

Fiscal Estimate - 2021 Session

Original Updated Corrected Supplemental

LRB Number 21-5213/1	Introduction Number SB-834
Description creating a tax credit for local media advertising	
Fiscal Effect	
State: <input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input 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 checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" 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 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"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
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	
Agency/Prepared By DOR/ Ann DeGarmo (608) 266-7179	Authorized Signature Ann DeGarmo (608) 266-7179
Date 1/14/2022	

Fiscal Estimate Narratives

DOR 1/14/2022

LRB Number 21-5213/1	Introduction Number SB-834	Estimate Type Original
Description creating a tax credit for local media advertising		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, a business may deduct from income expenses for advertising. The bill would create an income and franchise tax credit for a portion of advertising costs in local media. The credit would be available for businesses that have fewer than 100 full-time employees and less than \$10 million in revenue. The credit would be equal to 50% of the amount paid to advertise in a local media outlet, up to a maximum credit of \$5,000. Also under the bill, the business would not be able to deduct from income the portion of advertising expenses used to claim the credit.

Fiscal Estimate

In tax year 2018 there were approximately 105,000 sole proprietor returns filed with gross income less than \$10 million that also claimed a deduction for advertising expenditures. In addition, there were approximately 16,500 C-corporations with less than \$10 million in gross receipts that also claimed advertising expenditures. There were also approximately 41,800 S-corporations with less than \$10 million in gross receipts that claimed a deduction for advertising expenditures. If half of the claimed expenditures from sole proprietors, C-corporations, and S-corporations were eligible for use in computing the credit under the bill, it would result in a reduction in revenue of an estimated \$65.7 million per year plus some additional amount for partnerships. To the extent that more than (less than) 50% of the advertising expenses are eligible for computing the credit, the actual fiscal effect could be higher (lower).

Detailed data for this analysis do not exist for partnerships. However, they would be eligible to claim the credit subject to the provisions of the bill. The actual fiscal effect would therefore likely be significantly higher than the \$65.7 million figure shown above. Given the variability in the estimate and potential for partnership claims for the credit, the following table is added to provide context of the proposed credit with other, existing tax credits.

- 1 School Property Tax Credit: \$436,000,000
- 2 Manufacturing and Agriculture Credit: \$343,800,000
- 3 Itemized Deductions Credit: \$292,000,000
- 4 Married Persons Credit: \$269,000,000
- 5 Earned Income Credit: \$94,100,000
- 6 Research Credit: \$74,180,000
- 7 Homestead Credit: \$65,500,000
- 8 Enterprise Zones Jobs Credit: \$55,300,000
- 9 Veterans' and Surviving Spouses' Property Tax Credit: \$38,200,000
- 10 Historic Rehabilitation: \$24,240,000

The Department will incur one-time costs of an estimated \$15,200 for programming, testing, and training. The Department cannot absorb these costs within current resources.

Long-Range Fiscal Implications

Wisconsin Department of Administration
 Division of Executive Budget and Finance

Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 21-5213/1	Introduction Number SB-834	
Description creating a tax credit for local media advertising		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
The Department will incur an estimated \$15,200 in one-time costs for, programming, testing, and training. The Department cannot absorb these costs within current resources.		
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
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		1/14/2022