

### Fiscal Estimate - 2017 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>17-0361/2</b>	<b>Introduction Number</b> <b>SB-460</b>
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**Description**  
 providing loans, loan guarantees, tax benefits, and procurement preferences to employee-owned companies, establishing a center for employee ownership in the University of Wisconsin System, and granting rule-making authority

**Fiscal Effect**

**State:**

- No State Fiscal Effect
- Indeterminate
  - Increase Existing Appropriations
  - Decrease Existing Appropriations
  - Create New Appropriations
- Increase Existing Revenues
- Decrease Existing Revenues
- Increase Costs - May be possible to absorb within agency's budget
  - Yes
  - No
- Decrease Costs

**Local:**

- No Local Government Costs
- Indeterminate
- 1.  Increase Costs      3.  Increase Revenue
  - Permissive    Mandatory
- 2.  Decrease Costs      4.  Decrease Revenue
  - Permissive    Mandatory
- 5. Types of Local Government Units Affected
  - Towns       Village       Cities
  - Counties       Others
  - School Districts       WTCS Districts

<b>Fund Sources Affected</b> <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	<b>Affected Ch. 20 Appropriations</b>
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## Fiscal Estimate Narratives

DOR 11/1/2017

LRB Number	17-0361/2	Introduction Number	SB-460	Estimate Type	Original
<b>Description</b> providing loans, loan guarantees, tax benefits, and procurement preferences to employee-owned companies, establishing a center for employee ownership in the University of Wisconsin System, and granting rule-making authority					

### Assumptions Used in Arriving at Fiscal Estimate

This fiscal estimate pertains only to the provisions of the bill related to taxation of employee stock ownership plans, employee ownership trusts, and direct stock ownership plans.

The bill creates two new employee ownership plans: an employee ownership trust and a direct share ownership plan. In addition, the bill expands the current Wisconsin law for employee stock ownership plans to include limited liability companies taxed as partnerships. Under current federal law only regular C-corporations and tax-option corporations may participate in employee stock ownership plans.

The bill also provides an exclusion for income derived from an employee ownership trust and a subtraction modification for certain amounts of income derived from the new employee ownership plans. Finally, the bill provides an exclusion from income for interest income derived from an employee ownership loan which is used to acquire shares or membership interest of an employer.

### Fiscal Estimate

The federal tax treatment of the employee ownership trusts and the direct stock ownership plans created under the bill is unknown. In addition, a plan established by a partnership would not be considered a qualified trust under the Internal Revenue Code. Use of these new entities, while providing preferential tax treatment under Wisconsin law, could create significant federal tax liabilities for the business owners and/or the employees. Given this uncertainty, it is unclear how many businesses would take advantage of these new entities. Therefore the fiscal effect of the bill is unknown.

However, if the federal tax treatment of these new entities is clarified, either through rulings from the Internal Revenue Service or through new federal legislation, and if it provides similar preferential treatment under federal law, more businesses could participate and the bill could result in a reduction in income and franchise tax revenue of an unknown but potentially substantial amount.

### Long-Range Fiscal Implications