

### Fiscal Estimate - 2011 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>11-2138/1</b>	<b>Introduction Number</b> <b>AB-0186</b>
<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	
<b>Fiscal Effect</b>  <b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" 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	
<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 <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 <u>0</u> <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> Rebecca Boldt (608) 266-6785
<b>Date</b> 7/6/2011	

## Fiscal Estimate Narratives

DOR 7/6/2011

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

The bill does the following:

- Creates a non-refundable Community Development Financial Institution Credit;
- Increases the annual maximum amount for the Dairy Manufacturing Facility Investment Credit;
- Increases the annual maximum amount for the Dairy Cooperative Manufacturing Facility Investment Credit;
- Increases the annual maximum amount for the Meat Processing Facility Investment Credit; and
- Increases the annual maximum amount for the Food Processing Plant and Food Warehousing Facility Investment Credit.

#### Community Development Financial Institution Credit:

The bill creates a non-refundable Community Development Financial Institution Credit. The credit, which may be claimed against the income and franchise tax or against license fees paid by insurers, is equal to 10% of the qualified investment in a Community Development Financial Institution (CDFI) if the amount of the investment is greater than \$10,000 but not more than \$150,000, or 12% of the qualified investment if the investment amount is greater than \$150,000 but not more than \$500,000. The Department of Commerce (Commerce) certifies claimants as eligible to claim the credit. Commerce may certify up to \$500,000 in tax credits in a calendar year. The credit is available for taxable years beginning after December 31, 2010 and before January 1, 2013. Unused credit amounts may be carried forward for 15 years.

If the qualified investment is withdrawn from the CDFI before the end of the investment period and is not reinvested in another CDFI, the claimant must repay a portion of the credit amounts that the claimant received by adding the portion to the claimant's tax or fee liability in a subsequent year. However, the portion that the claimant must repay depends on when the investment was withdrawn during the investment period. The portion that must be repaid decreases the longer the claimant holds the investment during the investment period.

The bill defines a CDFI as an entity that is organized under the laws of this state and has been certified by the Community Development Financial Institutions Fund established under federal law as meeting certain eligibility requirements. The bill permits Commerce to register a CDFI that applies to Commerce and complies with annual reporting requirements. The bill defines a "qualified investment" as a loan or deposit that pays no interest of at least \$10,000 that is made for a minimum of 60 months and over which the CDFI retains complete control for the duration of the investment period. Commerce may revoke the registration of a CDFI that fails to comply with annual reporting requirements or that no longer meets the eligibility requirement for certification by the fund.

#### Dairy Manufacturing Facility Investment Credit:

Under current law, the maximum amount of refundable 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, the maximum amount of credits that may be claimed in a fiscal year is increased to \$1,000,000.

#### Dairy Cooperative Manufacturing Facility Investment Credit:

Under current law, the maximum amount of refundable dairy manufacturing facility investment credits that may be claimed by members of dairy cooperatives in a fiscal year is \$700,000. Under the bill, the maximum amount of credits that may be claimed by members of a dairy cooperative in a fiscal year is increased to \$1,000,000 for all cooperative claimants.

#### Meat Processing Facility Investment Credit:

Under current law, the maximum amount of refundable meat processing facility investment credits that may be claimed by all taxpayers in a fiscal year is \$700,000. 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.

#### Food Processing Plant and Food Warehousing Facility Investment Credit:

Under current law, for fiscal year 2012 and in each subsequent fiscal year, the maximum amount of food processing plant and food warehouse investment credits that may be allocated by Commerce is \$700,000. Under the bill, the maximum amount of food processing plant and food warehouse investment credits that may be claimed by all taxpayers in a fiscal year is \$1,200,000.

#### Fiscal Effect:

Non-refundable credits are generally considered reductions in revenue, while refundable credits require a Chapter 20 appropriation and are therefore considered increases in appropriations.

#### Community Development Financial Institution Credit:

The non-refundable CDFI credit would reduce revenue by an estimated \$125,000 in FY 2012, \$500,000 in FY 2013, and \$375,000 in FY 2014.

#### Facility Investment Credits:

The combined fiscal effect of increasing the annual limits as outlined above on the refundable Dairy Manufacturing Facility Investment Credit, the Dairy Cooperative Facility Investment Credit, the Meat Processing Facility Investment Credit, and the Food Processing Plant and Food Warehousing Facility Investment Credit would be increases in appropriations of the following amounts:

FY 2013: \$1.6 million  
FY 2014: \$1.6 million  
FY 2015: \$1.6 million  
FY 2016: \$1.6 million  
FY 2017: \$1.3 million  
FY 2018: \$1.3 million

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

## Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

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<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>			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$See Text	\$
<b>Agency/Prepared By</b>			
DOR/ Michael Oakleaf (608) 261-5173		<b>Authorized Signature</b>	<b>Date</b>
		Rebecca Boldt (608) 266-6785	7/6/2011