

Fiscal Estimate - 2005 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

| | | | |
|---|--|---|--|
| LRB Number 05-0717/1 | | Introduction Number AB-206 | |
| Subject Research and development tax credit for expenditures that exceed 150 percent of prior year's expenditures | | | |
| 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 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 | |
| Local: | | | |
| <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"/> Counties | | <input type="checkbox"/> Others | |
| <input type="checkbox"/> School Districts | | <input type="checkbox"/> WTCS Districts | |
| 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 | |
| DOR/ Pamela Walgren (608) 266-7817 | | Rebecca Boldt (608) 266-6785 | |
| | | Date | |
| | | 3/8/2005 | |

Fiscal Estimate Narratives

DOR 3/11/2005

| | | | | | |
|---|-----------|---------------------|--------|---------------|----------|
| LRB Number | 05-0717/1 | Introduction Number | AB-206 | Estimate Type | Original |
| Subject | | | | | |
| Research and development tax credit for expenditures that exceed 150 percent of prior year's expenditures | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

Under current law two nonrefundable credits are available to corporations for research and development activities in the state. The research expenditures credit is available for increasing qualified research expenses and the research facilities credit for constructing and equipping new facilities or expanding existing facilities. Both credits are for 5% of qualified expenditures in a taxable year.

The bill provides an additional credit for research conducted in Wisconsin equal to 150% of the amount by which the current year's qualified research expenditures exceed the average of a corporation's qualified research expenditures in the three prior years. The credit is nonrefundable and unused amounts can be carried forward for 15 years.

Information on the amount of qualified research expenses claimed in the prior three years is not available. This estimate is based on research credits claimed in the 1999 and 2001 corporate samples compiled by the department. It assumes that the expenses reported in 1999 would equal the prior three year average expenses required by the bill. To the extent that actual prior year average expenses would differ, the actual fiscal effect would vary from the estimate. In addition, the bill is silent as to how to treat corporations that do not have prior year expenses. This estimate assumes that the entire current year expenses would be eligible for the new credit.

Based on these assumptions, the bill would reduce revenues by an estimated \$3.5 million per year.

The Department anticipates one-time costs of \$18,900 for computer programming. The bill 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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| LRB Number 05-0717/1 | | Introduction Number AB-206 | |
| Subject | | | |
| Research and development tax credit for expenditures that exceed 150 percent of prior year's expenditures | | | |
| I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): | | | |
| The Department anticipates one-time costs of \$18,900 for computer programming. | | | |
| 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 | | | |
| Local Assistance | | | |
| Aids to Individuals or Organizations | | | |
| TOTAL State Costs by Category | \$ | \$ | |
| B. State Costs by Source of Funds | | | |
| GPR | | | |
| 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 | \$ | \$-3,500,000 | |
| GPR Earned | | | |
| FED | | | |
| PRO/PRS | | | |
| SEG/SEG-S | | | |
| TOTAL State Revenues | \$ | \$-3,500,000 | |
| NET ANNUALIZED FISCAL IMPACT | | | |
| | State | Local | |
| NET CHANGE IN COSTS | \$ | \$ | |
| NET CHANGE IN REVENUE | \$-3,500,000 | \$ | |
| | | | |
| Agency/Prepared By | | Authorized Signature | Date |
| DOR/ Pamela Walgren (608) 266-7817 | | Rebecca Boldt (608) 266-6785 | 3/8/2005 |