

### Fiscal Estimate - 2009 Session

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>09-4154/2</b>	Introduction Number <b>SB-539</b>
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**Description**  
 Tax incentives for job creation

**Fiscal Effect**

**State:**

<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Decrease Existing Revenues	<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
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**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 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <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
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<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input 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> DOR/ Michael Oakleaf (608) 261-5173	<b>Authorized Signature</b> Rebecca Boldt (608) 266-6785	<b>Date</b> 3/10/2010
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## Fiscal Estimate Narratives

DOR 3/10/2010

LRB Number	09-4154/2	Introduction Number	SB-539	Estimate Type	Original
<b>Description</b> Tax incentives for job creation					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, employers are generally required to withhold taxes from employees' wages, and to remit the amount withheld to the Department. Under this bill, a business that increases its net employment by at least 15 full-time employees in any taxable year may, if it applies to the Department of Commerce (Commerce), retain an amount that is equal to the withholding taxes that the business is required to pay on wages earned by each eligible full-time employee, as certified by Commerce, in the year for which the business claims the tax benefit, multiplied by the employee's applicable tax rate rather than submit the amount as withholding taxes. A business may claim the benefit for only five years, unless the business can demonstrate to Commerce that it needs an additional five-year extension. Under the bill, the Department of Revenue is to consider all amounts retained as tax benefits to be amounts submitted to DOR as withholding taxes.

### Fiscal Estimate

Based on an analysis of tax year 2008 individual tax returns, the average annual withholding per wage earner was \$2,059. The average gross tax rate per dollar earned was 6.41%. Therefore, on average, an employer who was certified to receive the tax benefit under the bill could expect to retain an average of \$132 per eligible worker ( $\$2,059 \times 6.41\%$ ). Based on information from the federal Bureau of Labor Statistics, new employers (those with no employees in the previous quarter) in the U.S. with greater than 15 employees added approximately 4.7 million gross jobs in the four quarters ending June 30, 2009 (the most recent data available). "Gross jobs" refers to newly hired individuals only, and does not include any job losses. Wisconsin accounted for approximately 1.9% of all gross job gains during the same period. Assuming the same proportion of gross jobs added in Wisconsin were for new employers with 15 or more employees as in the U.S. as a whole, new Wisconsin employers with greater than 15 employees added approximately 89,300 new jobs ( $4.7 \text{ million} \times 1.9\%$ ). Therefore, assuming similar gross job gains in future years, the annual fiscal effect is estimated to be a revenue loss of \$11.8 million ( $89,300 \times \$132$ ). The fiscal effect will be higher to the extent that existing employers also increase net employment by 15 or more employees and are certified by Commerce for the tax benefit. The fiscal effect would be higher (lower) to the extent that employers who are certified for the tax benefit pay wages that are higher (lower) than the average in 2008.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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LRB Number <b>09-4154/2</b>		Introduction Number <b>SB-539</b>	
<b>Description</b> Tax incentives for job creation			
<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>			
	State		Local
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$See Text		\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	
DOR/ Michael Oakleaf (608) 261-5173		Rebecca Boldt (608) 266-6785	
		<b>Date</b>	
		3/10/2010	