

Fiscal Estimate - 2005 Session

Original Updated Corrected Supplemental

LRB Number 05-2046/1	Introduction Number AB-243	
Subject Tax credit for research and research facilities		
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 checked="" type="checkbox"/> Yes <input 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 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 DOR/ Pamela Walgren (608) 266-7817	Authorized Signature Rebecca Boldt (608) 266-6785	Date 3/29/2005

Fiscal Estimate Narratives

DOR 3/29/2005

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Assumptions Used in Arriving at Fiscal Estimate

Under current law, two tax credits for research and development are available: one credit covers R&D noncapital expenditures and the other credit applies to investments in R&D facilities. Both credits are for 5% of eligible expenses. The credits are nonrefundable and unused credit amounts may be carried forward for use in offsetting tax liability over the next 15 years.

The research expenditure credit is for noncapital expenditures related to research activities conducted in Wisconsin. The credit applies only to research expenditures involved in discovering information that is technological in nature and intended to be useful in the development of a new or improved business component.

A research facilities credit applies to capital investments to construct and equip new research facilities or expand existing facilities located in Wisconsin. The credit applies to qualified investments in tangible, depreciable property that is not replacement property.

The bill would increase the research expenditures and the research facilities credits for certain manufacturers to 10% of qualified research expenses. Under the bill, research related to manufacturing internal combustion engines for vehicles, including expenses related to designing vehicles powered by the engines, would be eligible for the increased credit. The bill defines a "vehicle" to include any vehicle or frame in or on which an engine is mounted for use in stationary or mobile applications. Vehicles specifically include any truck, tractor, motorcycle, snowmobile, or generator, but do not include automobiles, buses or aircraft.

Based on information in the 2001 corporate sample compiled by the Department, it is estimated that increasing the credit for these manufacturers would reduce state revenues by \$2.5 million annually. The estimate assumes that all of the qualifying research expenditures of these manufacturers under current law would qualify for the increased credit. The actual fiscal effect could be higher or lower than the estimate. The estimate assumes a relatively few corporations would qualify for the increased credits. If more corporations qualify, the actual fiscal effect could be greater than the estimate. If all of the expenditures did not qualify, the actual fiscal effect would be less than the estimate.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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Subject			
Tax credit for research and research facilities			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
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		\$	\$-2,500,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-2,500,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-2,500,000	\$
Agency/Prepared By		Authorized Signature	Date
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