

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 99-4692/3
INTRODUCTION # SB 482
Admin. Rule #

Subject

Income and Franchise Tax Credit for Expenses Paid for an Undergraduate Student

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 type="checkbox"/> Increase Costs - May be Possible to Absorb Within Agency's Budget <input type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> Decrease Existing Appropriation | <input 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 checked="" type="checkbox"/> Decrease Revenues
<input checked="" 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:

The bill would create a nonrefundable income and franchise tax credit for businesses that pay school related expenses of certain undergraduate students. A business may receive a credit for \$1,000 of every \$3,000 of qualified expenses. Qualified expenses include room and board, tuition and books. The credit is limited to expenses for no more than 10 semesters that a qualified student is enrolled as an undergraduate.

Qualified students must be full-time undergraduate students that are:

- enrolled in the University of Wisconsin System and eligible for a Wisconsin higher education grant for at least two semesters (Wisconsin higher education grants are awarded based on financial need), or
- enrolled in a regionally accredited 4-year private college or university in this state and eligible for a talent incentive grant for at least two semesters. (Talent incentive grants are awarded to the most needy and educationally disadvantaged resident students attending colleges and universities in the state.)

Partnerships, limited liability companies and tax-option corporations compute the credit and pass it on to the partners, members and shareholders in proportion to their ownership interests. Unused credits may be carried forward for 15 years and applied to future tax liability.

Information on the number of students who would receive sponsorship under this bill and the extent of that sponsorship by businesses who would claim the credit is not available. Therefore, estimates are provided based on the full amount of average qualified expenditures of all eligible students and on half of the eligible students. However, the actual fiscal effect would vary depending upon the number of students whose expenses were paid by businesses and the amount of expenses paid.

According to information from the Wisconsin Higher Educational Aids Board (HEAB) and the University of Wisconsin (UW), it is estimated that 13,800 full-time UW students are currently receiving Wisconsin higher

(continued on page two)

Long-Range Fiscal Implications:

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Pamela Walgren, (266-7817)	Yeang-Eng Braun (608) 266-2700 <i>Yeang Eng Braun</i>	3/23/00

education grants. Average undergraduate expenses at the University of Wisconsin System are \$9,500 for both the spring and fall semesters. As written, credit would be available for \$1,000 of each \$3,000 in costs. This estimate assumes that expenses would equal the statewide average for UW students, and that credit would be available for each \$3,000 in expenditures, and not a portion of \$3,000. As such, a business that paid the estimated full expenses of a UW student would receive \$3,000 in credit. Based on Department of Revenue data, approximately 75% of credits claimed in a year are actually used in that year to offset tax liability. Therefore, the fiscal effect if all eligible students received full sponsorship is estimated at \$31 million annually ($13,800 \times \$3,000 \times 75\%$). If only half of the eligible students received full sponsorship, the estimated fiscal effect would be \$17.5 million annually ($13,800 \times 50\% \times \$3,000 \times 75\%$).

According to information from HEAB and the Wisconsin Association of Independent Colleges and Universities (WAICU), approximately 700 full-time students in private colleges and institutions in the state receive talent incentive program grants. Based on information from WAICU, average yearly undergraduate expenses for full-time students are \$22,000 at private schools in the state. Assuming these average expenses and that the credit would be available for each \$3,000 of expenditures, and not a portion of \$3,000, a business that paid the full expenses of a student in a private school would receive \$7,000 in credit. Therefore, the fiscal effect if all eligible students received full sponsorship is estimated at \$3.7 million annually ($700 \times 7,000 \times 75\%$). If half of eligible students received full funding for their educational expenses, the fiscal effect would be an estimated \$1.8 million annually ($700 \times 50\% \times \$7,000 \times 75\%$).

The total annual fiscal effect ^{if} for all eligible students receiving ^e full sponsorship at the UW and at private colleges and universities in the state is estimated at \$34.7 million annually. The total annual fiscal effect for half of the eligible students receiving full sponsorship is estimated at \$17.3 million annually.

Department of Revenue administrative costs are not yet available, but are expected to be minimal.

YEB
3/23/00

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

1999 Session

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INTRODUCTION # SB 482

Subject

Income and Franchise Tax Credit for Expenses Paid for an Undergraduate Student

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	\$ 1	\$ -
(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	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	\$	\$ 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 <i>Yeang Eng Braun</i> (608) 266-2700	3/23/00