

### Fiscal Estimate - 2003 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>03-2186/2</b>	<b>Introduction Number</b> <b>AB-299</b>
<b>Subject</b> Technology zone tax credit	
<b>Fiscal Effect</b>	
<b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Appropriations  <input type="checkbox"/> Decrease Existing Appropriations  <input type="checkbox"/> Create New Appropriations                 </div> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Revenues  <input type="checkbox"/> Decrease Existing Revenues                 </div> <div style="width: 30%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget  <div style="display: flex; justify-content: space-around; font-size: small;"> <span><input checked="" type="checkbox"/> Yes</span> <span><input type="checkbox"/> No</span> </div> <input type="checkbox"/> Decrease Costs                 </div> </div>	
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <p>1. <input type="checkbox"/> Increase Costs</p> <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                 </div> <div style="width: 30%;"> <p>3. <input type="checkbox"/> Increase Revenue</p> <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                 </div> <div style="width: 30%;"> <p>5. Types of Local Government Units Affected</p> <input type="checkbox"/> Towns      <input type="checkbox"/> Village      <input type="checkbox"/> Cities  <input type="checkbox"/> Counties      <input type="checkbox"/> Others  <input type="checkbox"/> School Districts      <input type="checkbox"/> WTCS Districts                 </div> </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <p>2. <input type="checkbox"/> Decrease Costs</p> <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                 </div> <div style="width: 30%;"> <p>4. <input type="checkbox"/> Decrease Revenue</p> <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                 </div> </div>	
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	
<b>Agency/Prepared By</b> DOR/ Pamela Walgren (608) 266-7817	<b>Authorized Signature</b> Dennis Collier (608) 266-5773
<b>Date</b> 5/5/2003	

## Fiscal Estimate Narratives

DOR 5/5/2003

LRB Number	<b>03-2186/2</b>	Introduction Number	<b>AB-299</b>	Estimate Type	<b>Original</b>
<b>Subject</b>					
Technology zone tax credit					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, businesses that are located in a technology zone may be certified by the Department of Commerce to receive tax credits. Commerce certifies the businesses for a portion of the amount of income or franchise tax, property tax and sales and use tax paid by the business in a year.

Pass-through entities, such as partnerships, limited liability companies and subchapter S corporations, have limited income and franchise tax liability at the entity level, since they pass the income of the entity to their partners, members and shareholders. As a result, pass-through entities do not claim the technology zone credits, but compute the amount of the credit for each partner, member or shareholder to claim in proportion to their ownership interest. The technology zone credit that passes through to the owners generally does not include any amount for income or franchise tax liability since the entity does not generally pay that tax.

The bill would allow the Department of Commerce to certify technology zone credits based on the taxes a pass-through entity would have paid had they been organized as a corporation. The amount of tax the pass-through entity would have paid is determined by multiplying the entity's reported net income by the income or franchise tax rate of 7.9%.

This provision would not increase the \$5 million credit cap for each technology zone, but would likely shorten the time period during which the credits would be used. The Department is unable to determine the fiscal effect resulting from the shortened time period since the credits must be certified by the Commerce before the businesses may claim them.

### Long-Range Fiscal Implications