

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-0744/1	Introduction Number AB-118	
Subject		
Tax credit for training apprentices		
Fiscal Effect		
State:		
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate		
<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget		
<input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
<input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local:		
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected		
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities		
2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others		
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
Fund Sources Affected		
<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		
Affected Ch. 20 Appropriations		
Agency/Prepared By	Authorized Signature	Date
DOR/ Pamela Walgren (608) 266-7817	Dennis Collier (608) 266-5773	1/4/2005

Fiscal Estimate Narratives

DOR 2/21/2005

LRB Number	05-0744/1	Introduction Number	AB-118	Estimate Type	Original
Subject					
Tax credit for training apprentices					

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 would increase to 8%, not exceeding \$3,000, during the year the apprentice completes the program. The program would have to be approved by DWD.

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 3,100 employers have approximately 10,400 persons currently 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. 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 2,400 apprentices would be in the final year of their programs and that 5,500 apprentices would be in prior program years. Thus, the estimated annual amount of credit claims is \$14.9 million. 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 \$11.2 million annually.

The Department estimates that it would incur \$40,000 of one-time costs for computer programming and \$6,500 ongoing costs for processing and audit. The draft does not provide funding for these costs.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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Subject			
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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
\$40,000 GPR-Exp. (computer programming and program development costs).			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs		6,500	
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$6,500	\$
B. State Costs by Source of Funds			
GPR		6,500	
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		\$	\$-11,200,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-11,200,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$6,500	\$
NET CHANGE IN REVENUE		\$-11,200,000	\$
Agency/Prepared By		Authorized Signature	Date
DOR/ Pamela Walgren (608) 266-7817		Dennis Collier (608) 266-5773	1/4/2005