



State of Wisconsin

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STEPHEN R. MILLER
CHIEF

May 31, 2005

MEMORANDUM

To: Representative Davis

From: Joseph T. Kreye, Sr. Legislative Attorney, (608) 266-2263

Subject: Technical Memorandum to **2005 AB-419** (LRB-2457/2)

We received the attached technical memorandum relating to your bill. This copy is for your information and your file. If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

MEMORANDUM

May 17, 2005

TO: Joseph Kreye
Legislative Reference Bureau

FROM: Rebecca Boldt
Department of Revenue

SUBJECT: Technical Memorandum on AB 419: Refundable Development Zone Credits to Claimant's With No Tax Liability

The title assigned to the bill suggests that it contains provisions to make the development zone credits refundable. Since this is not the case, the title should be changed so that it is not misleading.

The analysis states that the taxpayer may claim the credits against the taxes imposed on all of the taxpayer's Wisconsin income. However, under the bill, sole proprietors may claim the credit against the tax imposed on all their income but partners, members of LLCs, and shareholders of tax-option corporations may only offset the credit against the tax attributable to their income from the partnership's, company's, or corporation's business operations. If this is not the intent, the last sentence of bill sections 3, 7, 9, 13, 17, 19, 23, 27 and 29 should be amended as follows:

- Change "tax attributable to their income" to "taxes imposed on their income under this subchapter"
- Delete the words "from the partnership's, company's or corporation's business operation"

Section 71.07(2dm)(b)(intro.) currently provides that the development zone capital investment credit may be claimed against the taxes imposed under sec. 71.02, which does not include the alternative minimum tax imposed under sec. 71.08. This section should be amended to allow the credit to be claimed against the tax otherwise due under this subchapter. This would conform to the language in sec. 71.07 (2dm)(hm), as amended by the bill.

If you have any questions regarding this technical memorandum, please contact Pam Walgren at 266-7817.

cc: Rep. Davis

Fiscal Estimate - 2005 Session

Original Updated Corrected Supplemental

LRB Number **05-2457/2** Introduction Number **AB-419**

Subject
Refundable development zone credits to claimant's with no tax liability

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate

Increase Existing Appropriations Increase Existing Revenues
 Decrease Existing Appropriations Decrease Existing Revenues
 Create New Appropriations

Increase Costs - May be possible to absorb within agency's budget
 Yes No
 Decrease Costs

Local:

No Local Government Costs
 Indeterminate

1. Increase Costs 3. Increase Revenue
 Permissive Mandatory Permissive Mandatory
2. Decrease Costs 4. Decrease Revenue
 Permissive Mandatory Permissive Mandatory

5. Types of Local Government Units Affected
 Towns Village Cities
 Counties Others
 School Districts WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**
 GPR FED PRO PRS SEG SEGS

Agency/Prepared By DOR/ Pamela Walgren (608) 266-7817	Authorized Signature Rebecca Boldt (608) 266-6785	Date 5/31/2005
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Fiscal Estimate Narratives
DOR 5/31/2005

LRB Number 05-2457/2	Introduction Number AB-419	Estimate Type Original
Subject Refundable development zone credits to claimant's with no tax liability		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the development zone, opportunity zone and enterprise zone credits are offset against income from operations in the zone. The bill would allow the credits to be offset against any income.

The bill would have an indeterminate fiscal effect. The bill would not increase the total amount of credits available but would change the definition of income for which credits could offset tax. The result is that credits would likely be used faster than under current law which would produce a negative fiscal effect. However, how much faster the credits would be used under the bill compared to current law is unknown.

Long-Range Fiscal Implications