

FISCAL ESTIMATE FORM

2001 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 01-0103/3
INTRODUCTION # AB-320
Admin. Rule #

Subject
Income and Franchise Tax Credit for Businesses That Pay Tuition Expenses

Fiscal Effect

State: No State Fiscal Effect
Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

<input type="checkbox"/> Increase Existing Appropriation	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be Possible to Absorb Within Agency's Budget <input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Decrease Existing Appropriation	<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriation		

Decrease Costs

Local: No Local Government Costs

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Governmental Units Affected: <input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others _____ <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input type="checkbox"/> Decrease Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Fund Sources Affected <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEG-S	Affected Ch. 20 Appropriations
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Assumptions Used in Arriving at Fiscal Estimate:

This bill would create a nonrefundable income and franchise tax credit for certain businesses that pay tuition expenses at qualified postsecondary institutions for individuals enrolled in degree-granting programs. The credit would generally equal 50% of tuition expenses, increasing to 75% of tuition costs if the individual's taxable income is not more than 185% of the federal poverty line. Unused credit amounts could be carried forward for use in offsetting income tax in future years.

Corporations, sole proprietorships and insurers may claim the credit; partnerships, limited liability companies, and tax option companies compute the credit and pass it on to partners, members and shareholders in proportion to their ownership interests. Tuition of family members of managing employees qualifies for the credit only if the family member is employed by the claimant's business an average of at least 20 hours a week during the one-year period prior to commencing the education program, is enrolled in a degree-granting program substantially related to the claimant's business, and is making satisfactory progress towards the degree.

Qualified postsecondary institutions are the University of Wisconsin System institutions, technical college system institutions or any regionally accredited four-year nonprofit college or university having regional headquarters and principal place of business in Wisconsin. Degree granting programs are defined to include any program for which an associate, bachelor's or graduate degree is awarded.

Based on information from the University of Wisconsin System, the Wisconsin Technical College System and the U.S. Office of Management and Budget, it is estimated that employers provide \$28 million in tuition expenses for employees and other scholarships annually. Data are not available to estimate the percent of individual students in degree granting programs who have tuition paid by businesses. For purposes of this estimate, it is assumed that \$7 million of estimated tuition expenses would be for individuals with taxable

(continued on page two)

Long-Range Fiscal Implications:

Agency/Prepared by: (Name & Phone No.) Wisconsin Department of Revenue Pamela Walgren, (608) 266-7817	Authorized Signature/Telephone No. Yeang-Eng Braun (608) 266-2700 <i>Yeang Eng Braun</i>	Date 1/29/01
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income below 185% of the poverty line and \$21 million would be for individuals with taxable income above that limit. To the extent that actual incomes of these students are higher or lower, the fiscal effect of this credit would change from the estimate.

It is estimated that \$15.8 million of credits will be claimed annually. Of that total, approximately \$5.3 million is for tuition of individuals with taxable income below the poverty line (\$7 million x 75%) and \$10.5 million is for tuition of individuals with taxable income above the poverty line (\$21 million x 50%). Based on Department data, approximately 75% of credits claimed in a tax year are actually used. Therefore, it is estimated that the fiscal effect of this provision would be to reduce income tax revenues by \$11.9 million annually (\$15.8 million x 75%).

The Department estimates that 1.0 FTE would be required to administer the credit and increased annual costs would be \$52,400. There would also be one-time administrative costs of \$102,500 to implement the credit. The bill does not provide funding for these costs.

YEB 1/29/01

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

2001 Session

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 CORRECTED SUPPLEMENTAL

LRB # 0103/3

Admin. Rule #

INTRODUCTION # AB-320

Subject

Income and Franchise Tax Credit for Businesses that Pay Tuition Expenses

I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

\$102,500 in one-time administrative costs.

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringe	\$ 52,400	\$ -
(FTE Position Changes)	(1.0 FTE)	(- FTE)
State Operations-Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$ 52,400	\$ -
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
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	\$	\$ - 11,900,000
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$	\$ - 11,900,000

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ 52,400	\$
NET CHANGE IN REVENUES	\$ -11,900,000	\$

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Pamela Walgren, (608) 266-7817	Yeang-Eng Braun (608) 266-2700 <i>Yeang-Eng Braun</i>	1/29/01