Wisconsin Department of Administration
Division of Executive Budget and Finance

# Fiscal Estimate - 2003 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

| LRB Number **03-2707/1** | Introduction Number **SB-264** |
|---|---|

**Subject**

Tax credit for employee day care facility

**Fiscal Effect**

**State:**

☐ No State Fiscal Effect
☐ Indeterminate

☐ Increase Existing Appropriations
☐ Decrease Existing Appropriations
☐ Create New Appropriations

☐ Increase Existing Revenues
☒ Decrease Existing Revenues

☒ Increase Costs - May be possible to absorb within agency's budget
☐ Yes ☒ No
☐ Decrease Costs

**Local:**

☐ No Local Government Costs
☐ Indeterminate

1. ☐ Increase Costs
   ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs
   ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue
   ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue
   ☐ Permissive ☐ Mandatory

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

**Fund Sources Affected**

☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

**Affected Ch. 20 Appropriations**

| Agency/Prepared By | Authorized Signature | Date |
|---|---|---|
| DOR/ Pamela Walgren (608) 266-7817 | Dennis Collier (608) 266-5773 | 11/3/2003 |

**Fiscal Estimate Narratives**

**DOR 11/3/2003**

| LRB Number **03-2707/1** | Introduction Number **SB-264** | Estimate Type **Original** |
|---|---|---|
| **Subject**<br><br>Tax credit for employee day care facility | | |

### Assumptions Used in Arriving at Fiscal Estimate

The bill would provide a nonrefundable income and franchise tax credit for a business to construct, equip, operate or provide a licensed day care center for the children of its employees during working hours. Each business may claim credits up to $50,000 in a taxable year, but total credits could not exceed $1.5 million in a state fiscal year. Unused credit amounts may be carried forward for five years to be used to offset future tax liability.

The credit could be claimed for 50% of amounts paid by the business to:
□ construct or equip a day care center that the business owns and operates
□ operate its own day care center, and
□ provide day care for children of employees if the business does not own and operate its own facility.

Claimants who jointly construct, equip or operate a center may jointly claim the credit, apportioning the credit amount among them in any manner. Partnerships, limited liability companies and tax-option corporations may claim the credit, rather than computing it and passing it on to partners, members and shareholders.

Claimants would be required to file an annual application with the Department of Revenue on or before March 1. The Department would randomly allocate the credits, so as not to exceed $1.5 million in a fiscal year, from a waiting list of claimants not originally awarded credits.

Claimants who have received credits for constructing and equiping a center and then cease operation within five years after construction was completed would be required to add a percentage of the credit received for construction and operation to their tax liability. Claimants would add 100% of the credit amount to their tax liability if the day care center ceases operation within the first year after construction is completed, 80% if the center ceases operation within the second year, 60% within the third year, 40% within the fourth year, and 20% within the fifth year.

Because the credit amounts can be allocated by the claimants in any manner, it is assumed that the full credit amounts would be used each year. Therefore, it is estimated that the credit would decrease tax revenues by $1.5 million annually.

The bill does not provide funding for costs associated with administering the bill. The Department estimates that one-time costs for computer programming, forms and other administrative activities would be $27,700. Annual costs would total $40,400, including an additional 0.5 FTE, to audit credit claims, to compile and maintain the list of applicants, and to allocate credits, as required by the bill.

### Long-Range Fiscal Implications

Wisconsin Department of Administration
Division of Executive Budget and Finance

# Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

| | |
|---|---|
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**Subject**

Tax credit for employee day care facility

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

One-time costs for computer programming, forms and other administrative activities of $27,700.

| **II. Annualized Costs:** | **Annualized Fiscal Impact on funds from:** | |
|---|---|---|
| | Increased Costs | Decreased Costs |
| **A. State Costs by Category** | | |
| State Operations - Salaries and Fringes | $40,400 | |
| (FTE Position Changes) | (0.5 FTE) | |
| State Operations - Other Costs | | |
| Local Assistance | | |
| Aids to Individuals or Organizations | | |
| **TOTAL State Costs by Category** | **$40,400** | **$** |
| **B. State Costs by Source of Funds** | | |
| GPR | 40,400 | |
| 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 | $ | $-1,500,000 |
| GPR Earned | | |
| FED | | |
| PRO/PRS | | |
| SEG/SEG-S | | |
| **TOTAL State Revenues** | **$** | **$-1,500,000** |

**NET ANNUALIZED FISCAL IMPACT**

| | State | Local |
|---|---|---|
| NET CHANGE IN COSTS | $40,400 | $ |
| NET CHANGE IN REVENUE | $-1,500,000 | $ |

| **Agency/Prepared By** | **Authorized Signature** | **Date** |
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