Fiscal Estimate - 2003 Session

Original Updated	Corrected	Supplemental			
LRB Number 03-2684/2	Introduction Number AE	3-508			
Subject Extend carry forward of manufacturing sales tax	credits				
Appropriations Reve Decrease Existing Decrease Existing Appropriations Reve Create New Appropriations Local: No Local Government Costs Indeterminate 1. Increase Costs Permissive Mandatory Permi	absorb within age Ves Decrease Costs Stypes of Local Government Stypes of Local Government Units Affected Towns Counties School School School Output School Output School Output Ou	ncy's budget			
Fund Sources Affected Affected Ch. 20 Appropriations GPR FED PRO PRS SEG SEGS					
Agency/Prepared By	Authorized Signature	Date			
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Fiscal Estimate Narratives DOR 9/23/2003

LRB Number 03-2684/2	Introduction Number	AB-508	Estimate Type	Original		
Subject						
Extend carry forward of manufacturing sales tax credits						

Assumptions Used in Arriving at Fiscal Estimate

Under current law, an income and franchise tax credit is available for the amount of sales and use tax paid on fuel and electricity used in manufacturing. If the credit claimed exceeds the manufacturer's tax liability in the current year, the manufacturer may carry forward the unused portion of the credit for 15 years to use in offsetting tax liability in those years.

The draft would extend the carryforward period from 15 years to 20 years for taxable years beginning on January 1, 2003.

Data are not available to estimate the fiscal effect of extending the carryforward period for the credit. However, it is believed that the fiscal effect may be small since manufacturers that cannot use the credit carryforward under the current 15-year period may also not have tax liability to offset in the next 5 years.

A substantial portion of the manufacturers sales tax credit is not used to offset tax liability in the year that it is claimed. Based on Department data, nearly 4,000 corporations had \$197 million of credit that was either claimed in the current year or carried forward from past years and that was available for use in offsetting tax liability in 2001. Of these corporations, 1,200 corporations used \$22.4 million of the available credit to offset tax liability.

Long-Range Fiscal Implications