

Fiscal Estimate Narratives

DOR 11/1/2011

LRB Number	11-2737/1	Introduction Number	SB-250	Estimate Type	Original
Description Limiting the corporate income tax deduction for compensation paid to an employee					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, corporations are allowed to deduct up to \$1,000,000 of compensation paid to executive officers and the deduction cannot exceed this amount unless the compensation is performance based.

This bill limits the amount of employee and executive compensation that may be deducted for Wisconsin income or franchise tax purposes to an amount that may not exceed 25 times the amount paid to the lowest paid full-time employee of the corporation.

Fiscal Estimate

The Department does not have data on the highest and lowest paid employees and officers of corporations that file returns in Wisconsin, because such data is not included on the corporate tax forms. Therefore the fiscal effect of the bill cannot be determined. It is assumed that it would result in an increase in revenue of an unknown amount.

However, federal corporate tax returns do contain information on the federal deduction for total compensation for all officers. Based on a review of corporate returns that claimed a federal deduction for officer's compensation, and assuming that these firms have six officers and the lowest paid employee is paid \$31,200 annually (\$15 an hour x 2,080 hours), the bill would result in an increase in revenue of an estimated \$13.2 million annually. This estimate should be viewed as speculative because the result is highly sensitive to the assumption on number of officers and pay of the lowest-paid employee.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 11-2737/1		Introduction Number SB-250	
Description Limiting the corporate income tax deduction for compensation paid to an employee			
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			
	<u>State</u>		<u>Local</u>
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$See Text		\$
Agency/Prepared By		Authorized Signature	
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		Date	
		11/1/2011	