

### Fiscal Estimate - 2023 Session

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number **23-2821/1**      Introduction Number **AB-0272**

**Description**  
 an income and franchise tax exemption for broadband expansion grants

**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.  Increase Costs      3.  Increase Revenue  
 Permissive  Mandatory     
  Permissive  Mandatory  
 2.  Decrease Costs      4.  Decrease Revenue  
 Permissive  Mandatory     
  Permissive  Mandatory

5. Types of Local Government Units Affected  
 Towns       Village       Cities  
 Counties       Others  
 School Districts       WTCS Districts

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

GPR     FED     PRO     PRS     SEG     SEGS

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 8/16/2023

LRB Number	23-2821/1	Introduction Number	AB-0272	Estimate Type	Updated
<b>Description</b> an income and franchise tax exemption for broadband expansion grants					

**Assumptions Used in Arriving at Fiscal Estimate**

The bill makes an exemption to taxable corporate income for grants received from the state or federal government for the purpose of expanding broadband access.

**Fiscal Estimate**

In June 2023, Wisconsin received \$1.06 billion in federal funding from the Broadband Equity, Access, and Deployment program. Assume 20% of the funding will be allocated beginning in calendar year (CY) 2024 and the remaining 80% in CY2025. Using allocation data from the Public Service Commission, roughly 40% of broadband grant money in prior years went to nontaxable entities such as municipalities. Given that information, the fiscal effect of the bill would result in a reduction in revenue of an estimated \$20.1 million in FY25, and \$30.1 million in FY26.

To the extent that the timing of allocations differs from the example above, the timing of the fiscal effect may be different. The fiscal effect could be higher/lower to the extent the proportion of municipalities receiving grants is lower/higher. The fiscal effect could be higher to the extent Wisconsin receives more grant money in the future. The fiscal effect may be lowered significantly if entities with low apportionment percentages receive a large share of grants eligible for the exclusion. Finally, the fiscal effect could be lower to the extent that entities that calculate a loss or use credits receive grants eligible for the exclusion.

Because this bill affects tax revenue, it may impact the state's maintenance of effort requirement under the American Rescue Plan Act. The Dept of Administration should review this bill for this specific purpose to provide further clarity on the matter.

**Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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  Updated     
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LRB Number <b>23-2821/1</b>		Introduction Number <b>AB-0272</b>	
<b>Description</b> an income and franchise tax exemption for broadband expansion grants			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<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	\$	\$-30,100,000	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-30,100,000</b>	
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$	\$	
NET CHANGE IN REVENUE	\$-30,100,000	\$	
<b>Agency/Prepared By</b>			
DOR/ Zach Petersen (608) 267-2428		<b>Authorized Signature</b>	<b>Date</b>
		Michael Oakleaf (608) 261-5173	8/16/2023