

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # -2600/4
INTRODUCTION # AB 393
Admin. Rule #

Subject
Income and Franchise Tax: Day Care Center Credit

Fiscal Effect

- State:** No State Fiscal Effect
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation
- | | | |
|--|--|--|
| <input type="checkbox"/> Increase Existing Appropriation | <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"/> Decrease Existing Appropriation | <input checked="" type="checkbox"/> Decrease Existing Revenues | |
| <input type="checkbox"/> Create New Appropriation | <input type="checkbox"/> Decrease Costs | |

Local: No Local Government Costs

- | | | |
|--|---|--|
| 1. <input type="checkbox"/> Increase Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 3. <input type="checkbox"/> Increase Revenues
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 5. Types of Local Governmental Units Affected:
<input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities
<input type="checkbox"/> Counties <input type="checkbox"/> Others _____
<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts |
| 2. <input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 4. <input type="checkbox"/> Decrease Revenues
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | |

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate:

Under this bill, employers could claim credits for the following expenses related to child care of employees during the employees' working hours:

- Up to 50% of amounts paid or incurred in a taxable year to construct and equip a licensed day care center.
- Up to 50% of amounts paid to operate the day care center described in number 1 above, less any amount paid by employees.
- Up to 50% of amounts paid to another licensed day care center during a taxable year.

No credit may be allowed unless the employer files an application with the Department of Revenue before the end of the taxable year in which amounts are paid or expenses incurred. The amount of credit claimed by an employer may not exceed \$50,000 per taxable year and total claims by all employers are capped at \$1.5 million in a fiscal year. Unused credits may be carried forward for 5 years to offset tax liability in future years.

If operation of an employer-owned day care center for which credit has been claimed ceases within five years of completion of construction, the employer must prorate the amount of the credit and add-back any excess credit used to its tax liability as follows:

- 100% if operation ceases within the first year.
- 80% if operation ceases within the second year.
- 60% if operation ceases within the third year.
- 40% if operation ceases within the fourth year.
- 20% if operation ceases within the fifth year.

(continued on page two)

Long-Range Fiscal Implications:

Agency/Prepared by: (Name & Phone No.) Wisconsin Department of Revenue Pamela Walgren, (608) 266-7817	Authorized Signature/Telephone No. Yeang-Eng Braun (608) 266-2700 <i>Yeang Eng Braun</i>	Date 7/29/99
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Based on information from the Department of Workforce Development on the current level of employer-sponsored day care programs and their costs, it is estimated that the full cap of \$1.5 million in credits would be claimed in each fiscal year. Some claimants do not have enough tax liability to use up their credits. It is estimated that approximately 75% of credit claims are used in a given year. As a result, the credit would reduce tax revenues by approximately \$1.125 million annually ($\$1.5 \text{ million} \times 75\%$).

While it appears that the intent of the bill is to provide total credit authority of \$1.5 million, the bill, as drafted, could be interpreted as providing \$4.5 million in credits: \$1.5 million for individual filers, \$1.5 million for corporations and \$1.5 million for insurance companies. If interpreted this way, the bill could reduce revenues by \$3.75 million, assuming 75% of the credit claims are used in an existing year.

YCB 7/29/99

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

1999 Session

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INTRODUCTION # AB 393

Subject

Income and Franchise Tax: Day Care Center Credit

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 State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringe	\$	\$ -
(FTE Position Changes)	(FTE)	(- FTE)
State Operations-Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$ minimal	\$ -
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
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, etc.)	Increased Rev.	Decreased Rev.
GPR Taxes	\$	\$ - 1,125,000
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$	\$ - 1,125,000

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ + minimal	\$
NET CHANGE IN REVENUES	\$ - 1,125,000	\$

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Pamela Walgren, (608) 266-7817	Yeang-Eng Braun <i>Yeang Eng Braun</i> (608) 266-2700	7/29/99