

Fiscal Estimate - 2009 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 09-4148/1	Introduction Number AB-0969	
Description Income and franchise tax deductions for full-time jobs		
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 checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <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		
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 DOR/ Michael Oakleaf (608) 261-5173	Authorized Signature Rebecca Boldt (608) 266-6785	Date 5/11/2010

Fiscal Estimate Narratives
DOR 5/11/2010

LRB Number 09-4148/1	Introduction Number AB-0969	Estimate Type Original
Description Income and franchise tax deductions for full-time jobs		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, wages paid to employees are deductible as an ordinary business expense. The bill creates an income and franchise tax exemption equal to the number of full-time employees employed by the claimant during the taxable year, multiplied by \$1,000. The exemption would first apply for taxable years beginning in January 1, 2010.

Fiscal Estimate

This estimate is based on 1) a statistical sample of tax year 2005 corporate returns; 2) a sample of tax year 2007 individual returns showing a salary expense on federal Schedule C; and 3) average annual wage data from the US Social Security Administration and the Wisconsin Department of Workforce Development. The bill would result in reduced corporate income and franchise tax revenue of an estimated \$54.5 million and a reduction of individual income tax revenue of \$1.7 million in FY 2011. The fiscal effect could be higher (lower) to the extent that annual salaries paid by the taxpayer are lower (higher) resulting in more (fewer) full-time employees than assumed in the estimate.

As drafted, the bill provides an exemption for all full-time employees of the taxpayer, including employees working in other states and, in the case of combined groups with foreign subsidiaries as members, full-time employees working in foreign countries. If the intent of the bill is to provide an exemption only for employees working in Wisconsin, the fiscal effect would be a reduction in corporate income and franchise tax revenue of an estimated \$41.8 million and a reduction in individual income tax revenue of an estimated \$1.7 million in FY 2011.

The above analyses do not include partnerships, as data to estimate the effect of provisions of the bill on partnerships is not available. The fiscal effect will likely be significantly higher to the extent that partnerships with nexus to Wisconsin claim the \$1,000 exemption for each full-time employee.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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Description Income and franchise tax deductions for full-time jobs			
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	
DOR/ Michael Oakleaf (608) 261-5173		Rebecca Boldt (608) 266-6785	
		Date	
		5/11/2010	