

Fiscal Estimate - 2005 Session

Original Updated Corrected Supplemental

LRB Number 05-3777/1		Introduction Number SB-449	
Description Creating an income and franchise tax credit for eligible innovation projects and project 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 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 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		Authorized Signature	Date
DOR/ Pamela Walgren (608) 266-7817		Rebecca Boldt (608) 266-6785	12/5/2005

Fiscal Estimate Narratives

DOR 12/5/2005

LRB Number	05-3777/1	Introduction Number	SB-449	Estimate Type	Original
Description Creating an income and franchise tax credit for eligible innovation projects and project facilities					

Assumptions Used in Arriving at Fiscal Estimate

The bill would create a nonrefundable credit equal to 20% of the allowable costs paid in a taxable year for creating and operating a project facility or for creating and maintaining an eligible innovation project. The maximum credit that a claimant could claim in any taxable year is \$250,000. The maximum amount of credit that could be awarded to all claimants under the program is \$10,000,000 per year. Unused credits could be carried forward for 15 years for use in offsetting future tax liability.

Claimants would have to be certified by the Department of Commerce to receive tax credits. Unless otherwise provided by Commerce rules, a business could only be certified for credit if it conducts business in the state, has at least 51% of its employees in the state and is engaged in, or has committed to engage in, manufacturing, agriculture, or processing or assembling products or conducting research and development of a new product or business process. The business could not be certified for credit if it engages in real estate development, insurance, banking, lending, lobbying, political consulting, professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants, wholesale or retail trade, leisure, hospitality, transportation or construction.

An innovation project eligible for credit would be any real property, tangible personal property, or intangible property related to new product or process that is based on new technology or the creative application of existing technology. A project facility eligible for credit would be any facility located in the state that is operated for the purpose of creating and maintaining an eligible project if the Department of Commerce determines that the project is likely to create or retain jobs.

Allowable innovation costs would be the costs to acquire, construct, reconstruct, rehabilitate, renovate, enlarge, improve, or equip a project facility or eligible innovation project and the following costs to create and operate a project facility or to create and maintain an eligible innovation project:

- Designs, plans, specifications, surveys, studies, estimates and other similar services to determine feasibility or practicality of a project
- Site clearance and preparation
- Architectural, engineering and legal services
- Research and Development
- Computer software or hardware
- Product testing and quality control activities
- Perfecting and marketing products
- Creating and protecting intellectual property

The bill would reduce tax revenues by an estimated \$10 million per year, the maximum amount of credit that may be awarded by Commerce in each year.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
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Description Creating an income and franchise tax credit for eligible innovation projects and project 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, ets.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$-10,000,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-10,000,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-10,000,000	\$
Agency/Prepared By		Authorized Signature	
DOR/ Pamela Walgren (608) 266-7817		Rebecca Boldt (608) 266-6785	
		Date	
		12/5/2005	