

Fiscal Estimate - 2003 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 03-3355/2	Introduction Number AB-722
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Subject
 Development zone and enterprise development zone program changes

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate

<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease 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 Costs
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Local:

No Local Government Costs
 Indeterminate

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <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
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Fund Sources Affected	Affected Ch. 20 Appropriations
<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	

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives
DOR 1/20/2004

LRB Number	03-3355/2	Introduction Number	AB-722	Estimate Type	Original
Subject					
Development zone and enterprise development zone program changes					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the Department of Commerce may allocate tax credits to both development zones and enterprise zones. It may allocate up to \$38.155 million of tax credits to eligible businesses in 22 development zones. Commerce may designate up to \$3 million of tax credits for each enterprise zone, but may designate no more than 79 enterprise zones, or \$237 million of credits for the enterprise zone program. Thus, the total amount of credits that may be allocated under these two programs is \$275.155 million.

Under AB 722, the amount available tax credits in the enterprise zone program and the development zone program is pooled and caps on the number of enterprise zones and the amount of credit per zone are removed. As a result, the total amount of tax credits authorized under both programs may not exceed \$275.155 million.

Under current law, a business that claims a tax credit under the development zone program may claim the credit only against income from business activities in the zone. AB 722 allows the credit to offset tax liability from any income.

Under current law, a business is eligible to claim the development zone credit based in part on the number of jobs the business creates that are filled by members of a targeted group. A member of a targeted group includes a person who resides in a federal empowerment zone or enterprise community. AB 722 would define a member of a targeted group to include any person who resides in a location designated by the federal government for purposes of encouraging economic revitalization.

The bill does not increase the total amount of credits that may be designated by Commerce under the development zone and enterprise zone programs beyond the \$275.155 million authorized under current law. However, changes in the bill, including the pooling of the credit authority and the removal credit caps per zone, could result in credits being used more quickly to offset tax liability. Because the amount of credits that would be used is determined in large part by which businesses Commerce certifies and when, the Department is unable to estimate the increased credit usage.

The Department anticipates one-time costs for computer programming and development to administer the bill of \$20,000. The bill does not provide funding for these costs.

Long-Range Fiscal Implications