

## Fiscal Estimate - 2011 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 11-3081/1	<b>Introduction Number</b> AB-0005 (SE1)
<b>Description</b> An income and franchise tax credit for workplace wellness programs, granting rule-making authority, and requiring the exercise of rule-making authority	
<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 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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <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      3. <input type="checkbox"/> Increase Revenue <b>5. Types of Local Government Units Affected</b> <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others      0 <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <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> DOR/ Michael Oakleaf (608) 261-5173	<b>Authorized Signature</b> John Koskinen (608) 267-8973
<b>Date</b> 10/14/2011	

## Fiscal Estimate Narratives

DOR 10/14/2011

LRB Number 11-3081/1	Introduction Number AB-0005 (SE1)	Estimate Type Original
<b>Description</b> An income and franchise tax credit for workplace wellness programs, granting rule-making authority, and requiring the exercise of rule-making authority		

### Assumptions Used in Arriving at Fiscal Estimate

The bill would create a non-refundable income and franchise tax credit for employers who provide a workplace wellness programs for their employees in this state. The credit would be equal to 30 percent of the amount that an employer pays in the taxable year to provide a workplace wellness program to any of the employer's employees who are employed in this state, not including any amount paid to acquire, construct, rehabilitate, remodel, or repair real property. The credit may be claimed for three years. Under the bill the Department of Health Services would certify programs as eligible for the credit, and the Department of Revenue would determine the amount of credits to allocate to the businesses providing workplace wellness programs.

A workplace wellness program is a health or fitness program, as defined by administrative rule by the Department of Revenue and the Department of Health Services, where employees are provided with health risk assessments. The services included in a workplace wellness program include smoking cessation, weight management, stress management, worker injury prevention programs, nutrition education, health or fitness incentive programs, vaccinations, or employee physical examinations.

Under the bill the maximum amount of credit that may be claimed by all claimants is \$5 million per taxable year, with \$2.5 million per year being allocated to businesses with 50 or fewer employees and \$2.5 million per year being allocated to businesses with more than 50 employees.

The credit would be available for tax years starting on or after January 1, 2012. Unused credit amounts would be allowed to be carried forward for 15 years.

### Fiscal Effect

Based on data from the Kaiser Family Foundation's 2010 Employer Health Benefits Survey, 74% percent of firms that offer health benefits to their employees also offer some type of wellness program. While not all of the wellness programs would qualify for the credit under the bill, 29% of firms that offer health benefits also offer a weight loss program; 24% offer smoking cessation programs; and 24% offer nutrition education. Based on this, it is assumed that the bill would result in claims of an estimated \$5 million per year, the maximum annual amount of credit allowed. Because the bill requires the credit to be added to income, the fiscal effect of the bill would be a reduction in revenue of an estimated \$4.6 million (\$5 million in credit claims - (\$5 million x 7.9% tax rate)). The fiscal effect in a taxable year would be reduced to the extent that taxpayers do not have sufficient tax liability to use all of the credit amounts claimed. In subsequent years, the fiscal effect could be greater than \$4.6 million if all of the credit claimed in the current year as well as credit amounts carried forward from previous years are used.

In addition, the Department would have annual administrative cost for certification and allocation of the credit of \$82,800 for one FTE auditor classification including salary, supplies, and services/overhead.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Description</b> An income and franchise tax credit for workplace wellness programs, granting rule-making authority, and requiring the exercise of rule-making authority		
<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	\$82,800	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$82,800</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR	82,800	
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	\$	\$-4,600,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-4,600,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$82,800	\$
NET CHANGE IN REVENUE	\$-4,600,000	\$
<b>Agency/Prepared By</b>		
<b>Authorized Signature</b>		<b>Date</b>
DOR/ Michael Oakleaf (608) 261-5173		10/14/2011
John Koskinen (608) 267-8973		