

Fiscal Estimate Narratives

DOR 1/24/2011

LRB Number	11-0900/1	Introduction Number	SB-003	Estimate Type	Original
Description Tax incentives for job creation, providing an exemption from emergency rule procedures, and granting rule-making authority					

Assumptions Used in Arriving at Fiscal Estimate

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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 2009 individual tax returns, the average annual withholding per wage earner was \$2,064. The average gross tax rate per dollar earned was 6.52%. Therefore, on average, an employer who was certified to receive the tax benefit under the bill could expect to retain an average of \$135 per eligible worker ($\$2,064 \times 6.52\%$). According to data from the Department of Workforce Development, in 2006 and 2007 (the last years before the recession) an average of 1,550 employers in Wisconsin increased net payrolls by 15 employees or more, adding a two-year average of 87,500 employees. Therefore, assuming similar hiring patterns in future years as the economy recovers, the annual fiscal effect is estimated to be a revenue loss of \$11.8 million ($87,500 \times \135). 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 2009, or that employers add more (fewer) workers.

Administrative costs can be absorbed within existing departmental resources.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Tax incentives for job creation, providing an exemption from emergency rule procedures, and granting rule-making authority		
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, ets.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$-11,800,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$-11,800,000
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-11,800,000	\$
Agency/Prepared By		
Authorized Signature		Date
DOR/ Michael Oakleaf (608) 261-5173		1/24/2011
Rebecca Boldt (608) 266-6785		