

### Fiscal Estimate - 2015 Session

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>15-0514/1</b>	Introduction Number <b>AB-0102</b>
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<b>Description</b> Allowing refunds for the early stage seed and angel investment tax credits and making an appropriation
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<b>Fiscal Effect</b>  <b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input checked="" type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue              5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts

<b>Fund Sources Affected</b> <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 20.835 (2) (ba)	<b>Affected Ch. 20 Appropriations</b>
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<b>Agency/Prepared By</b> DOR/ Michael Oakleaf (608) 261-5173	<b>Authorized Signature</b> Robert Schmidt (608) 266-5773	<b>Date</b> 3/27/2015
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## Fiscal Estimate Narratives

DOR 3/27/2015

LRB Number	15-0514/1	Introduction Number	AB-0102	Estimate Type	Original
<b>Description</b> Allowing refunds for the early stage seed and angel investment tax credits and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, individual taxpayers may claim Angel Investment credits for the taxpayer's investments in qualified new business ventures. Individuals and corporations may claim Early Stage Seed Investment Credits for the taxpayer's investment with a fund manager that the fund manager invests in qualified new business ventures. Partnerships, limited liability companies, and tax-option corporations may not claim the Early Stage Seed Credit. A partnership, limited liability company, or tax-option corporation computes the amount of Early Stage Seed Credit that each of its partners, members, or shareholders may claim and provides that information to each of them. Partners, members of limited liability companies, and shareholders of tax-option corporations may claim the credit in proportion to their ownership interest or as specially allocated in their organizational documents. 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 Angel and Early Stage Seed credits would be refundable, in that credit amounts exceeding liability may be refunded to the taxpayer, for taxable years beginning on or after January 1, 2015.

#### Fiscal Estimate

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: A) annual growth in claims that would occur under current law of 5% in the Angel Investment Credit and the Early Stage Seed Investment Credit; B) making the credits refundable would increase claims by an additional 10%; and c) credits carried forward from tax years beginning before January 1, 2015 would be refundable, the bill would result in an increase in revenue (reduction in revenue reduction) of the following amounts:

FY 2015: \$2.0 million;  
FY 2016: \$8.4 million;  
FY 2017: \$8.8 million;  
FY 2018: \$9.2 million;  
FY 2019: \$9.6 million.

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

FY 2016: \$10.2 million;  
FY 2017: \$12.7 million;  
FY 2018: \$10.2 million;  
FY 2019: \$10.7 million.

These estimates assume that the bill is enacted before the June 15, 2015 estimated tax payment due date. If the bill is enacted after that date, the fiscal effect for FY 2015 would be moved to (added to) the fiscal effect shown for FY 2016.

## Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

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<b>LRB Number</b> 15-0514/1		<b>Introduction Number</b> AB-0102	
<b>Description</b> Allowing refunds for the early stage seed and angel investment tax 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	10,700,000		
<b>TOTAL State Costs by Category</b>	<b>\$10,700,000</b>	<b>\$</b>	
<b>B. State Costs by Source of Funds</b>			
GPR	10,700,000		
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	\$9,600,000	\$	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$9,600,000</b>	<b>\$</b>	
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$10,700,000	\$	
NET CHANGE IN REVENUE	\$9,600,000	\$	
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Michael Oakleaf (608) 261-5173		Robert Schmidt (608) 266-5773	3/27/2015