

Fiscal Estimate - 2005 Session

Original Updated Corrected Supplemental

LRB Number 05-2027/1		Introduction Number SB-69	
Subject Tax credit for training apprentices			
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 checked="" 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 checked="" 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 <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 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	
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	3/8/2005

Fiscal Estimate Narratives

DOR 3/8/2005

LRB Number	05-2027/1	Introduction Number	SB-69	Estimate Type	Original
Subject					
Tax credit for training apprentices					

Assumptions Used in Arriving at Fiscal Estimate

The bill would create a nonrefundable income and franchise tax credit for a business that pays wages to an apprentice participating in a 2-year to 5-year program in construction, industrial manufacturing or service occupations if the apprentice is in one of the five industrial, five construction or five service occupations with the most job openings for new entrants, as determined by the Department of Workforce Development (DWD). The credit would equal 5% of wages paid to an apprentice, not to exceed \$1,400 per year, but would increase to 8%, not exceeding \$3,000, during the year the apprentice completes the program. The program would have to be approved by DWD.

The credit would first apply to taxable years beginning on January 1, 2006. The bill would discontinue the credit for the wages of new apprentices for taxable years beginning in 2009 if the number of employers training apprentices in approved programs does not increase by more than 40% between January 1, 2006 and December 31, 2008. Employers could continue to claim the credit for wages of apprentices for whom the employer had already claimed the credit in a prior year until the apprentice completes the apprenticeship program.

According to information from DWD, approximately 3,100 employers have about 10,400 persons currently participating in apprenticeship programs in industrial manufacturing, construction or service sector occupations. Programs that would be in the top five service, industrial and construction categories for job openings for new entrants as determined by DWD are not known. The estimate assumes the five most popular programs in each category would have the most job openings. To the extent that the actual categories and number of apprentices in them would differ from the assumptions, the fiscal effect would differ.

The estimate assumes that employers would receive the maximum credit for apprentice wages. Based on information from DWD, it is estimated that 2,400 apprentices that would qualify their employer for credit would be in the final year of their programs and that 5,500 apprentices would be in prior program years. Thus, the estimated annual amount of credit claims is \$14.9 million (2,400 x \$3,000 + 5,500 x \$1,400). The Department estimates that approximately 75% of credits claimed in a year are used to offset tax liability. As such, the annual fiscal effect is estimated at \$11.2 million annually (\$14.9 x 75%). To the extent that actual wages would be less than the maximum wages eligible for credit, the fiscal effect would be less.

The Department estimates that it would incur \$40,000 of one-time costs for computer programming and \$6,500 of annual costs to administer the credit. The draft 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			
Tax credit for training apprentices			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
The department anticipates one-time costs of \$40,000 for computer programming.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$6,500	
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$6,500	\$
B. State Costs by Source of Funds			
	GPR	6,500	
	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	\$	\$-11,200,000
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$-11,200,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
	NET CHANGE IN COSTS	\$6,500	\$
	NET CHANGE IN REVENUE	\$-11,200,000	\$
Agency/Prepared By		Authorized Signature	Date
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