



## Fiscal Estimate Narratives

DOR 10/12/2011

LRB Number 11-3092/2	Introduction Number SB-017 (SE1)	Estimate Type Original
<b>Description</b> An income and franchise tax credit for investments in a community development financial institution		

### Assumptions Used in Arriving at Fiscal Estimate

The bill creates a non-refundable Community Development Financial Institution Credit. The credit, which may be claimed against the income and franchise tax or against license fees paid by insurers, is equal to 10% of the qualified investment in a Community Development Financial Institution (CDFI) if the amount of the investment is greater than \$10,000 but not more than \$150,000, or 12% of a qualified investment if the investment is greater than \$150,000 but less than \$500,000. The credit is available for taxable years beginning after December 31, 2011 and before January 1, 2014. Unused credit amounts may be carried forward for 15 years. No more than \$1 million may be claimed in any calendar year.

The credit claimant must be certified by the Wisconsin Economic Development Corporation (WEDC) as having made a qualified investment in a CDFI that is registered by WEDC. The bill defines a CDFI as an entity that is organized under the laws of this state and has been certified by the Community Development Financial Institutions Fund established under federal law as meeting certain eligibility requirements. The bill defines a "qualified investment" as a loan or deposit of at least \$10,000 that pays no interest and that is made for a minimum of 60 months and over which the CDFI retains complete control for the duration of the investment period. WEDC may revoke the registration of a CDFI that fails to comply with annual reporting requirements or that no longer meets the eligibility requirement for certification by the fund.

If the qualified investment is withdrawn from the CDFI before the end of the investment period and is not reinvested in another CDFI, the claimant must repay a portion of the credit amounts that the claimant received by adding the portion to the claimant's tax or fee liability in a subsequent year. However, the portion that the claimant must repay depends on when the investment was withdrawn during the investment period. The portion that must be repaid decreases the longer the claimant holds the investment during the investment period.

WEDC may determine whether to certify credits for taxable years beginning after December 31, 2013, and must notify the Department of Revenue of that determination.

#### Fiscal Effect:

The non-refundable CDFI credit would reduce revenue by an estimated \$250,000 in FY 2013, \$1 million in FY 2014, and \$750,000 in FY 2015.

If WEDC certifies credits for taxable years beginning after December 31, 2013 as allowed under proposed s. 238.17(5)(d), the fiscal effect would be \$1 million in FY 2015 instead of \$750,000, and would be \$1 million for each additional taxable year for which credits are certified.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> An income and franchise tax credit for investments in a community development financial institution			
<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, etc.)</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	\$		\$
NET CHANGE IN REVENUE		\$See Text	\$
<b>Agency/Prepared By</b>			
DOR/ Michael Oakleaf (608) 261-5173		<b>Authorized Signature</b>	<b>Date</b>
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