

Fiscal Estimate - 2025 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 25-2552/1	Introduction Number SB-0204
Description creating a video game production tax credit and making an appropriation	
Fiscal Effect State: ☐ No State Fiscal Effect ☐ Indeterminate ☐ Increase Existing Appropriations ☐ Decrease Existing Appropriations ☒ Create New Appropriations ☐ Increase Existing Revenues ☐ Decrease Existing Revenues ☒ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☒ No ☐ 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 ☐ Counties ☐ School Districts ☐ Village ☐ Others ☐ WTCS Districts ☐ Cities	

Fiscal Estimate Narratives
DOR 5/2/2025

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Description creating a video game production tax credit and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

For tax years beginning after December 31, 2023, the bill creates a refundable tax credit for digital interactive media. The credit is equal to the sum of the following:

1. 30% of the salary or wages paid by the claimant to employees residing in this state for producing digital interactive media or entertainment
2. 30% of eligible expenditures

To claim the credit, a person must file an application with the Department of Revenue and receive a certificate of eligibility for the credit.

Fiscal Estimate

After a review of tax returns of entities that are most likely to claim the credit, the bill will increase expenditures by an estimated \$48.5 million annually. The fiscal effect could be higher (lower) to the extent that more (fewer) entities are eligible to claim the credit, or that eligible expenses are greater (less than) expected. The fiscal effect would be higher to the extent that it provides an incentive for additional entities to move operations to Wisconsin or to establish new operations in the state.

The bill has a one-time cost of \$96,600 for the creation of an application process, updating and creating forms, and reprogramming, which the Department of Revenue cannot absorb.

There will be an additional, recurring cost of \$1 million dollars associated with the bill for reviewing audits of the credit, reviewing applications and expenses, and certifying the credit. If the department does not receive additional resources, current auditors would likely need to be redirected from other revenue-generating audits to audit credit applicants. The potential collection loss from forgoing these other revenue-generating audits is \$8 million annually.

The American Rescue Plan Act (ARPA) prohibits states from using state fiscal recovery funds (SLFRF) to either directly or indirectly offset reduction in net tax revenue. This bill reduces the margin for tax reductions determined by DOA before triggering potential SLFRF recoupment.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2025 Session

Detailed Estimate of Annual Fiscal Effect

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LRB Number 25-2552/1	Introduction Number SB-0204	
Description creating a video game production tax credit and making an appropriation		
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 \$96,600 for the creation of an application process, updating and creating forms, and reprogramming.		
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	1,006,000	
Local Assistance		
Aids to Individuals or Organizations	48,500,000	
TOTAL State Costs by Category	\$49,506,000	
B. State Costs by Source of Funds		
GPR	49,506,000	
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	\$ -8,000,000	
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$ -8,000,000	
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u> <u>Local</u>	
NET CHANGE IN COSTS	\$49,506,000	
NET CHANGE IN REVENUE	\$ -8,000,000	
Agency/Prepared By Authorized Signature Date		
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