



## Fiscal Estimate Narratives

DOR 1/17/2014

LRB Number	13-2997/1	Introduction Number	AB-0580	Estimate Type	Original
<b>Description</b> Authorizing the transfer of certain tax credits earned in connection with economic development in this state					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, the Wisconsin Economic Development Corporation (WEDC) may certify a person to claim Economic Development Tax Credits. A person may qualify for additional Economic Development Tax Credits if the eligible activity conducted by the person will benefit a particular group or economically distressed area that the state has targeted for economic development.

This bill creates a program under which WEDC may approve the transfer of Economic Development Tax Credits to a Wisconsin taxpayer other than the person to whom WEDC initially awards the tax credits. Under the bill, the corporation may approve the transfer of economic development tax credits if the person to whom the tax credits are initially awarded meets at least one of the following conditions in addition to being authorized by the corporation to claim the tax credits:

1. The person is headquartered in, and employs at least 51 percent of its employees in, Wisconsin.
2. The person intends to relocate its headquarters to, and employ at least 51 percent of its employees in Wisconsin.
3. The person intends to expand its operations in Wisconsin, and that expansion will increase the number of full-time employees employed by the person in Wisconsin by a number that equals at least 10 percent of the person's full-time employees.
4. The person intends to expand its operations in Wisconsin, and the person will make a significant capital investment in property in Wisconsin as a result of that expansion.

If WEDC approves the transfer, the claimant must transfer those tax credits to another person previously identified to the corporation if the tax credits are transferred in exchange for some valuable consideration, other than money, in connection with the eligible business activity for which the tax credits were awarded. The person to whom the tax credits are transferred may carry forward any unused amount of those tax credits for up to 15 years.

Under the bill, if WEDC revokes a person's certification for credits that have already been transferred, that person originally certified is liable for the full amount of the tax credits, and the person to whom the credits were transferred may not claim any unused credits.

Under the bill, WEDC may authorize the transfer of up to \$15 million in economic development tax credits over three years. However, if after reaching that three-year limit, the corporation determines that an extension of the program will support significant economic development in Wisconsin, the corporation may continue the program for up to an additional three years and authorize the transfer of up to an additional \$15 million in economic development tax credits, subject to passive review by the Joint Committee on Finance.

### Fiscal Estimate

The bill could affect state income and franchise tax revenue in two ways. First, revenue could be reduced to the extent that credits issued by WEDC are used to offset the tax liability of the taxpayer that receives the transferred credit where under current law the credit would go unused because the original claimant would not have sufficient tax liability to use the credit before it expired. Secondly, a decrease in revenue could be shifted from later fiscal years to current fiscal years to the extent that under current law a credit that would not have been used by the original claimant until some future fiscal year is instead used by the recipient of the transferred credit in a current fiscal year.

The amount of the fiscal effects described above are unknown and would depend on the amount of credits transferred. To provide some context, the Early Stage Seed Credit is also transferable. In the four years that transfers have been allowed, seven entities that were certified for the credit by WEDC have made thirteen requests to transfer \$2.6 million in Early Stage Seed Credits. It should be noted that the Early Stage Seed Credits may be transferred in return for a monetary payment.

## Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> Authorizing the transfer of certain tax credits earned in connection with economic development in this state			
<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>	
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		<b>Date</b>	
		1/17/2014	