



## Fiscal Estimate Narratives

DOR 9/29/2003

LRB Number	03-2692/1	Introduction Number	AB-522	Estimate Type	Original
<b>Subject</b>					
Expand CAPCO to include utilities and financial institutions					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, insurance companies may receive a credit against their insurance premium fees paid to the Office of the Commissioner of Insurance for investments in a CAPCO. A CAPCO is a venture capital fund that is certified by the Department of Commerce to receive the insurance company investments and to invest in qualified businesses. A qualified business must meet certain requirements related to its size, business activity and presence in the state.

Insurance companies invested a total of \$50 million in 1999 when the CAPCO program took effect. The insurance companies may take credit for 100% of their investments at 10% per year for ten years. The state may not impose a new tax or change an existing tax in order to nullify the credit.

All certified capital investments of the insurance companies not invested by the CAPCO in qualified businesses may be held or invested as the CAPCO considers appropriate. Qualified investments by the venture capital companies must be made according to a prescribed schedule: at least 30% of investments within three years and 50% within five years. There is no requirement that the CAPCO invest the remaining 50% of the certified capital investments, or that any investments of the remaining 50% be in Wisconsin businesses.

AB 522 would expand the types of businesses that may make certified investments in a CAPCO and allow credits against their income and franchise tax liability. The bill would allow railroads, light, heat, and power companies, air carriers, pipeline companies, electric cooperatives, telephone companies, and state chartered credit unions, savings banks, savings and loans and banks to claim credit against their income and franchise tax for investments in CAPCOs.

The credit may be claimed for ten years, up to the amount of tax liability. The amount of credit that may be claimed in a year is the lesser of either (1) 10% of the CAPCO investment, or (2) the amount by which the sum of the claimant's certified capital investments and qualified investments exceed the claimants qualified investments in the taxable year before the claimant first claimed the CAPCO credit.

However, the bill does not increase the amount of CAPCO investment that may be certified by Commerce. Because Commerce has certified the full \$50 million allowed under the CAPCO program the utilities and financial institutions would not be able to claim credit under the bill.

### Long-Range Fiscal Implications