

Fiscal Estimate Narratives

DOR 1/6/2022

LRB Number	21-5248/1	Introduction Number	SB-785	Estimate Type	Original
Description transferring the angel investment tax credit					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, individuals may claim the nonrefundable angel investment tax credit equal to 25% of their eligible investment in a qualified new business venture that is certified by the Wisconsin Economic Development Corporation (WEDC). The credit may not be sold or otherwise transferred.

This bill allows the angel investment tax credit to be sold or otherwise transferred to another taxpayer. A person eligible to claim the angel investment tax credit may sell or otherwise transfer the credit to another person who is subject to Wisconsin individual income tax if the person notifies WEDC and the Department of Revenue of the transfer and submits a copy of the transfer documents. The bill provides that a person may not sell or otherwise transfer a credit more than once in a 12-month period and WEDC may charge a fee of up to 5% of the credit amount. This fiscal estimate pertains to the tax revenue impact of the bill and not the WEDC fee for transfers.

In fiscal year 2021, individuals used about \$7.2 million of angel investment tax credit against tax liability and carried over about \$14.0 million of unused credit. If individuals were able to sell those unused credits to other individuals who could apply them against Wisconsin tax liability, revenue would have decreased by approximately \$14.0 million in fiscal year 2021. To the extent that some portion of the credit remains unused, the fiscal effect would be smaller. The \$14.0 million balance of unused credit reflects an accumulation of unused credit over multiple years and a potential one-time revenue loss from initially allowing credit transfers.

In 2020 WEDC reported \$44.5 million of qualified angel investments for a total new credit of \$11.1 million. In general, if \$11.1 million of new credit are generated each year and \$7.2 million of credit are used each year, the remaining, unused \$3.9 million of credit represents the potential ongoing revenue loss from allowing credit transfers. Again, to the extent that some portion of the credit remains unused, the ongoing fiscal effect would be smaller.

The Department anticipates incurring \$5,410 in one-time costs and \$2,610 in ongoing costs to administer the credit changes in this bill. Costs are associated with updating publications, claim processing procedures, and recordkeeping. The department cannot absorb these costs.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 21-5248/1	Introduction Number SB-785	
Description transferring the angel investment tax credit		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
The Department anticipates incurring \$5,410 in one-time costs to administer the credit changes in this bill.		
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, etc.)		
	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	Date
DOR/ Bradley Caruth (608) 261-8984	Ann DeGarmo (608) 266-7179	1/6/2022