



## Fiscal Estimate Narratives

DOR 9/30/2013

LRB Number	<b>13-2465/2</b>	Introduction Number	<b>AB-0375</b>	Estimate Type	<b>Original</b>
<b>Description</b> Development opportunity zones for areas experiencing mass layoffs or business closings					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law certain areas in the state, usually confined to a city, are designated as development opportunity zones (DOZ). Taxpayers that conduct business or intend to conduct business in a DOZ may receive certain tax credits after submitting a qualifying project plan to the Wisconsin Economic Development Corporation (WEDC).

The bill would authorize WEDC to designate as a DOZ an area in a county in this state that experiences a mass layoff or business closing. Under the bill, the mass layoff or business closing must affect at least 25 percent of the employer's workforce or 100 employees, whichever is greater, at an employment site or within a county, not including new or low-hour employees. The bill also authorizes WEDC to reallocate unallocated tax credits from the existing DOZs in the cities of Janesville, Kenosha, and Beloit for use in a DOZ that WEDC designates in connection with a mass layoff or business closing.

### Fiscal Estimate

Based on information provided by WEDC, the DOZ in Beloit to date has allocated \$481,000 of the available \$5 million and will expire July 31, 2016. The DOZ in Kenosha has had no tax credits allocated and will expire on March 6, 2016. The DOZ in Janesville has allocated all of the initial \$5 million and has been authorized for an additional \$5 million and will expire on February 28, 2020. To date the Janesville zone has allocated \$5.1 million in credits. A total of \$5.6 million of the available \$10 million in credits has been allocated. Based on the above, there is currently \$14.4 million that could potentially be reallocated to counties that experience a mass layoff or business closing.

Based on data from the Department of Workforce Development, in calendar year 2012 there were 21 layoff events affecting 100 or more people in 11 different counties. Therefore, it is assumed that there will be projects available in counties with mass layoffs or business closings for which tax credits could be reallocated.

While the bill does not provide any additional funding to the DOZ program above what is authorized under current law, the bill could affect state revenues in two ways. First, to the extent that tax credits that are reallocated are used to reduce taxes otherwise due in an earlier fiscal year than they would under current law, the fiscal effect of the use of the credits would be shifted from the later fiscal year to the earlier fiscal year. Secondly, revenue would be reduced to the extent that tax credits that under current law would not be allocated to anyone prior to a zone expiring are instead reallocated and used by taxpayers to offset taxes otherwise due. The magnitude of either of these effects is unknown but in total could not exceed the \$14.4 million in DOZ credits that are currently unallocated.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 13-2465/2		<b>Introduction Number</b> AB-0375	
<b>Description</b> Development opportunity zones for areas experiencing mass layoffs or business closings			
<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>		<b>Authorized Signature</b>	<b>Date</b>
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