

Fiscal Estimate - 2017 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 17-3857/1	Introduction Number AB-0489
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Description
 qualified new business venture eligibility

Fiscal Effect

State:

- | | | |
|---|---|---|
| <input type="checkbox"/> No State Fiscal Effect
<input type="checkbox"/> Indeterminate
<input type="checkbox"/> Increase Existing Appropriations
<input type="checkbox"/> Decrease Existing Appropriations
<input type="checkbox"/> Create New Appropriations | <input type="checkbox"/> Increase Existing Revenues
<input checked="" type="checkbox"/> Decrease Existing Revenues | <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Decrease Costs |
|---|---|---|

Local:

- | | | |
|--|--|---|
| <input type="checkbox"/> No Local Government Costs
<input type="checkbox"/> Indeterminate
1. <input type="checkbox"/> Increase Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
2. <input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 3. <input type="checkbox"/> Increase Revenue
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
4. <input type="checkbox"/> Decrease Revenue
<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 0
<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	Authorized Signature	Date
DOR/ Michael Oakleaf (608) 261-5173	Jamie Adams (608) 266-6785	9/11/2017

Fiscal Estimate Narratives

DOR 9/11/2017

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Description qualified new business venture eligibility					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, investors may receive an Angel or Early Stage Seed Investment credit for investments in businesses certified by the Wisconsin Economic Development Corporation (WEDC) as a Qualified New Business Venture (QNBV). The credit is equal to 25% of the amount of the investment. WEDC may certify a QNBV if it has not received more than \$8 million in investments that qualify for a credit. The bill would increase the limit to \$12 million in investments that qualify for a credit.

Fiscal Estimate

Based on data from WEDC, there are 19 active QNBVs that are at or near the the current law \$8 million cap. Assuming that half of these QNBVs secure additional investments up to the \$12 million cap under the bill over the first four years after the cap is raised, it would result in additional credit claims of \$2.375 million per year.

Based on a review of tax returns that have claimed the Angel and Early Stage Seed credits, approximately 56.4% of the credit claimed in a year is used to offset taxes. Assuming that 56.4% of the new credits are used to offset taxes, and that the remainder is carried forward to future tax years, the bill would result in a reduction in income and franchise tax revenue of an estimated \$335,000 in FY 2018, \$1.5 million in FY 2019, and \$2.0 million in FY 2020, and \$2.2 million in FY 2021.

The fiscal effect is dependent on the number of QNBVs who utilize the additional investment in a given year and the amount of the additional investment those QNBVs utilize. The fiscal effect would be reduced to the extent that fewer QNBVs utilize the additional investments or receive investments of less than \$12 million. Conversely, the fiscal effect would be greater to the extent that more QNBVs utilize the additional investments greater than \$8 million up to the full amount allowed under the bill.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

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Description qualified new business venture eligibility		
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	\$	\$-2,200,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$-2,200,000
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-2,200,000	\$
Agency/Prepared By	Authorized Signature	Date
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