate:

The bill would provide a nonrefundable income and franchise tax credit for businesses that employ certain undergraduate students. The credit would equal \$500 for each qualified student employed by the business and is limited to no more than 10 semesters that a qualified student is employed by the business.

Qualified students must be full-time undergraduate students that are:

1. Enrolled in the University of Wisconsin System and eligible for a Wisconsin higher education grant for at least two semesters. Wisconsin higher education grants are awarded based on financial need.
2. Enrolled in a regionally accredited 4-year private college or university in this state and who are eligible for a talent incentive grant for at least two semesters. Talent incentive grants are awarded to the most needy and educationally disadvantaged resident students attending colleges and universities in the state.

The students must work at least 300 hours per taxable year for the claimant, but cannot work more than ten hours per week while school is in session.

Partnerships, limited liability companies and tax-option corporations compute the credit and pass it on to the partners, members and shareholders in proportion to their ownership interests. Unused credits may be carried forward for 15 years and applied to future tax liability.

Based on information from the Wisconsin Higher Educational Aids Board (HEAB) and the University of Wisconsin (UW) and the Wisconsin Association of Independent Colleges and Universities (WAICU), it is estimated that 14,500 full-time UW and private college and university undergraduate students are currently receiving either Wisconsin higher education grants or talent incentive program grants. This estimate assumes that all of these students would work at least 300 hours a year, including summer and school year

(continued on page two)

Long-Range Fiscal Implications:

Agency/Prepared by: (Name & Phone No.) Wisconsin Department of Revenue Pamela Walgren, (608) 266-7817	Authorized Signature/Telephone No. Dennis Collier <i>Dennis Collier</i> (608) 266-5773	Date 4/21/00
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employment. Based on Department data, approximately 75% of credits claimed in a year are used to offset tax liability. Thus, it is estimated that this credit would reduce tax revenues by \$5.4 million annually (14,500 x \$500 x 75%).

The bill does not provide funding for administrative costs. The Department estimates that there would be one-time costs of \$102,400 and annual costs of \$30,700 to implement and administer the bill.

DC 4/21/00

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

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Subject

Income and Franchise Tax Credit for Businesses That Employ Certain Undergraduate Students

I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

One-time costs of \$93,000 in FY01 and \$9,400 in FY02.

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringe	\$ 22,300	\$ -
(FTE Position Changes)	(.5 FTE)	(- FTE)
State Operations-Other Costs	8,400	-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$ 30,700	\$ -
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$ 30,700	\$ -
FED		-
PRO/PRS		-
SEG/SEG-S		-
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)	Increased Rev.	Decreased Rev.
GPR Taxes	\$	\$ - 5,400,000
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$	\$ - 5,400,000

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ 30,700	\$
NET CHANGE IN REVENUES	\$ -5,400,000	\$

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue	Dennis Collier <i>Dennis Collier</i>	4/21/00
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