

Fiscal Estimate - 2005 Session

Original Updated Corrected Supplemental

LRB Number 05-4382/1		Introduction Number AB-951	
Description An income and franchise credit for property taxes paid on restaurant kitchen machinery and equipment			
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 checked="" type="checkbox"/> Yes <input 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"/> Cities	
<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	Date	
DOR/ Pamela Walgren (608) 266-7817	Rebecca Boldt (608) 266-6785	2/6/2006	

Fiscal Estimate Narratives

DOR 2/7/2006

LRB Number 05-4382/1	Introduction Number AB-951	Estimate Type Original
Description An income and franchise credit for property taxes paid on restaurant kitchen machinery and equipment		

Assumptions Used in Arriving at Fiscal Estimate

The bill would allow a nonrefundable income and franchise tax credit for the amount of property taxes paid on machinery and equipment, including refrigerators and other storage equipment, used primarily in the operation of a restaurant's kitchen to prepare or serve food or beverages.

For purposes of the credit, restaurant includes pizza delivery establishments, snack bars, beverage bars, takeout food shops, and mobile food services, including mobile snack stands, mobile canteens and ice cream vendors.

Unused credits could be carried forward for 15 years for use in offsetting future tax liability. Partnerships, limited liability companies and tax-option corporations would not claim the credit, but would compute the amount for each of its owners to claim on their returns in proportion to their ownership interests.

The Wisconsin Restaurant Association forecasts Wisconsin restaurant sales at about \$6.1 billion in 2005. According to the University of Wisconsin Extension's restaurant industry sales ratios, property taxes average about 1% of annual restaurant sales. Thus, Wisconsin restaurants' total property taxes are estimated at \$61 million (\$6.1 billion x 1%).

Property owners report personal property by "furniture, fixtures, and equipment" (FFE) which is about 7% of total property taxes. Assuming 2/3 of the value of FFE reported by restaurants is kitchen machinery and equipment, about \$2.8 million (\$61 million x 7% x 2/3) of property taxes paid on restaurant kitchen machinery and equipment would be subject to credit under the bill.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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 Updated
 Corrected
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Description An income and franchise credit for property taxes paid on restaurant kitchen machinery and equipment			
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		\$	\$-2,800,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-2,800,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-2,800,000	\$
Agency/Prepared By		Authorized Signature	Date
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