

Fiscal Estimate - 2003 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 03-1710/2	Introduction Number AB-283
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Subject
 Dairy farm investment tax credit

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Decrease Costs	
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<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	

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 4/10/2003
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Fiscal Estimate Narratives
DOR 4/22/2003

LRB Number 03-1710/2	Introduction Number AB-283	Estimate Type Original
Subject Dairy farm investment tax credit		

Assumptions Used in Arriving at Fiscal Estimate

The draft would create an income and franchise tax credit for expenses to modernize or expand a dairy farm. The aggregate amount of credit that a taxpayer could claim is \$50,000 for expenses to construct, improve and acquire buildings or facilities and equipment, for dairy animal housing, confinement, feeding, milk production and waste management.

The credit is nonrefundable and may be claimed for taxable years that begin after December 31, 2003 and end before January 1, 2010. Unused credit amounts may be carried forward for 15 years to offset tax liability in future years.

Partnerships, limited liability companies and tax-option corporations may not claim the credit, but must compute the credit for their partners, members and shareholders to claim in proportion to their ownership interest.

Fiscal Effect

Based on information from the Wisconsin Department of Agriculture, Trade and Consumer Protection, there are approximately 17,500 dairy farms in the state. Based on information from the UW Center on Dairy Profitability and the 2002 Dairy Producer Opinion Survey, it assumed that 2,650 farms would claim the credit and would have total expenditures between \$125,000 and \$500,000, on average, over the period that the credit is effective. Since the credit covers some small expenses, like fencing, other farms may make smaller credit claims not represented in the estimate.

The attached table shows the estimated fiscal effect of \$5.7 million annually. If the actual number of claims or amount of claims in a year were to differ from the assumptions, the actual fiscal effect would differ. If every farm claimed the maximum credit of \$50,000, the fiscal effect would be \$22.4 million annually, the amount of the tax liability attributed to the group.

The Department estimates the costs to administer the credit at \$73,900 annually for audit and processing of the credits. In addition, the department would incur one-time costs of \$18,500 for computer programming. The bill does not provide funding for these costs.

Long-Range Fiscal Implications

Attachment to LRB 1710/2

(column A) Herd Size	(column B) Dairy Farm Count	(column C)		(column D)		(column E)		(column F)	(column G) Est. Total Annual Credit Claims	(column H) Est. Annual Fiscal Effect
		Farms Likely To Use Credit		Est. Investment Per Farm						
		Est. Count	Est. Tax Liability	Total	Annual					
1-29	2,600	-		-	-	-	-	-	-	-
30-49	4,700	-		-	-	-	-	-	-	-
50-99	7,400	1,400	\$ 1,900,000	\$ 125,000	\$ 21,000	\$ 29,400,000	\$ 1,900,000			
100-199	1,900	700	1,500,000	200,000	33,000	23,100,000	1,500,000			
200-499	700	400	1,300,000	400,000	67,000	26,800,000	1,300,000			
500+	200	150	1,000,000	500,000	83,000	12,500,000	1,000,000			
Total	17,500	2,650	\$ 5,700,000			\$ 91,800,000	\$ 5,700,000			

Explanation of table columns:

- Columns A and B show the total number of dairy farms in the state by herd size.
- Columns C and D show the estimated number of farms that are likely to use the investment tax credit and the estimated tax liability of those farms.
- Columns E and F show the estimated total investment that each farm would make during the six-year life of the credit and the estimated annual investment amount per farm, assuming that the investment would be spread evenly over the six years that farms could claim the credit.
- Column G shows the estimated total amount of credit claims for all farms in each year of the six years that the credit could be claimed.
- Column H shows the estimated total fiscal effect of the credit. The estimated fiscal effect is the lesser of the credit amounts claimed (column G) or the tax liability of the claimants (column D).

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

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Subject			
Dairy farm investment tax credit			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
One-time costs of \$18,500 for computer programming.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$52,900	
(FTE Position Changes)		(1.0 FTE)	
State Operations - Other Costs		21,000	
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$73,900	\$
B. State Costs by Source of Funds			
GPR		73,900	
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		\$	\$-5,700,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-5,700,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$73,900	\$
NET CHANGE IN REVENUE		\$-5,700,000	\$
Agency/Prepared By		Authorized Signature	Date
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