

### Fiscal Estimate - 2021 Session

Original       Updated       Corrected       Supplemental

LRB Number <b>21-5554/1</b>	Introduction Number <b>SB-859</b>
-----------------------------	-----------------------------------

**Description**  
a tax credit for investments in a community development financial institution

**Fiscal Effect**

**State:**

- No State Fiscal Effect  
 Indeterminate  
     Increase Existing Appropriations       Increase Existing Revenues       Increase Costs - May be possible to absorb within agency's budget  
     Decrease Existing Appropriations       Decrease Existing Revenues       Yes       No  
     Create New Appropriations       Decrease Costs

**Local:**

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

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

GPR     FED     PRO     PRS     SEG     SEGS

<b>Agency/Prepared By</b> DOR/ Zach Petersen (608) 267-2428	<b>Authorized Signature</b> Ann DeGarmo (608) 266-7179	<b>Date</b> 1/21/2022
--	---	--------------------------

**Fiscal Estimate Narratives**  
**DOR 1/21/2022**

LRB Number	<b>21-5554/1</b>	Introduction Number	<b>SB-859</b>	Estimate Type	<b>Original</b>
<b>Description</b> a tax credit for investments in a community development financial institution					

**Assumptions Used in Arriving at Fiscal Estimate**

Under this bill, individuals may claim a nonrefundable tax credit for a qualified investment in a registered community development financial institution (CDFI). The 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, 2021, and before January 1, 2024. Unused credit may be carried forward and offset against tax for up to 15 years.

**Fiscal Estimate**

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 U.S. Treasury Department, \$145 million new market credits were awarded to Wisconsin CDFIs in 2020. 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 \$14.6 million annually. To the extent that more (fewer) investments qualify for Wisconsin purposes, the fiscal effect would be larger (smaller).

**Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 21-5554/1	<b>Introduction Number</b> SB-859	
<b>Description</b> a tax credit for investments in a community development financial institution		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  The bill would result in one-time costs of \$12,610 to update programming and publications.		
<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		
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR		
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	\$	\$
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	\$	\$
NET CHANGE IN REVENUE	\$See Text	\$
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>

DOR/ Zach Petersen (608) 267-2428

Ann DeGarmo (608) 266-7179

1/21/2022