

**FISCAL ESTIMATE FORM**

**1999 Session**

- ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

<b>LRB #</b> 99-2934/1
<b>INTRODUCTION #</b> AB 844
<b>Admin. Rule #</b>

**Subject**

Income and Franchise Tax Credit for Information Technology Training

**Fiscal Effect**

**State:**  No State Fiscal Effect  
 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

Increase Costs - May be Possible 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**

**Assumptions Used in Arriving at Fiscal Estimate:**

The draft would create a nonrefundable credit against income and franchise tax equal to 50% of the amount paid for information technology training, up to \$2,500 per individual receiving the training per tax year. The credit would be available for individuals and businesses, including expenditures for training of spouses, dependents and employees. Partnerships, limited liability companies and tax-option companies would pass the credit on to partners, members and shareholders in proportion to their ownership interest in the entity.

The amount of the credit would be added back to taxable income if the individual receiving the credit is not employed in the state in an occupation related to information technology within one year after the individual completes training, or if the individual is employed in an occupation relating to information technology for less than one year.

This estimate is based on the cost of tuition and current enrollment in information technology programs at the University of Wisconsin and the Wisconsin Technical College System. Assumptions based on total enrollment and tuition information are made for private colleges and universities in the state. Using these assumptions, it is estimated that \$40 million would be spent annually on tuition for information technology programs. The Department estimates that 75% of credits claimed in a year are actually used. As a result, the annual fiscal effect would be \$15 million (\$40 million x 50% x 75%).

This estimate likely understates the actual revenue loss that would be attributable to the credit because it does not include courses offered by other independent providers and does not cover courses taken by students not enrolled in an information technology program. Data are not readily available to estimate the fiscal effect of information technology training at all institutions covered by the credit. Further, the fiscal effect would be substantially higher if the credit were determined to cover training that is not part of an established program and if it included costs in addition to tuition.

**Long-Range Fiscal Implications:**

<b>Agency/Prepared by: (Name &amp; Phone No.)</b>	<b>Authorized Signature/Telephone No.</b>	<b>Date</b>
Wisconsin Department of Revenue Pamela Walgren, (608) 266-7817	Yeang-Eng Braun <i>Yeang Eng Braun</i> (608) 266-2700	4/3/00

The time period during which an individual must meet the one-year work requirement is unclear. For example, if an individual works in an information technology field for six months, takes a position not involving information technology for two years and then returns to information technology for six months, has the individual met the test?

The proposed legislation makes no provision for the funding of the costs involved in administering the activities required. If the author wishes to provide funding, appropriation language could be developed and costs allocated in the following manner:

<u>FY 2000-01</u>	<u>Chapter 20</u>	<u>Amount</u>	
one-time	s. 20.566 (1) (a)	\$144,600	
<u>FY 2001-02</u>	<u>Chapter 20</u>	<u>Amount</u>	<u>FTE</u>
one-time	s. 20.566 (1) (a)	\$ 37,600	
annual	s. 20.566 (1) (a)	\$181,200	3.9

If you have questions regarding this technical memorandum, please contact Pamela Walgren at 266-7817. For questions regarding administrative costs, please contact Jackie Wipperfurth at 266-9513.

YEB:PW:ds  
t:\fsn99-00\pw\ab844.tec

**FISCAL ESTIMATE WORKSHEET**

Detailed Estimate of Annual Fiscal Effect

**1999 Session**

- ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

**LRB # 99-2934/1**  
**INTRODUCTION # AB 844**

Admin. Rule #

**Subject**  
**Income and Franchise Tax Credit for Information Technology Training**

**I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):**

\$144,600 one time costs in 2000-01 and \$37,600 one time costs in 2001-02.

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
	Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringe	\$ 181,200	\$ -
(FTE Position Changes)	(3.9 FTE)	( FTE)
State Operations-Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
<b>TOTAL State Costs by Category</b>	<b>\$ 181,200</b>	<b>\$ -</b>
<b>B. State Costs by Source of Funds</b>		
GPR	\$ 181,200	\$ -
FED		-
PRO/PRS		-
SEG/SEG-S		-
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>	<b>Increased Rev.</b>	<b>Decreased Rev.</b>
GPR Taxes	\$	\$ - 15,000,000
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$ - 15,000,000</b>

**NET ANNUALIZED FISCAL IMPACT**

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ -181,200	\$
NET CHANGE IN REVENUES	\$ -15,000,000	\$

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Pamela Walgren, (608) 266-7817	Yeang-Eng Braun (608) 266-2700 <i>Yeang Eng Braun</i>	4/3/00