

Fiscal Estimate - 2003 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 03-3054/1	Introduction Number AB-524	
Subject Wisconsin capital investment board		
Fiscal Effect State: <input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
Fund Sources Affected Affected Ch. 20 Appropriations <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
Agency/Prepared By DOR/ Pamela Walgren (608) 266-7817	Authorized Signature Dennis Collier (608) 266-5773	Date 9/29/2003

5. Types of Local Government Units Affected
 Towns Village Cities
 Counties Others
 School Districts WTCS Districts

Fiscal Estimate Narratives

DOR 9/29/2003

LRB Number 03-3054/1	Introduction Number AB-524	Estimate Type Original
Subject		
Wisconsin capital investment board		

Assumptions Used in Arriving at Fiscal Estimate

Preliminary: Because of the limited time to review the draft, the estimate and analysis should be considered preliminary and may be revised.

The bill would create the Wisconsin Capital Investment Board attached to the Department of Commerce and two nonrefundable income and franchise tax credits for certain venture and seed capital investments. The board would consist of five members appointed by the Governor, with advice and consent of the Senate.

Equity Investment in Venture Capital Fund Credit

The board would certify capital investment funds as eligible to receive equity investments that would allow the investors to claim an equity investment venture capital fund credit. A venture capital fund could be certified only if it is a private seed and venture capital partnership or entity fund that maintains a physical presence in the state and that makes a commitment to consider making equity investments in businesses located in Wisconsin. The bill requires the board to promulgate rules, in consultation with the Department of Commerce, establishing a certification procedure for the fund.

The nonrefundable credit would be equal to 6% of the taxpayer's equity investment in the fund, but could not exceed \$60,000 per taxable year and a total of \$5 million for all claimants in any fiscal year. Sole proprietors, partners, members of limited liability companies and shareholders of S-corporations, and corporations may claim the credit.

Equity Investment Credit

The bill also would establish a nonrefundable equity investment credit for individual investors in a community-based seed capital fund or a business certified by the board. The credit would equal 20% of cash investments. No individual could claim more than \$50,000 of credit in a taxable year and all credit claims could not exceed \$3 million in a fiscal year. Unused credits could be carried forward for five years.

To be certified by the board, the bill would require a community-based seed capital fund:

- To be a partnership or limited liability company with capital commitments from investors plus investments in certified businesses of at least \$500,000 but not more than \$3 million,
- Have at least 10 individual investors who are not affiliated with each other, and
- Have no investor, who with affiliates, own more than 25% of the outstanding ownership interests in the fund.

The bill would require the board to promulgate rules, in consultation with the Department of Commerce, establishing a certification procedure for the fund and for businesses to qualify for investments of the fund or of individual investors.

A businesses could be certified only if:

- It has been in operation for no more than three years,
- It has net worth not exceeding \$3 million,
- It has principal operations located in the state,
- The owner has at least three years of relevant experience or has successfully completed an entrepreneurial venture development curriculum, and
- It is not engaged in retail sales, real estate, providing health care or other professional services.

Based on information on the amount of venture capital investments in the state the credit caps would likely be reached each year. As a result, the bill would reduce income and franchise tax revenues by \$8 million annually.

An estimate of the costs associated with this bill is not yet available. The Department expects to incur significant costs in applying the yearly credit cap and processing and auditing returns that claim the credit but may not actually take the credit because of the yearly limit.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 03-3054/1		Introduction Number AB-524	
Subject			
Wisconsin capital investment board			
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 funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
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, ets.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$-8,000,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-8,000,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-8,000,000	\$
Agency/Prepared By		Authorized Signature	Date
DOR/ Pamela Walgren (608) 266-7817		Dennis Collier (608) 266-5773	9/29/2003