

### Fiscal Estimate - 2003 Session

Original       Updated       Corrected       Supplemental

<b>LRB Number</b> <b>03-3509/1</b>		<b>Introduction Number</b> <b>AB-626</b>	
<b>Subject</b> Apprentice training tax credit			
<b>Fiscal Effect</b>  <b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Create New Appropriations  <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 Costs			
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate  1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory  5. Types of Local Government Units Affected <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			
<b>Fund Sources Affected</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>Affected Ch. 20 Appropriations</b>	
<b>Agency/Prepared By</b> DOR/ Pamela Walgren (608) 266-7817		<b>Authorized Signature</b> Dennis Collier (608) 266-5773	<b>Date</b> 10/31/2003

## Fiscal Estimate Narratives

DOR 10/31/2003

LRB Number	03-3509/1	Introduction Number	AB-626	Estimate Type	Original
<b>Subject</b>					
Apprentice training tax credit					

### Assumptions Used in Arriving at Fiscal Estimate

The bill would create a nonrefundable income and franchise tax credit for a business that pays wages to an apprentice participating in a 2-year to 5-year program in construction, industrial manufacturing or service occupations if the apprentice is in one of the five industrial, five construction or five service occupations with the most job openings for new entrants, as determined by the Department of Workforce Development (DWD). The credit would equal 5% of wages paid to an apprentice, not to exceed \$1,400 per year, but increases to 8%, not to exceed \$3,000, during the year the apprentice completes the program. The program must be approved by the Department of Workforce Development. The credit would first apply to taxable years beginning on January 1, 2006.

The bill would discontinue the credit for the wages of new apprentices for taxable years beginning in 2009 if the number of employers training apprentices in approved programs does not increase by more than 40% between January 1, 2006 and December 31, 2008. Employers could continue to claim the credit for wages of apprentices for whom the employer had already claimed the credit in a prior year until the apprentice completes the apprenticeship program.

According to information from DWD, approximately 11,200 persons currently are participating in apprenticeship programs in industrial manufacturing, construction or service sector occupations. Programs that would be in the top five service, industrial and construction categories for job openings for new entrants as determined by DWD are not known at this time. The estimate assumes the five most popular programs in each category would have the most job openings. To the extent that the actual categories and number of apprentices in them would differ from the assumptions, the fiscal effect would differ.

The estimate assumes that employers would receive the maximum credit for apprentice wages. Based on information from DWD, it is estimated that 2,500 apprentices would be in the final year of their programs and that 5,800 apprentices would be in prior program years. The estimated annual amount of credit claims is \$15.6 million (2,500 x \$3,000) + (5,800 x \$1,400). The Department estimates that approximately 75% of credits claimed in a year are used to offset tax liability. As such, the annual fiscal effect is estimated at \$11.7 million annually (\$15.6 million x 75%).

The Department would incur one-time programming costs of \$19,500.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>03-3509/1</b>		Introduction Number <b>AB-626</b>	
<b>Subject</b>			
Apprentice training tax credit			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
+\$19,500 for programming			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>		<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev.	Decreased Rev.
GPR Taxes		\$	\$-11,700,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$-11,700,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-11,700,000	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Pamela Walgren (608) 266-7817		Dennis Collier (608) 266-5773	10/31/2003