

### Fiscal Estimate - 2017 Session

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>17-1460/1</b>	Introduction Number <b>AB-1003</b>
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**Description**  
 changing industrial classification codes

**Fiscal Effect**

**State:**

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

**Local:**

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

**Fund Sources Affected** **Affected Ch. 20 Appropriations**

GPR  
  FED  
  PRO  
  PRS  
  SEG  
  SEGS 20.566(2)(gb)

<b>Agency/Prepared By</b> DOR/ Travis Arthur (608) 266-8565	<b>Authorized Signature</b> Robert Schmidt (608) 266-5773	<b>Date</b> 2/9/2018
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## Fiscal Estimate Narratives

DOR 2/9/2018

LRB Number	17-1460/1	Introduction Number	AB-1003	Estimate Type	Original
<b>Description</b> changing industrial classification codes					

### Assumptions Used in Arriving at Fiscal Estimate

The bill changes references to industry classifications set forth in the Standard Industrial Classification manual to those in the North American Industry Classification System, 2012 edition, and any subsequent edition.

#### Corporate/Individual:

For purposes of the manufacturing portion of the manufacturing and agriculture credit, the bill would allow entities with SIC codes that are not considered manufacturing under current law but have NAICS codes that are considered manufacturing under the bill to qualify for the credit. All claimants who qualify for the credit under current law would also qualify under the bill.

Based on a review of corporate tax returns using these NAICS codes and that have property in Wisconsin, and assuming that claims under the individual income tax would be 1.5 times those of corporate claimants, the bill would result in additional credit claims of an estimated \$6.0 million annually. Assuming that 65% of the corporate claims and 100% of the individual claims are used to offset taxes, the bill as it affects the manufacturing credit would reduce income and franchise tax revenue by an estimated \$5.2 million annually. However, because only the value of property is listed on income and franchise tax returns and not whether the property is manufacturing property, the actual fiscal effect could be lower to the extent that businesses reviewed for this estimate do not have manufacturing operations in this state.

#### Property Tax:

The bill would increase the number of businesses that qualify as manufacturers for property tax assessment purposes. Under 2017 Act 59, all machinery, tools, and patterns owned by non-manufacturers are exempt from personal property taxes effective with January 1, 2018 assessments. Expanding the number of businesses classified as manufacturers and assessed by the Department of Revenue (DOR) may result in exempt property for a non-manufacturer becoming taxable when reclassified as a manufacturer. Manufacturer-owned machinery and equipment not used exclusively and directly in the manufacturing process are taxable under current law.

The bill updates industrial classifications referenced in personal property tax exemptions for certain property held primarily for rental for periods of less than one year or one month depending on the item. The bill would result in a property tax shift to the extent additional businesses qualify for the personal property tax exemption.

Under current law, the department assesses manufacturing property at full value at least once in every five-year period. The bill requires such assessments once in every eight-year period.

Given the expected increase of 1,900 manufacturing assessment accounts, the Division of State and Local Finance would need an additional 4 FTE with total annual costs of \$328,000. The FTE positions are funded by GPR and program revenue. One-time costs to process manufacturing classification requests are expected to be \$214,000.

#### Premier Resort Area Tax:

The bill is expected to have a minimal impact on Premier Resort Area Tax collections.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

Original
  Updated
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<b>LRB Number</b> 17-1460/1	<b>Introduction Number</b> AB-1003	
<b>Description</b> changing industrial classification codes		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  The department estimates administrative costs of \$214,000 related new manufacturing classification requests.		
<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	\$327,520	\$
(FTE Position Changes)	(4.0 FTE)	
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$327,520</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR	135,780	
FED		
PRO/PRS (20.566(2)(gb))	191,740	
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	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$327,520	\$
NET CHANGE IN REVENUE	\$see text	-\$See Text
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
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