



## Fiscal Estimate Narratives

DOR 9/6/2013

LRB Number	<b>13-2790/1</b>	Introduction Number	<b>SB-260</b>	Estimate Type	<b>Original</b>
<b>Description</b> Allowing refunds for the early stage seed and angel investment tax credits and having the Department of Administration administer the credits and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, a taxpayer may claim Early Stage Seed and Angel investment credits for the taxpayer's investments in qualified new business ventures. If the credit amounts exceed the taxpayer's tax liability, the taxpayer may carry forward the unused credit and use it to offset taxes due in subsequent taxable years. Under the bill the credits would be refundable, in that excess credit amounts may be refunded to the taxpayer, for taxable years beginning on or after January 1, 2014.

The bill also transfers the administration of the Early Stage Seed and Angel investment credits from the Wisconsin Economic Development Corporation (WEDC) to the Department of Administration (DOA).

### Fiscal Estimate

This fiscal estimate pertains only to the provisions of the bill that make the Angel and Early Stage Seed investment credits refundable, and not the provisions related to transferring the administration of the credits from WEDC to DOA.

Non-refundable credits are considered reductions in tax revenue. Refundable credits require an appropriation, and are therefore considered increases in appropriations. In general, changing a credit from non-refundable to refundable would involve an increase in revenue (technically a reduction in revenue reduction) and an increase in appropriations. In addition, the timing of the fiscal effect is different for non-refundable credits vs. refundable credits. Non-refundable credits are accounted for as reductions in estimated payments that happen quarterly throughout the taxable year, whereas refundable credits are accounted for as expenditures in the period when the returns claiming the credits are filed.

Based on a review of individual and corporate returns that claimed the Angel and Early Stage Seed investment credits, and assuming annual growth in claims that would occur under current law consistent with recent years of 15% in the Angel Investment Credit and 5% in the Early Stage Seed Investment Credit, and assuming making the credits refundable would increase claims by an additional 10%, the bill would result in an increase in revenue (reduction in revenue reduction) of the following amounts:

FY 2014: \$1.9 million;  
FY 2015: \$8.1 million;  
FY 2016: \$9.1 million;  
FY 2017: \$10.4 million;  
FY 2018: \$11.8 million.

In addition, the bill would result in an increase in appropriations of the following amounts:

FY 2015: \$9.8 million;  
FY 2016: \$13.0 million;  
FY 2017: \$11.7 million;  
FY 2018: \$13.3 million.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> Allowing refunds for the early stage seed and angel investment tax credits and having the Department of Administration administer the credits and making an appropriation			
<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	13,300,000		
<b>TOTAL State Costs by Category</b>	<b>\$13,300,000</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR	13,300,000		
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	\$11,800,000		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$11,800,000</b>		<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$13,300,000		\$
NET CHANGE IN REVENUE	\$11,800,000		\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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