

Check columns below only if bill makes a direct appropriation  
 Or affects a sum sufficient appropriation  
 Increase Existing Appropriation    Increase Existing Revenues  
 Decrease Existing Appropriation    Decrease Existing Revenues  
 Create New Appropriation

to Absorb Within Agency's Budget  
 Yes     No  
 Decrease Costs

Local:     No Local Government Costs

1.     Increase Costs  
        Permissive     Mandatory  
 2.     Decrease Costs  
        Permissive     Mandatory

3.     Increase Revenues  
        Permissive     Mandatory  
 4.     Decrease Revenues  
        Permissive     Mandatory

5. Types of Local Governmental Units Affected:  
 Towns     Villages  
 Cities  
 Counties  
 Others \_\_\_\_\_  
 School Districts  
 WTCS Districts

Fund Sources Affected  
 GPR     FED     PRO     PRS     SEG     SEG-S

Affected Ch. 20 Appropriations

The proposed education income tax credit would decrease GPR revenues but would not directly affect the Wisconsin Technical College System's budget.

The following estimates were calculated as if the proposed tax credit had been in effect in 1997-98, the most recent year for which there is complete enrollment data. Income tax revenues would have declined by \$558,131, if employers who directly paid individuals' tuition costs had applied all eligible tuition payments to the credit. Revenues would have declined by an additional unknown amount due to credits claimed by employers who reimbursed individuals who made out-of-pocket tuition payments to technical colleges. Finally, revenues would have declined by an additional \$490,854, if employers who contracted with technical colleges for courses could under the bill apply an amount equivalent to what individuals would have paid in tuition for those courses to the tax credit.

Please see the attached explanation and table for more detail.

Long-Range Fiscal Implications

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directly by employers. As shown in Table 1 on the attached sheet, in 1997-98 such tuition payments were made for 4,308 students in college parallel and occupational associate degree programs and totaled \$1,116,262. If the tax credit had been in effect in 1997-98 and businesses had claimed the full 50 percent credit for all of these payments, the cost in terms of tax revenue would have been \$558,131.

Table 1 also shows what the tax revenue impact would be using updated 1999-2000 tuition rates with 1997-98 enrollments. Finally, for comprehensiveness, the table shows what the revenue impact would be if the bill also covered non-degree occupational course work (courses leading to one- and two-year technical diplomas and adult vocational courses) for which employers paid tuition. Most of the postsecondary, technical college course work for which businesses are willing to pay are in non-degree programs.

The second category of tuition payments relates to the many individuals who participate in employer-assisted education plans that work on a reimbursement basis. Here, the individual pays tuition out-of-pocket and is reimbursed by the employer after successfully completing the course work. The WTCS has no way of identifying these payments. However, we would guess that the activity in this category of employer-paid postsecondary education at least matches the activity in the first category.

The third category of payments that arguably would be covered by this bill relates to associate degree courses provided by technical colleges under contract with businesses. In these cases, no tuition is paid on a per student basis. However, under the bill, businesses might be able to apply a portion of the costs of these contracted courses that would be equivalent to per student tuition costs to the tax credit. As shown in Table 2, in 1997-98 these employer-paid courses enrolled 11,206 students. The equivalent tuition costs would have totaled \$981,708, leading to a decline in income tax revenue of \$490,854 if all of those costs had been applied against the tax credit. Like Table 1, Table 2 also shows the effect of 1999-2000 tuition rates on the cost of the tax credit and also shows data regarding occupational training paid for by employers that would not be covered by the bill as drafted.

Table 1. Cost of Tax Credit for WTCS Tuition Costs Paid Directly By Employers

1997-98 Employer-Paid Enrollments				Cost Based On 1997-98 Tuition			Cost Based On 1999-2000 Tuition		
Type of course work	No. of Students	FTEs	Credits taken	Per credit tuition	Total tuition cost	Cost of 50% tax credit	Per credit tuition	Total tuition cost	Cost of 50% tax credit
Covered by bill									
College Parallel	314	57.13	1,714	\$71.55	\$122,630	\$61,315	\$81.30	\$139,340	\$69,670
Associate Degree	3,994	611.09	18,333	\$54.20	\$993,632	\$496,816	\$59.25	\$1,086,212	\$543,106
	<u>4,308</u>	<u>668.22</u>	<u>20,047</u>		<u>\$1,116,262</u>	<u>\$558,131</u>		<u>\$1,225,553</u>	<u>\$612,776</u>
Not covered by bill									
Technical Diploma	4,256	593.54	17,806	\$54.20	\$965,096	\$482,548	\$59.25	\$1,055,017	\$527,509
Vocational Adult	29,635	454.16	13,625	\$54.20	\$738,464	\$369,232	\$59.25	\$807,269	\$403,635

Table 2. Cost of Tax Credit for Courses Provided Under Employer Contracts

1997-98 Enrollments in Contracted Courses				Cost Based On Equivalent 1997-98 Tuition			Cost Based On Equivalent 1999-2000 Tuition		
Type of course work	No. of Students	FTEs	Credits taken	Per credit tuition	Total tuition cost	Cost of 50% tax credit	Per credit tuition	Total tuition cost	Cost of 50% tax credit
Covered by bill									
College Parallel	567	56.00	1,680	\$71.55	\$120,204	\$60,102	\$81.30	\$136,584	\$68,292
Associate Degree	10,639	529.83	15,895	\$54.20	\$861,504	\$430,752	\$59.25	\$941,773	\$470,886
	<u>11,206</u>	<u>585.83</u>	<u>17,575</u>		<u>\$981,708</u>	<u>\$490,854</u>		<u>\$1,078,357</u>	<u>\$539,178</u>
Not covered by bill									
Technical Diploma	7,432	493.91	14,817	\$54.20	\$803,098	\$401,549	\$59.25	\$877,925	\$438,963
Vocational Adult	101,700	884.31	26,529	\$54.20	\$1,437,888	\$718,944	\$59.25	\$1,571,861	\$785,931