

Fiscal Estimate - 2015 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 15-4042/1	Introduction Number SB-451
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Description
 Allowing taxpayers to claim early stage seed investment credits for investments in the fund of funds

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Increase Existing Revenues	<input type="checkbox"/> Increase Existing Revenues	<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Decrease Existing Appropriations	<input checked="" type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Create New Appropriations			<input type="checkbox"/> Decrease Costs	

Local:

<input type="checkbox"/> No Local Government Costs	<input type="checkbox"/> Indeterminate	5. Types of Local Government Units Affected		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	<input type="checkbox"/> Towns	<input type="checkbox"/> Village	<input type="checkbox"/> Cities
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Counties	<input type="checkbox"/> Others	<u>0</u>
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	<input type="checkbox"/> School Districts	<input type="checkbox"/> WTCS Districts	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory			

Fund Sources Affected	Affected Ch. 20 Appropriations
<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	

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Fiscal Estimate Narratives

DOR 12/15/2015

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Description Allowing taxpayers to claim early stage seed investment credits for investments in the fund of funds		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, a taxpayer may claim an early stage seed investment credit equal to 25% of the taxpayer's investment paid in a taxable year directly to a fund manager that the fund manager invests in a certified qualified new business venture (QNBV).

As prescribed in 2013 Act 41, which created the state's fund of funds investment program, the investment manager must raise at least \$5 million from sources other than state funds. In addition, the fund manager must invest at least \$300,000 of the manager's own moneys. Finally, the state appropriated \$25 million to be paid to the fund manager. The proceeds from all three sources mentioned above are to be invested by the fund manager in venture capital funds subject to the requirements in s. 16.295 (5), Wis. Stats.

For taxable years beginning after December 31, 2015, the bill would allow a taxpayer to claim an early stage seed investment credit based on the taxpayer's investment in the state's fund of funds investment program if the fund of fund's investment manager invests the taxpayer's funds with a certified fund manager who invests in a QNBV.

Fiscal Estimate

Of the \$30.3 million in available funding outlined above (\$25 million + \$5 million + \$300,000), some portion will be used to pay fees for the fund-of-fund investment manager and the investment managers of the venture capital funds that receive the investments. If it assumed that \$5 million will be retained to cover fees and will not be available to be invested in venture capital funds, a balance of \$25.3 million would be available for investment in venture capital funds.

Assuming that \$25.3 million is invested with venture capital fund managers certified under s. 238.15(2), Wis. Stats. and is subsequently invested in QNBVs, it would result in total claims for the early stage seed credit of \$6.325 million (\$25.3 million x 25%).

The fiscal effect could be higher to the extent that less than \$5 million is retained to pay fees of the fund managers, leaving greater than \$25.3 million available for investment. The fiscal effect could also be higher to the extent that the fund of funds manager raises more than \$5 million in outside investment or contributes more than \$300,000 of the fund manager's own moneys.

The fiscal effect could be lower to the extent that a portion of the funds were paid to a certified fund manager in tax years beginning before January 1, 2016 or is invested in businesses that were not certified QNBVs.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

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Description			
Allowing taxpayers to claim early stage seed investment credits for investments in the fund of funds			
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		\$	\$
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	
		12/15/2015	