



## Fiscal Estimate Narratives

DATCP 6/24/2011

LRB Number	11-2138/1	Introduction Number	AB-0186	Estimate Type	Original
<b>Description</b> An income and franchise tax credit for investments in a community development financial institution, increasing the credit amounts for the dairy manufacturing facility, meat processing facility, and food processing facility investment credits, and granting rule-making authority					

### Assumptions Used in Arriving at Fiscal Estimate

Assembly Bill 186 would modify existing dairy, meat and food processing tax credits beginning in 2011-12 as follows:

1. Under current law, the maximum amount of dairy manufacturing facility investment credits that may be claimed by all taxpayers, other than members of dairy cooperatives, in a fiscal year is \$700,000. Under the bill, starting in 2011-12 the maximum amount that may be claimed by all taxpayers in a fiscal year is \$1,000,000.
2. Under current law, the maximum amount of dairy manufacturing facility investment credits that may be claimed by members of dairy cooperatives in a fiscal year is \$700,000 starting in 2010-11. Under the bill, starting in 2011-12 the maximum amount that may be claimed by members of dairy cooperatives in a fiscal year is \$1,000,000.
3. Under current law, the maximum amount of meat processing facility investment credits that may be claimed by all taxpayers in a fiscal year is \$700,000. Starting in 2011-12 the bill increases the maximum amount of meat processing facility investment credits that may be claimed by all taxpayers in a fiscal year to \$1,200,000.
4. Under current law for fiscal years beginning on July 1, 2010, the maximum amount of food processing plant and food warehouse investment credits that may be claimed by all taxpayers is \$1,200,000. This is reduced beginning with fiscal year 2011-12 and for each subsequent fiscal year to \$700,000. Under the bill, the maximum amount of food processing plant and food warehouse investment credits that may be claimed would not be reduced in 2011-12 and would instead continue at \$1,200,000 in each fiscal year.

Assuming that the maximum tax credits are claimed in each year of the 2011-13 biennium, the decrease in GPR tax revenues under the bill would be:

2011-12 2012-13

Dairy manufacturing facility investment credits: \$300,000 \$300,000

Dairy cooperative dairy manufacturing credits 300,000 300,000

Meat processing facility investment credits 500,000 500,000

Food processing and food warehouse credits 500,000 500,000

Revenue Decrease in each fiscal year \$1,600,000 \$1,600,000

Total Revenue Decrease for 2011-13 Biennium -- \$3,200,000 GPR

Administration of Tax Credits: Under the 2011-13 biennial budget bill, DATCP would be responsible for certification of these four tax credits and the woody biomass tax credit. For this work and the administration of the Dairy 2020 program, the early planning grants, and milk volume production programs, the department is authorized 1.5 FTE and \$64,900 GPR annually. No support costs are authorized.

To manage these programs, it is anticipated that staff would be hired at approximately \$25.00 per hour. One FTE at this salary plus fringe is \$76,700 annually. Support costs (rent, computer, central costs, travel) of \$14,000 annually would be required. Therefore costs for 1.0 FTE for this program are estimated at \$90,700 GPR annually. With the current funding authorized in the budget, it is estimated that .75 FTE could be hired. If the assumption is made that the 1.5 FTE authorized is the appropriate level of staffing for these program activities, then a shortfall of .75 FTE will result for the program under current law.

The current law maximum for these four tax credits in 2011-12 is \$2.8 million annually. Under AB 186 the maximum would be \$4.4 million annually in 2011-12 forward. This is a 57% increase in the maximum

amount that could be certified and could be expected to generate an additional 50% or greater certification workload. Since the tax credit certification is only a portion of the workload for which 1.5 FTE were authorized in the biennial budget, it can be estimated that an additional .25 to .50 FTE and funding of \$22,675 to \$45,350 GPR would be needed to absorb the increased workload under AB 186.

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