

### Fiscal Estimate - 2011 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>11-2858/6</b>	<b>Introduction Number</b> <b>SB-477</b>	
<b>Description</b> Tax credit programs administered by the Wisconsin Economic Development Corporation		
<b>Fiscal Effect</b>		
<b>State:</b>		
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" 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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
<b>Local:</b>		
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <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		
<b>Fund Sources Affected</b>		
<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)(co); 20.835(2)(bb)		
<b>Affected Ch. 20 Appropriations</b>		
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DOR/ Michael Oakleaf (608) 261-5173	John Koskinen (608) 267-8973	2/20/2012

## Fiscal Estimate Narratives

DOR 2/20/2012

LRB Number	11-2858/6	Introduction Number	SB-477	Estimate Type	Original
<b>Description</b> Tax credit programs administered by the Wisconsin Economic Development Corporation					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, the Wisconsin Economic Development Corporation (WEDC) administers the jobs tax credit, the economic development tax credit, the development opportunity zone tax credit, and the enterprise zone tax credit (tax credit programs). This bill makes various changes to these tax credit programs.

#### Definition of "Full-time Job"

Under current law, each of the tax credit programs defines a "full-time job" as a job in which an individual must work 2,080 hours per year as a condition of his or her employment. However, for purposes of the enterprise zone tax credit program and the economic development tax credit program, WEDC is currently authorized to make an exception to the 2,080 hour requirement for individuals who work at a job not less than 37.5 hours per week. Under this bill, the definition of "full-time job" in each of the tax credit programs provides that WEDC may make an exception to the 2,080 hours per year requirement as long as the employed individual receives benefits that are acceptable to the corporation.

#### Jobs Tax Credit

Under current law, WEDC may certify an employer to claim a refundable jobs tax credit if the employer will increase its net employment in Wisconsin. An employer certified under the program may receive per-employee tax benefits in the amount of 10 percent of the wages paid to a full-time employee who meets certain wage requirement. Under this bill, a person certified for the jobs tax credit program may receive per-employee tax benefits up to 10 percent of the wages paid to a full-time employee who meets the wage requirements. This bill also authorizes WEDC to certify a person to claim the jobs tax credit if the person maintains increased net employment in the person's business.

#### Enterprise Zone Tax Credit

Under current law, WEDC is authorized to designate up to 20 areas in the state as enterprise zones. Currently, WEDC may certify businesses to claim the refundable enterprise zone tax credit, including:

1. A business that expands its operations in an enterprise zone and that makes a capital investment in property located in the enterprise zone if the value of the capital investment is equal to at least 10 percent of the business's gross revenues from business in the state in the preceding tax year.
2. A business that retains jobs in an enterprise zone, but only if the business makes a significant capital investment in property located in the zone, and the business is an original equipment manufacturer with a significant supply chain in Wisconsin.

This bill makes the following changes to the requirements for certification to claim the enterprise zone tax credit:

1. For a business that expands its operations in an enterprise zone, this bill eliminates the requirement that the value of a qualifying capital investment in an enterprise zone must be at least 10 percent of the business's gross revenues. Instead, a business may qualify for the enterprise zone tax credit by making a significant capital investment in the zone, as determined by WEDC.
2. For a business that retains jobs in the enterprise zone, the bill eliminates the requirement that the business must be an original equipment manufacturer with a significant supply chain in Wisconsin and allows certification for a business that is any type of manufacturer with a significant supply chain in Wisconsin.

#### Fiscal Estimate

The fiscal effect of the bill cannot be definitively determined. The fiscal effect is entirely dependent on changes in the amount of credits that would be certified by WEDC as a result of the provisions of the bill,

and those changes are unknown at this time. However, because the changes in the bill would in general allow WEDC to certify credits for additional jobs and expenditures that would not be eligible under current law, it is assumed that the bill would reduce revenue by an unknown amount for the non-refundable Economic Development and Development Opportunity Zone credits, and in the case of the refundable Jobs Tax and Enterprise Zones Jobs Tax credits, would increase expenditures by an unknown amount.

### **Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

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  Updated     
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<b>LRB Number</b> 11-2858/6		<b>Introduction Number</b> SB-477	
<b>Description</b> Tax credit programs administered by the Wisconsin Economic Development Corporation			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
	State Operations - Salaries and Fringes	\$	\$
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)</b>			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$See Text	\$
NET CHANGE IN REVENUE		\$See Text	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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