Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2005 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **05-0894/1**	Introduction Number **AB-223**

Subject

Airport development zone program

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
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Fiscal Estimate Narratives
DOR 7/21/2005

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Assumptions Used in Arriving at Fiscal Estimate

The bill creates an airport development zone program with nonrefundable tax credits for businesses that are certified by the Department of Commerce and that locate in an airport development zone designated by Commerce. Commerce would designate zones that construct or expand an airport in the state to receive up to $3 million of development zone or development zone capital investment credits. The development zone credit is based on the number of jobs created or retained and on amounts spent for environmental remediation. The development zone capital investment credit is based on amounts spent for depreciable tangible personal property or to acquire, construct, rehabilitate, remodel or repair property in a zone.

An area could be designated as an airport development zone if Commerce were to determine all of the following: (1) the project is desired for the area, as evidenced by a resolution of the governing body of each city, village and town where the zone would be located, (2) the project would serve a public purpose, (3) the project would likely retain or increase employment in the state, (4) the project would not likely occur or continue without designation of the zone, and (5) the project would likely have a positive effect on the area.

In making the determination, Commerce would consider other factors, including the extent of poverty and unemployment in the area, prospects for new investment and economic development in the area, the number of full-time jobs likely to be available to target population members because of the designation, the competitive effect of the designation and other factors Commerce considers relevant.

Commerce could not designate a zone that would be located within another development, development enterprise or development opportunity zone. Zone designation would be in effect for up to 84 months. Commerce could revoke certification if false or misleading information was provided to obtain tax benefits, if the business were to cease operations and did not renew operations within 12 months, or if the business were to leave the zone to conduct substantially the same business outside the zone.

Based on information from the Departments of Transportation and Commerce, there are approximately 130 airports in the state, 100 of which are not located in an area currently designated as a development, development enterprise or development opportunity zone. Approximately 20 airport projects per year are for airport construction or expansion.

Information on which airports would be designated as zones and the projects in those zones that would be undertaken is not available. Under the current enterprise zone program, which also has a $3 million tax credit limit per zone, the average amount of credits awarded per zone is $1.8 million. Based on Department information, approximately 75% of credits claimed are used to offset tax liability in the year claimed. Assuming 20 projects per year at approximately $1.8 million each, the annualized fiscal effect would be $27 million ($1.8 million x 20 x 75%). The actual revenue loss from the program could be more or less than the estimate based on how many projects are certified and for what amount, when the businesses would fulfill obligations to claim the credits and how much tax liability the businesses would have to offset with the credit.

If every airport were designated as a zone and businesses in the zone claimed the maximum $3 million per year, the estimated fiscal effect would be $225 million per year ($3 million x 100 zones x 75% used).

Assembly Amendment

An amendment adopted by the Assembly would limit the total amount of tax benefits applicable to all airport development zones to $9 million and allow Commerce to evaluate the designation of a zone and reallocate available tax credits. The amendment would also recognize resolutions of counties in determining if a project was desired for the area where the zone would be located and allow the Department of Transportation the opportunity to review and comment on any proposed zone designation.

Long-Range Fiscal Implications