Fiscal Estimate - 2005 Session

Original Updated	Corrected Sup	plemental		
LRB Number 05-2815/3	Introduction Number AB-9	83		
Description Creating an emerging target investment tax credit and granting rule-making authority				
Fiscal Effect				
Appropriations Decrease Existing Dec Appropriations Rev Create New Appropriations Create New Appropriations No Local Government Costs Indeterminate	ease Existing enues rease Existing enues \times Increase Costs - May to absorb within age \times Yes \times Decrease Costs 5.Types of Local Government Units Aff	ncy's budget		
Permissive Mandatory Permissive Mandatory 2. Decrease Costs 4. Decrease Revenue Permissive Mandatory Permissive Mandatory Districts Districts				
Fund Sources Affected Affected Ch. 20 Appropriations GPR FED PRO PRS SEG SEGS				
Agency/Prepared By	Authorized Signature	Date		
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Fiscal Estimate Narratives DOR 2/17/2006

LRB Number 05-2815/3	Introduction Number AB-983	Estimate Type	Original	
Description				
Creating an emerging target investment tax credit and granting rule-making authority				

Assumptions Used in Arriving at Fiscal Estimate

The bill would create an emerging target investment credit, equal to 15% of the investment a person would make in a minority-owned or woman-owned business. The Department of Commerce would certify a person as eligible for the tax credit and certify the amount of the credit. The maximum amount a person could invest and use as the basis for a credit is \$500,000 for each investment. The maximum amount of credits that could be claimed for all claimants and all taxable years is \$20 million.

Women-owned businesses eligible for credit could be sole proprietorships, partnerships, limited liability companies, joint ventures, or corporations that are at least 51% owned, controlled, and actively managed by a woman, as determined by the Department of Commerce.

Minority-owned businesses eligible for credit would have to be certified by Commerce. Commerce currently certifies minority-owned businesses for participation in the state's minority business purchasing and contract program. For certification, owners of a business (sole proprietorship, partnership, corporation, or joint venture) must belong to an ethnic minority group: Native American, Black, Hispanic, Asian Indian, Asian Pacific, Aleut, Eskimo, or Native Hawaiian, be at least 51 percent owned, controlled and actively managed by minority group members, serve a "useful business function" and have customers other than the State of Wisconsin, and be at least one year old under current ownership.

Qualifying investments would be in businesses engaged in manufacturing, financial services, business services, consumer products and services, media, entertainment, or technology.

The Department of Commerce estimates that Wisconsin has about 18,000 minority-owned businesses, about 1,000 of which are currently certified minority-owned businesses, for a certification rate of about 6%. Commerce does not certify woman-owned businesses but estimates there are about 112,000 in the state. As such, investments in an estimated 130,000 businesses would be eligible for the credit.

The maximum amount of credit for each investment would be \$75,000 (\$500,000 x 15%). As a result, as few as 267 investments could deplete the \$20 million lifetime cap on credits (\$20 million \ \$75,000). The amount of investment and credit per year is unknown, but it is possible that the full \$20 million could be used in the first year.

Long-Range Fiscal Implications