Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2005 Session

[X] Original [ ] Updated [ ] Corrected [ ] Supplemental

LRB Number **05-1942/2**	Introduction Number **AB-145**

Subject

Farm modernization credit to include livestock

Fiscal Effect

State:
[ ] No State Fiscal Effect
[ ] Indeterminate
[ ] Increase Existing Appropriations
[ ] Decrease Existing Appropriations
[ ] Create New Appropriations
[ ] Increase Existing Revenues
[X] 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
[X] GPR [ ] FED [ ] PRO [ ] PRS [ ] SEG [ ] SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 3/1/2005

LRB Number **05-1942/2**	Introduction Number **AB-145**	Estimate Type **Original**
Subject		
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Assumptions Used in Arriving at Fiscal Estimate

The bill would clarify that the dairy investment credit applies to property and equipment that is acquired and placed in service in this state during taxable years that begin after December 31, 2003, and before January 1, 2010 and that "used exclusively" means used to the exclusion of all other uses except for other use not exceeding 5 percent of total use.

The bill would also create an income and franchise tax credit for 10% of certain expenses used exclusively for modernization or expansion related to the operation of a claimant's livestock farm. The aggregate amount of credit that a taxpayer could claim is $50,000 for expenses to construct, improve and acquire buildings, facilities and equipment for use in livestock housing, confinement, feeding and waste management.

Livestock farm modernization would include, but would not be limited to, expenditures for birthing structures, rearing structures, feedlot structures, feed storage and handling equipment, fences, watering facilities, scales, manure pumping and storage facilities, digesters, equipment to produce energy, fish hatchery and buildings on fish farms, fish processing buildings on fish farms and fish rearing ponds on fish farms. Facilities and equipment would be used exclusively for this purpose if all other uses did not exceed 5% of total use.

Under the bill, livestock is defined as domestic animals, other than dairy animals, used in the state in the production of food, fiber, or other animal products and specifically includes bovine animals, swine, poultry, fish, sheep and goats. Livestock specifically does not include equine animals, deer, ratites, camelidae or mink.

The livestock credit would be nonrefundable and could be claimed for property and equipment that is acquired and placed in service in this state during taxable years that begin after December 31, 2004 and end before January 1, 2011. Unused credit amounts could be carried forward for 15 years to offset tax liability in future years.

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

The number of farms and the amount of expenditures that would qualify for the credit is not known. Based on information from the individual and corporate income tax samples compiled by the department, approximately 38,000 livestock farms, not including dairy farms, file tax returns; 22,000 of those farms have net tax. This estimate assumes that 2,400 livestock farms with net tax would claim a credit of $1,000 in each year that the credit is in effect. Based on these assumptions, the estimated fiscal effect would be to reduce revenues by $1.9 million annually. To the extent that more farms would claim the credit or would claim more than $1,000 annually, the estimate would understate the actual revenue loss from the credit.

The Department anticipates that there will be increased costs to administer the program. Because of the limited time available to complete the fiscal note, an estimate of those costs is not available.

Long-Range Fiscal Implications

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Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:	**Annualized Fiscal Impact on funds from:**	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	$	
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	**$**	**$**
B. State Costs by Source of Funds		
GPR		
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, ets.)

	Increased Rev	Decreased Rev
GPR Taxes	$	$-1,900,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	**$**	**$-1,900,000**

NET ANNUALIZED FISCAL IMPACT

	State	Local
NET CHANGE IN COSTS	$	$
NET CHANGE IN REVENUE	$-1,900,000	$

Agency/Prepared By	**Authorized Signature**	**Date**
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