

Fiscal Estimate - 2013 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 13-2505/1	Introduction Number AB-0338	
Description Allowing refunds for the early stage seed and angel investment tax credits and having the Department of Administration administer the credits and making an appropriation		
Fiscal Effect		
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input checked="" 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 type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" 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 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <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 20.835 (2) (ba)		
Agency/Prepared By DOR/ Michael Oakleaf (608) 261-5173	Authorized Signature Michael Wagner (608) 266-6785	Date 9/6/2013

Fiscal Estimate Narratives

DOR 9/6/2013

LRB Number	13-2505/1	Introduction Number	AB-0338	Estimate Type	Original
Description Allowing refunds for the early stage seed and angel investment tax credits and having the Department of Administration administer the credits and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, a taxpayer may claim Early Stage Seed and Angel investment credits for the taxpayer's investments in qualified new business ventures. If the credit amounts exceed the taxpayer's tax liability, the taxpayer may carry forward the unused credit and use it to offset taxes due in subsequent taxable years. Under the bill the credits would be refundable, in that excess credit amounts may be refunded to the taxpayer, for taxable years beginning on or after January 1, 2013.

The bill also transfers the administration of the Early Stage Seed and Angel investment credits from the Wisconsin Economic Development Corporation (WEDC) to the Department of Administration (DOA).

Fiscal Estimate

This fiscal estimate pertains only to the provisions of the bill that make the Angel and Early Stage Seed investment credits refundable, and not the provisions related to transferring the administration of the credits from WEDC to DOA.

Non-refundable credits are considered reductions in tax revenue. Refundable credits require an appropriation, and are therefore considered increases in appropriations. In general, changing a credit from non-refundable to refundable would involve an increase in revenue (technically a reduction in revenue reduction) and an increase in appropriations. In addition, the timing of the fiscal effect is different for non-refundable credits vs. refundable credits. Non-refundable credits are accounted for as reductions in estimated payments that happen quarterly throughout the taxable year, whereas refundable credits are accounted for as expenditures in the period when the returns claiming the credits are filed.

Based on a review of individual and corporate returns that claimed the Angel and Early Stage Seed investment credits, and assuming annual growth in claims that would occur under current law consistent with recent years of 15% in the Angel Investment Credit and 5% in the Early Stage Seed Investment Credit, and assuming making the credits refundable would increase claims by an additional 10%, the bill would result in an increase in revenue (reduction in revenue reduction) of the following amounts:

FY 2014: \$8.8 million;
FY 2015: \$8.1 million;
FY 2016: \$9.1 million;
FY 2017: \$10.4 million;
FY 2018: \$11.8 million.

In addition, the bill would result in an increase in appropriations of the following amounts:

FY 2014: \$8.5 million
FY 2015: \$11.4 million;
FY 2016: \$10.3 million;
FY 2017: \$11.7 million;
FY 2018: \$13.3 million.

Because the changes in the bill would be effective for tax year 2013, if the bill is enacted after the tax year 2013 tax forms are printed in October 2013, twelve different forms, instructions, and booklets would need to be re-printed at a one-time cost of \$36,000.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 13-2505/1	Introduction Number AB-0338	
Description Allowing refunds for the early stage seed and angel investment tax credits and having the Department of Administration administer the credits and making an appropriation		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): Because the changes in the bill would be effective for tax year 2013, if the bill is enacted after the tax year 2013 tax forms are printed in October 2013, twelve different forms, instructions, and booklets would need to be re-printed at a one-time cost of \$36,000.		
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	36,000	
Local Assistance		
Aids to Individuals or Organizations	13,300,000	
TOTAL State Costs by Category	\$13,336,000	\$
B. State Costs by Source of Funds		
GPR	13,336,000	
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, ets.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$11,800,000	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$11,800,000	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$13,336,000	\$
NET CHANGE IN REVENUE	\$11,800,000	\$
Agency/Prepared By	Authorized Signature	Date
DOR/ Michael Oakleaf (608) 261-5173	Michael Wagner (608) 266-6785	9/6/2013