

### Fiscal Estimate - 2009 Session

Original       Updated       Corrected       Supplemental

<b>LRB Number</b> 09-1694/1		<b>Introduction Number</b> AB-0234	
<b>Description</b> an income and franchise tax for hiring certain individuals.			
<b>Fiscal Effect</b>			
<b>State:</b>			
<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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs			
<b>Local:</b>			
<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"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts			
<b>Fund Sources Affected</b>		<b>Affected Ch. 20 Appropriations</b>	
<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			
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Michael Oakleaf (608) 261-5173		Rebecca Boldt (608) 266-6785	4/2/2009

## Fiscal Estimate Narratives

DOR 4/2/2009

LRB Number	<b>09-1694/1</b>	Introduction Number	<b>AB-0234</b>	Estimate Type	<b>Original</b>
<b>Description</b> an income and franchise tax for hiring certain individuals.					

### Assumptions Used in Arriving at Fiscal Estimate

This bill provides income and franchise tax credits for wages paid to the following individuals:

1. A veteran who is entitled to compensation for a service-connected disability and who is a member of a family receiving supplemental nutrition assistance.
2. An ex-felon.
3. An individual who is a vocational rehabilitation referral.
4. An individual who is participating in a program administered by any local workforce development board in this state.
5. An individual who is at least 16 years of age, but no more than 17 years of age, who is either a high school student or who graduates from high school during the taxable year for which a credit is claimed, and who is a member of a family whose Wisconsin taxable income is no more than 70% of the federal poverty line.

The credit is equal to 20% of the wages paid by the claimant for an ex-felon, an individual who is a vocational rehabilitation referral, or a qualified veteran up to a maximum of \$2,500 per employee per year, and the maximum aggregate annual credit for all claimants for these classes of employees is \$6 million. For tax years beginning after December 31, 2008 and before January 1, 2010, the credit may be claimed for employees who work at least 400 hours in the taxable year. Thereafter it may be claimed only for employees who work at least 1,560 hours in the taxable year.

For an individual participating in a program administered by a local workforce development board, the credit is equal to 20% of the wages paid by the claimant up to a maximum of \$2,000 per year for each employee. The maximum aggregate annual credit for all claimants for wages for these individuals is \$3 million. For tax years beginning after December 31, 2008 and before January 1, 2010, the credit may be claimed for employees who work at least 400 hours in the taxable year. Thereafter it may be claimed only for employees who work at least 1,560 hours in the taxable year.

For qualified youth employees, the credit is equal 50% of the wages paid by the claimant up to a maximum of \$200 per month per employee if the employee works less than 35 hours per week or \$400 per month if the employee works 35 hours or more per week and up to \$1,200 per year for each employee. The maximum annual aggregate credit amount for all claimants for youth employees is \$3 million.

Unused credits may be carried forward for 15 years.

Except for credits claimed for wages paid to a youth employee, credits claimed must be repaid to the Department of Revenue if the employee does not work for the claimant for 365 consecutive days.

### FISCAL ESTIMATE

In order to reach the maximum aggregate annual credit of \$6 million for the hiring of an ex-felon, an individual who is a vocational rehabilitation referral or a qualified veteran, approximately 2,400 employees would have to be hired to work 1,562 hours at an hourly rate of \$8.00 (2,400 employees x 1,562 hours x \$8.00 x 20% = \$6 million). Based on data from the Department of Corrections, the Department of Workforce Development and the U.S. Veterans Administration, there would be at least 2,400 employees that would meet the credit criteria. Thus, it can be assumed that the maximum \$6 million will be reached under ordinary economic conditions. However, the fiscal effect is likely to be lower in the near term under current economic conditions.

Based on information from the Department of Workforce Development, individuals generally stop participating in programs administered by local workforce development boards when they achieve employment. Therefore, in general an employer would not pay wages to a person who is participating in

such a program, since participation ends upon employment. Therefore, there would be no fiscal effect from this provision. However, if the bill covered persons who had recently participated in a program administered by a local workforce development board, the maximum aggregate annual credit of \$3 million could be reached if approximately 1,500 eligible employees were hired to work 1,250 hours at an hourly rate of \$8.00 ( $1,500 \text{ employees} \times 1,250 \text{ hours} \times \$8.00 \times 20\% = \$3 \text{ million}$ ). Based on data from the Department of Workforce Development, there would be at least 1,500 employees that would meet the credit criteria. Thus, it can be assumed that the maximum \$3 million will be reached under ordinary economic conditions. However, the fiscal effect is likely to be lower in the near term under current economic conditions.

In order to reach the maximum aggregate annual credit of \$3 million for the hiring of a qualified youth employee, approximately 2,500 employees would have to be hired to work 300 hours at an hourly rate of \$8.00 ( $2,500 \text{ employees} \times 300 \text{ hours} \times \$8.00 \times 50\%$ ). Based on data from the US Census Bureau, there would be at least 2,500 youths that would meet the credit criteria. Thus, it can be assumed that the maximum \$3 million will be reached under ordinary economic conditions. However, the fiscal effect is likely to be lower in the near term under current economic conditions.

If the intent of the bill is to provide a credit only for wages paid to individuals while they are participating in a program administered by a local workforce development board, the total fiscal effect of all provisions is estimated to be an annual revenue loss of \$9 million ( $\$6 \text{ million} + \$3 \text{ million}$ ). If the intent of the bill is to provide a credit for wages paid to individuals that had recently participated in a program administered by a local workforce development board, the total fiscal effect of all provisions is estimated to be an annual revenue loss of \$12 million ( $\$6 \text{ million} + \$3 \text{ million} + \$3 \text{ million}$ ).

However, the total fiscal effect of the bill is likely to be lower in the near term to the extent that current economic conditions inhibit the hiring of individuals whose wages would qualify for the credit.

### **Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>09-1694/1</b>		Introduction Number <b>AB-0234</b>	
<b>Description</b> an income and franchise tax for hiring certain individuals.			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes		\$	\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>		<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$See Text	\$
<b>Agency/Prepared By</b>			
DOR/ Michael Oakleaf (608) 261-5173		<b>Authorized Signature</b>	
		Rebecca Boldt (608) 266-6785	
<b>Date</b>			4/2/2009