

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-4491/1	Introduction Number SB-534
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Description
 Creating an individual and corporate income tax exemption for interest on bonds or notes issued by the Wisconsin Health and Educational Facilities Authority for purposes related to the purchase of information technology equipment by health facilities

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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input checked="" type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

<input checked="" type="checkbox"/> No Local Government Costs	5. Types of Local Government Units Affected	
<input type="checkbox"/> Indeterminate	1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<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
	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	

Agency/Prepared By DOR/ Pamela Walgren (608) 266-7817	Authorized Signature Rebecca Boldt (608) 266-6785	Date 2/8/2006
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Fiscal Estimate Narratives

DOR 2/8/2006

LRB Number	05-4491/1	Introduction Number	SB-534	Estimate Type	Original
Description Creating an individual and corporate income tax exemption for interest on bonds or notes issued by the Wisconsin Health and Educational Facilities Authority for purposes related to the purchase of information technology equipment by health facilities					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the Wisconsin Health and Educational Facilities Authority (WHEFA) may issue bonds to finance projects undertaken by a health institution for a health facility if certain conditions are met. Interest on the bonds is exempt from federal income tax, but is taxable at the state level.

The bill would provide an income tax exemption for bonds issued by WHEFA if the proceeds are used by a health facility to fund the acquisition of information technology hardware or software.

The amount of bonds issued to finance medical information technology and the resulting fiscal effect of the exemption is not known. The attached table shows the estimate with varying assumptions.

- Column A. The annual issuance amounts of bonds qualifying for the exemption.
- Column B. Based on information from WHEFA, Wisconsin residents hold approximately 25% of bonds issued by WHEFA, but that the amount could increase to 50% if the bonds were exempt. The attached table shows the estimated fiscal effects assuming 25% and 50% of bonds would be held by state residents.
- Column C. Based on information from WHEFA, the average tax rate on this type of bond would be 4.5% if they were exempt. The actual rates may vary.
- Column D. Since most corporations are subject to the franchise tax, not the income tax, the estimate assumes a tax rate of 6.5%.
- Column E. The fiscal effect would increase each year as more bonds were issued and remained outstanding. This column shows the estimated first year fiscal effect of the exemption.
- Column F. Based on information from WHEFA, bonds for information technology would have a relatively short life. They would probably be issued as seven year bonds. As a result, the fiscal effect would continue to grow over seven years as more bonds are issued, but then would begin to level off as earlier bonds were retired. This column shows the estimated fiscal effect after seven years and continuing in the future, assuming constant levels of annual issuances.

Should the actual number of bonds issued annually, the interest rates, the tax rates of bond holders or any other assumptions regarding the bonds change, the actual fiscal effect would also change.

Long-Range Fiscal Implications

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>	<u>Column E</u>	<u>Column F</u>
<u>Annual Amount</u>	<u>% of Bonds Held</u>	<u>Average</u>	<u>Individual</u>	<u>First Year</u>	<u>After 7 Years</u>
<u>of Issuances</u>	<u>Instate</u>	<u>Bond Rate</u>	<u>Tax Rate</u>	<u>Fiscal Effect</u>	<u>and Ongoing</u>
\$ 200,000,000	50%	4.5%	6.5%	\$ 292,500	\$ 2,047,500
100,000,000	50%	4.5%	6.5%	146,250	1,023,750
50,000,000	50%	4.5%	6.5%	73,125	511,875
25,000,000	50%	4.5%	6.5%	36,563	255,938
\$ 200,000,000	25%	4.5%	6.5%	\$ 146,250	\$ 1,023,750
100,000,000	25%	4.5%	6.5%	73,125	511,875
50,000,000	25%	4.5%	6.5%	36,563	255,938
25,000,000	25%	4.5%	6.5%	18,281	127,969