

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number **05-0904/1** Introduction Number **AB-323**

Subject
 Extending tax credit carry-over provisions

Fiscal Effect

State:

- No State Fiscal Effect
 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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> Decrease Existing Appropriations | <input type="checkbox"/> Decrease Existing Revenues | |
| <input type="checkbox"/> Create New Appropriations | | <input type="checkbox"/> Decrease Costs |

Local:

- No Local Government Costs
 Indeterminate
- | | | |
|------------------------------------------------------------------------|------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. <input type="checkbox"/> Increase Costs | 3. <input type="checkbox"/> Increase Revenue | 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 |
| <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 | |

Fund Sources Affected **Affected Ch. 20 Appropriations**

GPR FED PRO PRS SEG SEGS

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Fiscal Estimate Narratives

DOR 4/15/2005

LRB Number	05-0904/1	Introduction Number	AB-323	Estimate Type	Original
Subject					
Extending tax credit carry-over provisions					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, most income and franchise tax credits for businesses are nonrefundable. If the credit claimed exceeds the claimant's tax liability in the current year, the claimant may carry forward the unused portion of the credit for 15 years to offset tax liability in those years. Nonrefundable business credits include: supplement to the federal historic rehabilitation credit, technology zone credit, agricultural zone credit, development zone credit, development zone capital investment credit, development zone investment credit, research credit, research facilities credit, and community development finance credit. The carryforward period of the manufacturers sales tax credit was extended from 15 to 20 years with 2003 Act 267.

The draft would extend the carryforward period from 15 years to 20 years for all nonrefundable business credits computed for taxable years beginning on January 1, 1988. As a result, credits that would have expired for taxable years beginning in 2003 would continue to be carried forward for use in offsetting future tax liability for an additional five years.

Data are not available to estimate the fiscal effect of extending the carryforward period for the credits. However, it is believed that the fiscal effect may be small since claimants that cannot use the credit carryforward under the current 15-year period may also not have tax liability to offset in the next 5 years. The Department estimates it would have increased return storage and retrieval costs, but could absorb those costs.

Long-Range Fiscal Implications