

Fiscal Estimate - 2007 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 07-2173/3		Introduction Number AB-0837	
Description An income and franchise tax credit for hiring high school students for summer employment			
Fiscal Effect			
State:			
<input type="checkbox"/> No State Fiscal Effect			
<input type="checkbox"/> Indeterminate			
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Increase Existing Revenues	
<input type="checkbox"/> Decrease Existing Appropriations		<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriations		<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
<input type="checkbox"/> Decrease Costs			
Local:			
<input type="checkbox"/> No Local Government Costs			
<input type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected			
<input type="checkbox"/> Towns		<input type="checkbox"/> Village	
<input type="checkbox"/> Counties		<input type="checkbox"/> Others	
<input type="checkbox"/> School Districts		<input type="checkbox"/> 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	
DOR/ Michael Oakleaf (608) 261-5173		Rebecca Boldt (608) 266-6785	
Date			8/23/2007

Fiscal Estimate Narratives

DOR 8/23/2007

LRB Number	07-2173/3	Introduction Number	AB-0837	Estimate Type	Original
Description An income and franchise tax credit for hiring high school students for summer employment					

Assumptions Used in Arriving at Fiscal Estimate

This bill provides for employers a nonrefundable youth summer employment credit. The credit is equal to the lesser of:

- (1) \$600 (\$300 if a part-time employee) for each month that the employee is employed during the two-month period beginning on July 1 and ending on the first Monday of September of the taxable year, or
- (2) 70% of the employee's monthly wages during that period.

The employee must be at least 15 years of age, but no more than 18 years of age, and be either a high school student or graduates from high school during the taxable year before the first Monday in September of the taxable year and provides proof that he or she is enrolled in a university or college located in Wisconsin and intends to begin instruction at the university or college in that taxable year. The student's most recent cumulative high school grade point average must be at least 3.0 or the equivalent. The student must receive an hourly wage 20% higher than the federal minimum wage. Based on the current federal minimum wage of \$5.85 an hour, a student would have to be paid \$7.02 an hour ($\5.85×1.2) for an eligible claim to be made.

The maximum amount that a claimant may claim in any taxable year is \$10,000. Unused credits may be carried over and offset against tax for up to 15 years.

The current Wisconsin minimum wage for non-agricultural employees is \$5.90 per hour for minor employees (under the age of 18) and \$6.50 per hour for adults (18 and over). A firm that employed 8.33 full-time equivalent (FTE) minors at an hourly rate of \$7.02 for the full specified period would qualify for the \$10,000 maximum (2 months x \$600 per month x 8.33 FTE).

Fiscal Effect

It is unknown how many firms would claim the credit. However, the potential loss of revenue could be quite substantial. For example, if 5% of the 393,000 firms that the Census Bureau estimates exist in Wisconsin each claim half of the \$10,000 annual maximum, the fiscal effect would be an annual revenue loss of \$98.3 million ($393,000 \times .05 \times \$5,000$). To the extent that more than 5% of existing firms claim the credit, or if firms claim more than half of the maximum allowed, the annual fiscal effect would be larger than \$98.3 million.

If 2.5% of the 393,000 firms that the Census Bureau estimates exist in Wisconsin each claim half of the \$10,000 annual maximum, the fiscal effect would be an annual revenue loss of \$49.1 million ($393,000 \times .025 \times \$5,000$). To the extent that more than 2.5% of existing firms claim the credit, or if firms claim more than half of the maximum allowed, the annual fiscal effect would be larger than \$49.1 million.

The Department will incur annual administrative costs of \$14,900, the funding of which is not included in the bill.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

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Description An income and franchise tax credit for hiring high school students for summer employment			
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	\$13,900		\$
(FTE Position Changes)			
State Operations - Other Costs	1,000		
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$14,900		\$
B. State Costs by Source of Funds			
GPR	14,900		
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	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$
NET ANNUALIZED FISCAL IMPACT			
	State		Local
NET CHANGE IN COSTS	\$14,900		\$
NET CHANGE IN REVENUE	\$See		\$
Agency/Prepared By		Authorized Signature	Date
DOR/ Michael Oakleaf (608) 261-5173		Rebecca Boldt (608) 266-6785	8/23/2007