

Fiscal Estimate - 2015 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 15-3677/1	Introduction Number SB-404	
Description Allowing taxpayers to claim early stage seed investment credits for investments in the fund of funds		
Fiscal Effect State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input 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 type="checkbox"/> Yes <input type="checkbox"/> No <input 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 <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		
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		
Agency/Prepared By DOR/ Michael Oakleaf (608) 261-5173	Authorized Signature Michael Wagner (608) 266-6785	Date 12/7/2015

Fiscal Estimate Narratives

DOR 12/7/2015

LRB Number	15-3677/1	Introduction Number	SB-404	Estimate Type	Original
Description Allowing taxpayers to claim early stage seed investment credits for investments in the fund of funds					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, a taxpayer may claim an early stage seed investment credit equal to 25% of the taxpayer's investment paid in a taxable year directly to a fund manager that the fund manager invests in a certified qualified new business venture (QNBV).

As prescribed in 2013 Act 41, which created the state's fund of funds investment program, the investment manager must raise at least \$5 million from sources other than state funds. In addition, the fund manager must invest at least \$300,000 of the manager's own moneys. Finally, the state appropriated \$25 million to be paid to the fund manager. The proceeds from all three sources mentioned above are to be invested by the fund manager in venture capital funds subject to the requirements in s. 16.295 (5), Wis. Stats.

For taxable years beginning after December 31, 2015, the bill would allow a taxpayer to claim an early stage seed investment credit based on the taxpayer's investment in the state's fund of funds investment program if the fund of fund's investment manager invests the taxpayer's funds with a certified fund manager who invests in a QNBV.

Fiscal Estimate

Of the \$30.3 million in available funding outlined above (\$25 million + \$5 million + \$300,000), some portion will be used to pay fees for the fund-of-fund investment manager and the investment managers of the venture capital funds that receive the investments. If it assumed that \$5 million will be retained to cover fees and will not be available to be invested in venture capital funds, a balance of \$25.3 million would be available for investment in venture capital funds.

Assuming that \$25.3 million is invested with venture capital fund managers certified under s. 238.15(2), Wis. Stats. and is subsequently invested in QNBVs, it would result in total claims for the early stage seed credit of \$6.325 million (\$25.3 million x 25%).

The fiscal effect could be higher to the extent that less than \$5 million is retained to pay fees of the fund managers, leaving greater than \$25.3 million available for investment. The fiscal effect could also be higher to the extent that the fund of funds manager raises more than \$5 million in outside investment or contributes more than \$300,000 of the fund manager's own moneys.

The fiscal effect could be lower to the extent that a portion of the funds were paid to a certified fund manager in tax years beginning before January 1, 2016 or is invested in businesses that were not certified QNBVs.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

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Description Allowing taxpayers to claim early stage seed investment credits for investments in the fund of funds		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
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		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
GPR		
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	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$See Text	\$
Agency/Prepared By		
Authorized Signature		
Date		
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