

Fiscal Estimate Narratives

DOR 3/5/2008

LRB Number	07-3991/2	Introduction Number	AB-0894	Estimate Type	Original
Description An income and franchise tax credit for providing health care benefits under a cafeteria plan					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates an income and franchise tax credit for employers who create certain health care and dependent care benefit plans (known as "cafeteria plans" under Section 125 of the Internal Revenue Code) for their employees. These plans provide participants an opportunity to receive certain qualified benefits on a pre-tax basis. The credit is \$200 and may be claimed for the taxable year in which the employer creates the cafeteria plan. The bill also requires the Department of Revenue to include with its income and franchise tax forms information about cafeteria plans. In addition, the Department of Financial Institutions (DFI) must provide information regarding cafeteria plans to each entity that submits articles of incorporation with DFI.

Fiscal Effect

Data do not exist to estimate the fiscal effect, as businesses are not required to report to the State whether they offer or establish a Section 125 "cafeteria" plan to their employees.

However, as an illustration, according to data from the Bureau of Labor Statistics, approximately 30% of workers are covered under a Section 125 plan. Additionally, according to data from DFI, approximately 36,000 new firms were registered in Wisconsin in FY 2007. Assuming that the number of firms that offer Section 125 mirrors the number of employees covered by Section 125 plans, if 30% of the 36,000 new firms establish a Section 125 health plan, the fiscal effect would be a revenue loss of \$2,160,000 (36,000 x .3 x \$200).

The fiscal effect could be reduced to the extent that the percentage of firms that offer a Section 125 plans is smaller than the percentage of employees that are covered by them. This is likely the case because larger firms are more likely than smaller firms to offer Section 125 plans.

The revenue loss would be increased to the extent that existing businesses establish new Section 125 plans. Additionally, revenue would be further reduced to the extent that employees participate in these pre-tax benefit plans.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description An income and franchise tax credit for providing health care benefits under a cafeteria plan			
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, 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	\$	\$	
NET CHANGE IN REVENUE	\$See Text	\$	
Agency/Prepared By		Authorized Signature	Date
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