Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2015 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 15-4605/1	Introduction Number AB-0911

Description
Income and franchise tax credit for investments in a community development financial institution

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 0
   ☐ School Districts ☐ WTCS Districts

Fund Sources Affected

☒ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984	Michael Wagner (608) 266-6785	2/16/2016

Fiscal Estimate Narratives

DOR 2/16/2016

LRB Number **15-4605/1**	Introduction Number **AB-0911**	Estimate Type **Original**
Description Income and franchise tax credit for investments in a community development financial institution		

Assumptions Used in Arriving at Fiscal Estimate

Under this bill, individuals may claim a credit for a qualified investment in a registered community development financial institution (CDFI). The nonrefundable credit is equal to 10% of the qualified investment if the investment is at least $10,000 but not more than $150,000, or 12% if the investment is more than $150,000, but not more than $500,000. If a person withdraws the investment from the CDFI before the end of a 5-year investment period and does not reinvest in another CDFI, the person must repay a portion of the credit amount, depending on when withdrawn.

Partnerships, limited liability companies, and tax-option corporations may not claim the credit but the eligibility for, and the amount of, the credit are based on their payment of amounts. Partners, members of limited liability companies, and shareholders of tax-option corporations may claim the credit in proportion to their ownership interests.

The credit is available for taxable years beginning after December 31, 2014, and before January 1, 2017. Unused credit may be carried forward and offset against tax for up to 15 years.

DOR does not have the necessary data to determine how many individuals or entities currently invest or would be incentivized to invest in a CDFI under this bill. As such, the fiscal impact of the bill is unknown.

However, as a comparison, the federal government provides the new markets tax credit for making qualified equity investments in certain community development entities. The credit amount is equal to 39% of the investment awarded over seven years. Based on the most recent data available from the IRS and the CDFI Coalition, there were approximately $1.46 billion in new markets tax credits awarded in 2012 and Wisconsin has historically accounted for about 4% of new markets tax credits. If the amount of qualified investments under this bill are comparable to those under the new markets tax credit, after adjusting for the credit rates, the Wisconsin credit amount would be approximately $16.4 million annually. To the extent that more (fewer) investments qualify for Wisconsin purposes, the fiscal effect would be larger (smaller).

Long-Range Fiscal Implications

Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

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LRB Number **15-4605/1**	Introduction Number **AB-0911**

Description
Income and franchise tax credit for investments in a community development financial institution

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

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

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