

Fiscal Estimate Narratives

DOR 1/10/2011

LRB Number 11-0755/2	Introduction Number AB-0003 (JR1)	Estimate Type Original
Description An income and franchise tax credit for businesses that relocate to this state		

Assumptions Used in Arriving at Fiscal Estimate

The bill creates an income and franchise tax credit for a business for two consecutive taxable years beginning with the taxable year in which the business locates to this state from another state and begins operations in this state. The credit is equal to the amount of the taxpayer's income or franchise tax liability after applying all other credits, deductions, and exclusions. The credit may only be claimed if the claimant has not done business in this state during any of the ten previous taxable years preceding the year in which the credit is claimed. Unused credit amounts may be carried forward for 15 years.

Fiscal Estimate

Based on data from the National Establishment Times Series database maintained by Walls and Associates, there were 416 commercial business establishments that moved into Wisconsin in 2008. In addition, an analysis of corporate tax returns for first-time Wisconsin filers showed an average annual tax liability of approximately \$2,700. If it is assumed that 25% of the 416 firms that moved into Wisconsin had not done business in the state in the preceding ten years and assuming that their tax liability averages \$2,700 annually, then the fiscal effect of the proposal would be an annual revenue loss of \$280,800 (416 x .25 x \$2,700). The actual fiscal effect could be higher (lower) if more (fewer) firms relocate into Wisconsin or if their tax liability before the credit is higher (lower) than \$2,700.

Administrative costs will be absorbed within existing Department resources.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description An income and franchise tax credit for businesses that relocate to this state		
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	\$	\$-280,800
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$-280,800
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-280,800	\$
Agency/Prepared By		
Authorized Signature		Date
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