



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #332

Repeal Obsolete Refundable Credits and Appropriations (General Fund Taxes -- Income and Franchise Taxes)

CURRENT LAW

The following refundable income and franchise tax credits were sunset for new claims beginning in tax year 2014: (a) dairy manufacturing facility investment; (b) dairy manufacturing facility investment for dairy cooperatives; (c) food processing plant and food warehouse investment; (d) beginning farmer and farm asset owner; (e) film production company investment; and (f) film production services. The refundable woody biomass harvesting and processing investment credit was sunset for new claims beginning in tax year 2015. For refundable credits, if the amount of credit exceeds the claimant's tax liability, the state issues a check for the excess amount or the claimant may apply the credit against the next year's tax liability. Refundable credits are paid from appropriations and counted as expenditures in the state's accounting system. Current law provides a sum sufficient GPR appropriation to pay credit claims for each of the credits shown above, and base funding of \$0 is provided for each appropriation. These credits were sunset under 2013 Wisconsin Act 20.

An annual GPR appropriation was provided to make payments to Illinois of not more than \$5,500,000 for tax year 1998 and not more than \$8,250,000 for tax year 1999, the first two years in which the Department of Revenue (DOR) made income tax reciprocity payments to Illinois. Base funding of \$0 is provided for this appropriation.

GOVERNOR

Maintain base funding of \$0 in 2019-20 and 2020-21 for each of the current law appropriations listed above. Retain current statutes.

DISCUSSION POINTS

1. Refundable tax credit appropriations and associated statutes are generally sunset, rather

than repealed, to allow eligible claimants to claim the credit when timely filing a return or an amended return. For example, if an individual filer was eligible to claim the film production services credit, which sunset after tax year 2013, the individual is generally required to file a tax return and claim the credit by April 15, 2014. However, taxpayers may file an amended return to claim the credit for up to four years beyond the unextended due date of the tax year. As a result, an eligible claimant could file an amended return to claim the credit until April 15, 2018 (state fiscal year 2017-18).

2. Corporate filers may have a tax year that does not align with a calendar year, and certain filers may timely file a return on the 15th day of the fifth month beginning after the corporation's tax year. Under the example above, a taxpayer with a tax year beginning on December 1, 2013, could file an amended return to claim the film production services credit until April 15, 2019 (2018-19). The Committee could choose to repeal the six refundable business tax credit appropriations and associated statutory language that sunset after tax year 2013 on the effective date of the bill without affecting any claimant eligible to file an amended return to claim those credits.

3. For the woody biomass harvesting and processing investment credit, which sunset after tax year 2014, taxpayers can file amended returns to claim the credit until April 15, 2020 (2019-20). The Committee could choose to repeal this credit and associated statutory language beginning on July 1, 2020, without affecting any claimant eligible to claim the credit.

4. As noted, an annual GPR appropriation was created under 1997 Wisconsin Act 63 for DOR to make income tax reciprocity payments to Illinois for tax years 1998 and 1999. Wisconsin made payments from this appropriation of \$5.5 million in 1998-99 and \$8.25 million in 1999-00. No payments have been made from this appropriation since 1999-00. The Committee could choose to repeal this appropriation and associated statutes on the effective date of the bill without affecting the current Illinois-Wisconsin reciprocity agreement described in LFB Paper #324, as payments to Illinois are made from a separate appropriation.

5. According to the Legislative Reference Bureau, if the Committee chose to repeal these eight obsolete appropriations and associated statutory language, the number of printed pages of the statutes would be reduced by approximately 19 pages.

ALTERNATIVES

1. Repeal the following appropriations and associated statutory language on the effective date of the bill: (a) Illinois income tax reciprocity, 1998 and 1999; (b) dairy manufacturing facility investment credit; (c) dairy manufacturing facility investment credit; dairy cooperatives; (d) food processing plant and food warehouse investment credit; (e) beginning farmer and farm asset owner credit; (f) film production company investment credit; and (g) film production services credit. Repeal the woody biomass harvesting and processing credit appropriation and associated statutory language on July 1, 2020.

2. Take no action.

Prepared by: Sean Moran