

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 99-3699/1

INTRODUCTION # SB 289

Admin. Rule #

Subject

Corporate Income and Franchise Tax: Limit Deduction for Compensation Paid to Employees and Officers

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:


Under current law, a corporation may deduct compensation paid to employees and officers from its income subject to tax. The deduction for compensation paid to chief executive officers and four other highest compensated officers of publicly held corporations is limited to \$1,000,000. This limit includes any form of compensation, including benefits, but not including certain commissions or performance-based compensation approved by the board of directors.

This bill would limit the amount of the deduction for wages, salaries, commissions and bonuses paid to employees and officers to 25 times the salary of the lowest paid full-time employee.

The Department does not have data to estimate the fiscal effect of this proposal. However, this bill would increase state corporate income and franchise tax revenues because net income subject to tax would increase. It is believed that the fiscal effect could be in the tens of millions of dollars.

To illustrate the potential fiscal effect of the change, if the lowest paid full-time employee earned \$15,000 annually, the maximum corporate deduction for any employee or officer would be limited to \$375,000 (\$15,000 x 25), regardless of their actual wages and salaries. If the president of the same corporation earned \$800,000 per year, annual corporate franchise and income tax liability for that corporation would increase by \$33,575 (\$800,000 - \$375,000 x 7.9%) because of the increased income subject to tax. If only 100 employees were in this situation, tax revenues would increase by \$3.3 million annually.

Long-Range Fiscal Implications:

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 	11/23/99

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 3699/1
INTRODUCTION # SB 289

Admin. Rule #

Subject

Corporate Income and Franchise Tax: Limit Deduction for Compensation Paid to Employees and Officers

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:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
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	\$	\$ -
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, etc.)	Increased Rev.	Decreased Rev.
GPR Taxes	\$ See Text	\$ -
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$ See Text	\$ -

NET ANNUALIZED FISCAL IMPACT

STATE

LOCAL

NET CHANGE IN COSTS	\$ _____	\$ _____
NET CHANGE IN REVENUES	\$ See Text _____	\$ _____

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>	11/23/99