Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2013 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **13-3048/1**	Introduction Number **AB-0484**

Description
Carry-back of net operating losses, the sales and use tax exemption for commercial printing, the jobs tax credit, the electronic medical records credit, the manufacturing and agriculture credit, and the relocated business credit

Fiscal Effect

State:
☐ No State Fiscal Effect
☐ Indeterminate
☐ Increase Existing Appropriations
☐ Decrease Existing Appropriations
☐ Create New Appropriations
☐ Increase Existing Revenues
☒ Decrease Existing Revenues
☐ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☐ No
☐ Decrease Costs

Local:
☒ No Local Government Costs
☐ Indeterminate
1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
☐ Towns ☐ Village ☐ Cities
☐ Counties ☐ Others
☐ School Districts ☐ WTCS Districts

Fund Sources Affected
☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 11/6/2013

LRB Number **13-3048/1**	Introduction Number **AB-0484**	Estimate Type **Original**
Description Carry-back of net operating losses, the sales and use tax exemption for commercial printing, the jobs tax credit, the electronic medical records credit, the manufacturing and agriculture credit, and the relocated business credit		

Assumptions Used in Arriving at Fiscal Estimate

Under 2013 Wisconsin Act 20, certain business net operating losses (NOLs) may be claimed against Wisconsin taxable income of the two years preceding the year in which the taxpayer sustained the loss. This bill clarifies that a taxpayer may choose not to carry back the NOL. The bill also provides that the Department of Revenue shall not pay interest on any overpayments that result from the carry back of NOLs.

Under current law, computation of household income for the homestead credit does not allow claimants to reduce their income by the amount of NOL carry forwards. This bill also disallows a reduction in household income for NOL carry backs.

Under current law, a person may claim the jobs tax credit if the Wisconsin Economic Development Corporation certifies the person to receive the tax credit, the person increases net employment in the person's business, and the person provides certain wages or job training to its full–time employees. The bill specifies that to be eligible for the jobs tax credit a person must increase net employment in the person's business in this state. Therefore, under the bill, a person may qualify for the jobs tax credit by relocating existing jobs to this state. Similarly, under the bill, a person does not qualify for the jobs tax credit by increasing the number of individuals the person's business employs nationwide if the number of individuals the person's business employs in this state does not increase.

Under current law an individual income tax deduction or a corporate income and franchise tax credit is allowed based on the income of a business that relocated to Wisconsin from another state or country during the tax year. The deduction is equal to the net business income earned by the relocated business, while the credit is equal to the amount of the claimant's tax liability after applying all other allowable credits, deductions, and exclusions. Both the deduction and the credit are allowed for two consecutive taxable years beginning with the relocation year. Under 2013 Wisconsin Act 20, the business relocation deduction and credit may not be claimed for taxable years beginning after December 31, 2013. This bill allows claimants who first qualify for the deduction or credit for a taxable year beginning after December 31, 2012, and before January 1, 2014, to claim the deduction or credit in the following taxable year.

Under current law, for taxable years beginning after December 31, 2012, a non-refundable credit is available based on qualified production activities income. The credit is equal to a specified percentage (1.875% in 2013, 3.75% in 2014, 5.526% in 2015, and 7.5% after 2015) of the claimant's qualified production activities income that is derived from property assessed as manufacturing or agricultural property in Wisconsin. For individual income tax filers, the credit is applied against regular tax, but not allowed to offset the Wisconsin minimum tax. Under this bill, the manufacturing and agriculture credit is allowed to offset Wisconsin minimum tax liabilities.

Under current law, an income and franchise tax credit equal to 50% of the amount paid by a health care provider in a tax year for information technology hardware or software that is used to maintain medical records in an electronic form is available. 2013 Act 20 sunset the credit for taxable years beginning on or after January 1, 2014. The bill clarifies that the credit may not be claimed for amounts paid after December 31, 2013.

Finally, the bill makes technical changes to sales and use tax exemptions for businesses primarily engaged in commercial printing. The bill also clarifies definitions for the industries covered by the sales and use tax exemptions.

Fiscal Estimate

Net Operating Loss Carrybacks - Based on an analysis of individual taxpayer returns with NOLs, these provisions are expected to minimally reduce revenue and minimally reduce expenses.

Jobs Tax Credit - The changes in the bill are technical in nature and do not affect the statutory limits on how much credit may be allocated. Therefore the provision is not expected to have a fiscal effect.

Relocated Business Deduction and Tax Credit - Based on an analysis of claims filed for 2011 and 2012, this provision is expected to reduce revenue by $110,000 in fiscal year 2014 and $140,000 in fiscal year 2015. To the extent that more or fewer businesses relocate to Wisconsin in 2013 than in previous year, the fiscal effect of the provision will be higher or lower.

Manufacturing and Agriculture Credit - This provision reflects the current estimated revenue impact of the credit, so no additional fiscal effect is expected.

Electronic Medical Records Credit - The changes under the bill are to clarify the intent of sunsetting the credit as provided for in 2013 Act 20. The entire fiscal effect of sunsetting the credit was included in the fiscal effect for Act 20. As such, the provision in this bill has no fiscal effect.

Sales and Use Tax Exemption for Tangible Personal Property Used in Commercial Printing - These changes are expected to have a minimal fiscal effect.

Long-Range Fiscal Implications

Wisconsin Department of Administration
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Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

The provision of the bill relating to the relocated business credit and deduction is expected to reduce general purpose tax revenue by $110,000 in FY 2014 and $140,000 in fiscal year 2015. There would be no ongoing fiscal effect beyond FY 2015.

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	$	$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	**$**	**$**

NET ANNUALIZED FISCAL IMPACT

	State	Local
NET CHANGE IN COSTS	$	$
NET CHANGE IN REVENUE	$	$

Agency/Prepared By	**Authorized Signature**	**Date**
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