

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-5618/1	Introduction Number AB-1217
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Description
 creating an employee ownership conversion costs tax credit and an exemption for capital gains from the transfer of a business to employee ownership

Fiscal Effect

State:

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

Local:

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

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

- GPR
 FED
 PRO
 PRS
 SEG
 SEGS

Agency/Prepared By	Authorized Signature	Date
DOR/ Zach Petersen (608) 267-2428	Michael Oakleaf (608) 261-5173	4/19/2024

Fiscal Estimate Narratives

DOR 4/19/2024

LRB Number	23-5618/1	Introduction Number	AB-1217	Estimate Type	Original
Description creating an employee ownership conversion costs tax credit and an exemption for capital gains from the transfer of a business to employee ownership					

Assumptions Used in Arriving at Fiscal Estimate

The bill creates tax incentives related to businesses in this state converting to an employee ownership business structure. The Wisconsin Economic Development Corporation may certify a business to claim a nonrefundable income tax credit for an amount equal to 70 percent of costs related to converting the business to a worker-owned cooperative or 50 percent of the costs related to converting the business to an employee ownership trust or an employee stock ownership plan. The credit is limited to a maximum amount of \$100,000. The Wisconsin Economic Development Corporation may only allocate \$5,000,000 in credit each year.

The bill also creates an individual income tax subtraction and a corporate income franchise tax exemption for the amount of the capital gain realized from the transfer of ownership of a business in this state to an employee stock ownership plan, a worker-owned cooperative, or an employee ownership trust. Under the bill, the subtraction or exemption may not be claimed for a taxable year unless the business whose transfer results in a capital gain has entered a labor peace agreement with the labor organization representing the employees of the business for that taxable year.

Fiscal Estimate

The fiscal impact of the bill could be as high as \$5 million annually if all credits are certified and claimed. To the extent that the Wisconsin Economic Development Corporation allocated fewer credits, the fiscal impact will be commensurately lower. The fiscal effect of the capital gains exemption is unknown and would depend on the number of businesses and the amount of gain. Any fiscal effect from the capital gains exemption would be in addition to the \$5 million credit allocation.

According to the most recent American Rescue Plan Act (ARPA) Net Tax Reduction Calculation Update released by the Department of Administration, the remaining margin for tax reductions before triggering potential SLFRF recoupment at \$96.9 million for fiscal year 2024 and \$326.6 million for fiscal year 2025. This bill will reduce these margins.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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Description creating an employee ownership conversion costs tax credit and an exemption for capital gains from the transfer of a business to employee ownership		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): The bill has a one-time cost of \$39,640 associated with software development and testing as well as preparing new tax forms and documents.		
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	\$See Text	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By Authorized Signature Date		
DOR/ Zach Petersen (608) 267-2428	Michael Oakleaf (608) 261-5173	4/19/2024