**FISCAL ESTIMATE FORM** **1999 Session**

☒ ORIGINAL ☐ UPDATED
☐ CORRECTED ☐ SUPPLEMENTAL

**LRB #** 99-3778/2
**INTRODUCTION #** SB 394
Admin. Rule #

**Subject**
Economic Development Strategies

**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**
20.566 (1)(a)

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

The bill would expand eligible project costs for environmental remediation tax incremental financing, create an income and franchise tax credit for certain training expenses of employers and modify provisions of the environmental remediation development zone credits.

Environmental Remediation Tax Incremental District (ERTID)

The bill would expand eligible project costs to include the cancellation of delinquent property taxes. Because additional tax increments would be required to pay for the additional project costs, the bill will result in longer ERTID lives.

Cancellation of delinquent property taxes on contaminated properties could impose a significant cost on a county or the City of Milwaukee, particularly if they have settled for the delinquent property taxes past the statutory 2-year redemption period. Because counties and the City of Milwaukee are hesitant to assume liability for contaminated tax-delinquent property, they may prefer to settle for the delinquent taxes rather than take title to the properties, resulting in an accumulation of tax delinquencies.

Productivity Enhancement Training Credit

The bill would create a tax credit for certain training expenses of employers. The credit would equal 100% of an employer's certified training expenses, up to $7,500 per year. Eligible expenses must be certified by the Department of Commerce and may include up to $2,000 for pre-training assessment and consultation.

For certification, employers must submit to Commerce a productivity enhancement training plan designed to increase employee productivity and result in their holding jobs that require higher skill levels and wages

(continued on page two)

**Long-Range Fiscal Implications:**

| Agency/Prepared by: (Name & Phone No.) | Authorized Signature/Telephone No. | Date |
|---|---|---|
| Wisconsin Department of Revenue<br>Rebecca Boldt, (608) 266-6785<br>Pamela Walgren, (608) 266-7817 | Yeang-Eng Braun<br>(608) 266-2700<br>Yeang Eng Braun | 5/16/00 |

than current jobs. The employer must receive pre-training needs assessment and consultation from an experienced provider of productivity assessments that is approved by Commerce. Employers must report to Commerce on their success in meeting the goals established in their productivity enhancement training plan. Commerce must report to the legislature on the effectiveness of the program and estimate the foregone revenues because of the credit.

The credit may not be claimed for amounts deducted under the Internal Revenue Code (IRC) as ordinary and necessary business expenses. Corporations and insurers may claim the credit. Partnerships, limited liability companies and tax option corporations compute the credit and pass it on to their partners, members and shareholders in proportion to their ownership interests. Unused credits may be carried forward for 15 years to offset future tax liability.

Commerce must notify the Department of Revenue of all persons entitled to receive the credit. Credits may not be transferred. No business may be certified for credits after 2008.

Information is not available to estimate the fiscal effect of this provision. Based on Department data, it is estimated that 75% of credits claimed in a year are used in that year.

If 500 companies claimed the full amount, the annual revenue loss would be $2.8 million (500 x $7,500 x 75%). If 2,500 companies claimed the full amount, the annual fiscal effect would be $14 million (2,500 x $7,500 x 75%).

Environmental Remediation Development Zone Credit Modifications

The bill would allow corporations that are eligible for the environmental remediation development zone credits to transfer the right to claim the credits to anyone subject to taxation. The bill would also allow municipalities and non-profit organizations that are exempt from tax to transfer up to 50% of amounts paid for environmental remediation to taxpayers certified by Commerce to claim the development zone credit. The cap for development zone credits would remain unchanged.

Administrative Costs

The bill does not provide funding of administrative costs. The Department estimates that there would be one-time costs of $93,000 and annual costs of $3,000 to implement and administer the bill.

YEB 5/16/00

## FISCAL ESTIMATE WORKSHEET

☒ ORIGINAL ☐ UPDATED

☐ CORRECTED ☐ SUPPLEMENTAL

Detailed Estimate of Annual Fiscal Effect **1999 Session**

**LRB #** 99-3778/2

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**Subject**

Economic Development Strategies

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

One time costs in FY 01 of $93,000.

| **II. Annualized Costs:** | **Annualized Fiscal impact on State funds from:** | |
|---|---|---|
| **A. State Costs by Category** | **Increased Costs** | **Decreased Costs** |
| State Operations - Salaries and Fringe | $ 3,000 | $ - |
| (FTE Position Changes) | ( FTE) | (- FTE) |
| State Operations-Other Costs | | - |
| Local Assistance | | - |
| Aids to Individuals or Organizations | | - |
| **TOTAL State Costs by Category** | $ 3,000 | $ - |
| **B. State Costs by Source of Funds** | **Increased Costs** | **Decreased Costs** |
| GPR | $ 3,000 | $ - |
| 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 | $ 3,000 | $ see text |
| NET CHANGE IN REVENUES | $ see text | $ |

| **Agency/Prepared by: (Name & Phone No.)** | **Authorized Signature/Telephone No.** | **Date** |
|---|---|---|
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