

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-0717/1	Introduction Number AB-206
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Subject
 Research and development tax credit for expenditures that exceed 150 percent of prior year's expenditures

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
 - 2. Decrease Costs
 - 3. Increase Revenue
 - 4. Decrease Revenue
- Permissive Mandatory
 - Permissive Mandatory
 - 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
<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	

Agency/Prepared By	Authorized Signature	Date
DOR/ Pamela Walgren (608) 266-7817	Dennis Collier (608) 266-5773	3/9/2005

Fiscal Estimate Narratives

DOR 3/11/2005

LRB Number 05-0717/1	Introduction Number AB-206	Estimate Type Updated
Subject Research and development tax credit for expenditures that exceed 150 percent of prior year's expenditures		

Assumptions Used in Arriving at Fiscal Estimate

Under current law two nonrefundable credits are available to corporations for research and development activities in the state. The research expenditures credit is available for increasing qualified research expenses and the research facilities credit for constructing and equipping new facilities or expanding existing facilities. Both credits are for 5% of qualified expenditures in a taxable year.

The bill provides an additional credit for research conducted in Wisconsin equal to the amount by which the current year's qualified research expenditures exceed the average of a corporation's qualified research expenses in the three prior years multiplied times 1.5%. The credit is nonrefundable and unused amounts can be carried forward for 15 years.

Information on the amount of qualified research expenses claimed in the prior three years is not available. This estimate is based on research credits claimed in the 1999 and 2001 corporate samples compiled by the department. It assumes that the expenses reported in 1999 would equal the prior three year average expenses required by the bill. To the extent that actual prior year average expenses would differ, the actual fiscal effect would vary from the estimate. In addition, the bill is silent as to how to treat corporations that do not have prior year expenses. This estimate assumes that the entire current year expenses would be eligible for the new credit.

Based on these assumptions, the bill would reduce revenues by an estimated \$10 million per year.

The Department anticipates one-time costs of \$18,900 for computer programming. The bill does not provide funding for these costs.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
The Department estimates it would incur \$18,900 of one-time costs for computer programming.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$18,900	
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$18,900	\$
B. State Costs by Source of Funds			
	GPR	18,900	
	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, etc.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$-10,000,000
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$-10,000,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
	NET CHANGE IN COSTS	\$18,900	\$
	NET CHANGE IN REVENUE	\$-10,000,000	\$
Agency/Prepared By		Authorized Signature	Date
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