

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-2536/1	Introduction Number SB-184
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Subject
 Refundable development zone credits

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input checked="" type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs	5. Types of Local Government Units Affected	
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Towns	<input type="checkbox"/> Village <input type="checkbox"/> Cities
1. <input type="checkbox"/> Increase Costs	<input type="checkbox"/> Counties	<input type="checkbox"/> Others
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> School Districts	<input type="checkbox"/> WTCS Districts
2. <input type="checkbox"/> Decrease Costs		
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
3. <input type="checkbox"/> Increase Revenue		
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
4. <input type="checkbox"/> Decrease Revenue		
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		

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 20.835(2)(dz)	

Agency/Prepared By DOR/ Pamela Walgren (608) 266-7817	Authorized Signature Rebecca Boldt (608) 266-6785	Date 5/6/2005
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Fiscal Estimate Narratives

DOR 5/6/2005

LRB Number	05-2536/1	Introduction Number	SB-184	Estimate Type	Original
Subject					
Refundable development zone credits					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, businesses that are located in a development zone, an enterprise development zone, a development opportunity zone, an agricultural zone or a technology zone may be certified by the Department of Commerce to claim tax credits. The following credits may be claimed by some or all of the businesses certified in these zones:

- the development zone credit, based on jobs created or retained in a zone and expenditures made for environmental remediation;
- the capital investment credit, based on the cost of certain depreciable tangible personal property and amounts expended to acquire, construct, remodel, repair or rehabilitate real property;
- the investment credit, based on the cost of certain depreciable tangible personal property;
- the technology zone credit, based on the property, sales and use and income and franchise taxes of the business.

The credits are nonrefundable so that if the amount of credits exceed the claimant's tax liability, the business may carryforward the remaining credit for 15 years for use in offsetting tax in future years.

Under the bill, the development zone credit, the investment credit, the capital investment credit and the technology zone credit would be refundable in taxable years beginning in 2006.

Based on information compiled by the Department on current credit claims, the net fiscal effect of making these credits refundable would be an estimated \$2.4 million annually. However, the actual fiscal effect would depend upon the amount of credits certified by Commerce, when requirements would be met for the businesses to claim the credits on their tax returns, and the amount of credit that would exceed tax liability and be refunded.

Making the credits refundable would result in a new appropriation of \$12 million, including \$9.6 million in credits currently used to offset tax liability and \$2.4 million in unused credits that are carried forward to future tax years. It would also result in a tax increase of \$9.6 million, the amount of new credit claims currently used to offset tax liability. These used credits are treated as a revenue reduction under current law but would be an appropriation under the bill. The fiscal effect would be the difference between the new \$12 million appropriation and the \$9.6 million revenue increase. The fiscal effect of unused carryforward credits from prior years continuing to be available to offset tax liability in future years would be a one-time decrease of \$5 million.

The Department estimates one-time costs for computer programming of \$38,900. 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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Subject			
Refundable development zone credits			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
One-time programming costs of \$38,900; -\$5 million in GPR revenue in FY07 associated with unused carryover credits from prior years.			
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	12,000,000	
	TOTAL State Costs by Category	\$12,000,000	\$
B. State Costs by Source of Funds			
	GPR	12,000,000	
	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	\$9,600,000	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$9,600,000	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
	NET CHANGE IN COSTS	\$12,000,000	\$
	NET CHANGE IN REVENUE	\$9,600,000	\$
Agency/Prepared By		Authorized Signature	Date
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