

### Fiscal Estimate - 2003 Session

Original       Updated       Corrected       Supplemental

<b>LRB Number</b> 03-3258/1		<b>Introduction Number</b> AB-531	
<b>Subject</b> CAPCO changes			
<b>Fiscal Effect</b>			
<b>State:</b>			
<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"/> Decrease Existing Appropriations		<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriations		<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
		<input type="checkbox"/> Yes <input type="checkbox"/> No	
		<input type="checkbox"/> Decrease Costs	
<b>Local:</b>			
<input type="checkbox"/> No Local Government Costs			
<input 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	
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	
<b>Fund Sources Affected</b>		<b>Affected Ch. 20 Appropriations</b>	
<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			
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	
DOR/ Pamela Walgren (608) 266-7817		Dennis Collier (608) 266-5773	
		<b>Date</b>	
		9/29/2003	

## Fiscal Estimate Narratives

DOR 9/29/2003

LRB Number	<b>03-3258/1</b>	Introduction Number	<b>AB-531</b>	Estimate Type	<b>Original</b>
<b>Subject</b>					
CAPCO changes					

### 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.

Under current law, insurance companies certified by the Department of Commerce may claim credits against the insurance premiums fees paid to the Office of the Commissioner of Insurance for investments in certified capital companies (CAPCOs). Thirty-three insurance companies invested \$50 million and may take a dollar for dollar credit for 10% of their investment over ten years.

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.

Insurance business subject to the insurance premiums fees is not subject to the income and franchise tax. The corporate income and franchise tax applies to domestic fire and casualty insurers and the nonlife business of domestic life insurers.

This bill would expand the amount of investment that may be subject to credit by \$300 million and allow insurers to apply the newly authorized credit amounts and remaining credits under the existing program against either the insurance premiums fee or the income and franchise tax at 10% per year, for taxable years first beginning on July 1, 2005.

The bill would allow the credit for qualified investments in any business that furthers economic development in the state, as determined by the Department of Commerce.

This bill would reduce state revenues by \$30 million annually (\$300 million x 10%), including the insurance premium fees paid to the Office of the Commissioner of Insurance and the income and franchise tax paid to the Department of Revenue. Income and franchise tax revenues would be reduced by up to \$19 million, the estimated income and franchise tax liability of the insurers. An estimate of the Department's costs to administer the bill is not yet available.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>03-3258/1</b>		Introduction Number <b>AB-531</b>	
<b>Subject</b>			
CAPCO changes			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>		\$	\$
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$-30,000,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		\$	\$-30,000,000
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-30,000,000	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Pamela Walgren (608) 266-7817		Dennis Collier (608) 266-5773	9/29/2003