

Fiscal Estimate Narratives

DOR 3/25/2010

LRB Number	09-4417/1	Introduction Number	AB-0868	Estimate Type	Original
Description income and franchise tax credit for shipbuilding					

Assumptions Used in Arriving at Fiscal Estimate

The bill creates a non-refundable income and franchise tax credit equal to 10% of payroll that is paid to employees engaged in shipbuilding in this state, or 30% of payroll paid to new employees hired during the taxable year who are engaged in shipbuilding in this state. Unused credit amounts may be carried forward for 15 years.

Fiscal Estimate

Based on data from the US Bureau of Labor Statistics, total wages for shipbuilders (NAICS 336600) in Wisconsin in 2008 was \$158.1 million. Assuming that 85% of the wages are for continuing employees eligible for the 10% credit and 15% of the wages are for new employees hired during the taxable year, credit claims would be \$20.5 million annually $(\$158 \text{ million} \times 85\% \times 10\%) + (\$158 \text{ million} \times 15\% \times 30\%)$. The net annual tax effect after adding back the credit amount to income as required by the bill would be \$18.9 million $(\$20.5 \text{ million} - (\$20.5 \text{ million} \times 7.9\% \text{ tax rate}))$. Due to current economic conditions and its effect on the shipbuilding industry, the fiscal effect in the near term would likely be significantly reduced to the extent that claimants do not have sufficient tax liability to use the full amount claimed. However, when economic conditions change such that shipbuilders return to profitability, revenue losses would result from claims for the future years plus credit carryforwards from prior years.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description income and franchise tax credit for shipbuilding			
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, ets.)			
		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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