

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-5530/1	Introduction Number SB-825
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Description
 an income and franchise tax credit for investments in a community development financial institution

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase 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"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	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
<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	

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 Jamie Adams (608) 266-6785	Date 2/28/2020
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Fiscal Estimate Narratives

DOR 2/28/2020

LRB Number	19-5530/1	Introduction Number	SB-825	Estimate Type	Original
Description an income and franchise tax credit for investments in a community development financial institution					

Assumptions Used in Arriving at Fiscal Estimate

Under this bill, individuals may claim a nonrefundable tax credit for a qualified investment in a registered community development financial institution (CDFI). The credit is equal to 10% of the qualified investment if the investment is at least \$10,000 but not more than \$150,000, or 12% if the investment is more than \$150,000, but not more than \$500,000. If a person withdraws the investment from the CDFI before the end of a 5-year investment period and does not reinvest in another CDFI, the person must repay a portion of the credit amount, depending on when withdrawn.

Partnerships, limited liability companies, and tax-option corporations may not claim the credit but the eligibility for, and the amount of, the credit are based on their payment of amounts. Partners, members of limited liability companies, and shareholders of tax-option corporations may claim the credit in proportion to their ownership interests.

The credit is available for taxable years beginning after December 31, 2018, and before January 1, 2021. Unused credit may be carried forward and offset against tax for up to 15 years.

DOR does not have the necessary data to determine how many individuals or entities currently invest or would be incentivized to invest in a CDFI under this bill. As such, the fiscal impact of the bill is unknown.

However, as a comparison, the federal government provides the new markets tax credit for making qualified equity investments in certain community development entities. The credit amount is equal to 39% of the investment awarded over seven years. Based on the most recent data available from the IRS and the CDFI Coalition, there were approximately \$1.3 billion in new markets tax credits awarded in 2017 and Wisconsin has historically accounted for about 4% of new markets tax credits. If the amount of qualified investments under this bill are comparable to those under the new markets tax credit, after adjusting for the credit rates, the Wisconsin credit amount would be approximately \$14.6 million annually. To the extent that more (fewer) investments qualify for Wisconsin purposes, the fiscal effect would be larger (smaller).

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

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Description an income and franchise tax credit for investments in a community development financial institution			
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		\$	\$
Agency/Prepared By		Authorized Signature	Date
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