

### Fiscal Estimate - 2001 Session

Original       Updated       Corrected       Supplemental

|  |  |   |  |   |  |  |   |  |  |   |  |  |   |
|--|--|---|--|---|--|--|---|--|--|---|--|--|---|
| <b>LRB Number</b> <b>01-3865/1</b>   | <b>Introduction Number</b> <b>SB-265</b>                               |   |  |   |  |  |   |  |  |   |  |  |   |
| <b>Subject</b><br>Individual and corporate tax credit for artistic endowment fund contributions  |  |   |  |   |  |  |   |  |  |   |  |  |   |
| <b>Fiscal Effect</b>   |  |   |  |   |  |  |   |  |  |   |  |  |   |
| <b>State:</b>  |  |   |  |   |  |  |   |  |  |   |  |  |   |
| <input type="checkbox"/> No State Fiscal Effect<br><input type="checkbox"/> Indeterminate<br><input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues<br><input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues<br><input type="checkbox"/> Create New Appropriations   |  |   |  |   |  |  |   |  |  |   |  |  |   |
| <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget<br><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No<br><input type="checkbox"/> Decrease Costs  |  |   |  |   |  |  |   |  |  |   |  |  |   |
| <b>Local:</b>  |  |   |  |   |  |  |   |  |  |   |  |  |   |
| <input checked="" type="checkbox"/> No Local Government Costs<br><input type="checkbox"/> Indeterminate  |  |   |  |   |  |  |   |  |  |   |  |  |   |
| <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">1. <input type="checkbox"/> Increase Costs</td> <td style="width: 33%;">3. <input type="checkbox"/> Increase Revenue</td> <td style="width: 33%; vertical-align: top;">5. Types of Local Government Units Affected</td> </tr> <tr> <td>    <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</td> <td>    <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</td> <td><input type="checkbox"/> Towns      <input type="checkbox"/> Village      <input type="checkbox"/> Cities</td> </tr> <tr> <td>2. <input type="checkbox"/> Decrease Costs</td> <td>4. <input type="checkbox"/> Decrease Revenue</td> <td><input type="checkbox"/> Counties      <input type="checkbox"/> Others</td> </tr> <tr> <td>    <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</td> <td>    <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</td> <td><input type="checkbox"/> School Districts      <input type="checkbox"/> WTCS Districts</td> </tr> </table> |  | 1. <input type="checkbox"/> Increase Costs  | 3. <input type="checkbox"/> Increase Revenue | 5. Types of Local Government Units Affected | <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities | 2. <input type="checkbox"/> Decrease Costs | 4. <input type="checkbox"/> Decrease Revenue | <input type="checkbox"/> Counties <input type="checkbox"/> Others | <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts |
| 1. <input type="checkbox"/> Increase Costs   | 3. <input type="checkbox"/> Increase Revenue                           | 5. Types of Local Government Units Affected   |  |   |  |  |   |  |  |   |  |  |   |
| <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory   | <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities |  |   |  |  |   |  |  |   |  |  |   |
| 2. <input type="checkbox"/> Decrease Costs   | 4. <input type="checkbox"/> Decrease Revenue                           | <input type="checkbox"/> Counties <input type="checkbox"/> Others                               |  |   |  |  |   |  |  |   |  |  |   |
| <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory   | <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts               |  |   |  |  |   |  |  |   |  |  |   |
| <b>Fund Sources Affected</b>   |  |   |  |   |  |  |   |  |  |   |  |  |   |
| <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.566 (1)(a)  |  |   |  |   |  |  |   |  |  |   |  |  |   |
| <b>Affected Ch. 20 Appropriations</b>  |  |   |  |   |  |  |   |  |  |   |  |  |   |
| <b>Agency/Prepared By</b><br>DOR/ Meredith Krejny (608) 261-8984   | <b>Authorized Signature</b><br>Brian Pahnke (608) 266-2700             | <b>Date</b><br>10/12/01   |  |   |  |  |   |  |  |   |  |  |   |

## Fiscal Estimate Narratives

DOR 10/12/01

|   |                  |                     |               |               |                 |
|---|------------------|---------------------|---------------|---------------|-----------------|
| LRB Number  | <b>01-3865/1</b> | Introduction Number | <b>SB-265</b> | Estimate Type | <b>Original</b> |
| <b>Subject</b>  |                  |                     |               |               |                 |
| Individual and corporate tax credit for artistic endowment fund contributions |                  |                     |               |               |                 |

### Assumptions Used in Arriving at Fiscal Estimate

This bill creates a nonrefundable individual income and franchise tax credit for amounts contributed to the artistic endowment fund. The credit is equal to 25% of the amount contributed to the fund, up to a maximum credit of \$100 for married joint filers and \$50 for other filers. The maximum credit for corporations is \$500. No credits are allowed after revenues received by the endowment fund reach \$50,150,000.

#### Individual Income Tax Effect

Based on information from the American Association of Fundraising Counsel (AAFRC), it is estimated that 5.7% of Americans made charitable contributions to artistic and cultural organizations in 2000. Thus, it is assumed that 5.7% of the state's taxpayers would claim the proposed credit for individuals, and that these taxpayers will claim the maximum credit amount. According to a simulation on the 1999 Wisconsin Individual Income Tax Model, the credit would reduce individual income tax revenues by \$8.4 million in the first year.

Other sources indicate a higher percentage of Americans contribute to artistic and cultural organizations, in particular, an estimate of 11.4%, by the Gallup Organization. If 11.4% of taxpayers contribute to the Artistic Endowment Fund, the revenue loss would be \$16.8 million.

#### Corporate Income Tax Effect

The number of corporations that would claim the credit is unknown. Based on simulations on the Corporate Tax Samples, if all corporations with tax liability claimed the \$500 credit, up to their tax liability, the fiscal effect would be \$10 million. Assuming 5,000 corporations claim the maximum \$500 credit, the credit would reduce corporate tax revenues by \$2.5 million.

#### Total Income Tax Effect

This bill would reduce individual income and corporate income and franchise revenues by at least \$8.4 million if no corporations claim the credit and by as much as \$26.8 million if all corporations with a tax liability and 11.4% of individuals claim the credit. Assuming 5.7% of individuals and 5,000 corporations claim the maximum credit, the total revenue loss would be \$10.9 million.

#### Check-Off Box for Donations to Arts Fund

The bill would also allow taxpayers to make additional contributions to the fund through a box on the tax form. It is not known how many filers would use the check-off procedure to make contributions to the fund. In tax year 1999, approximately 42,500 tax filers made donations totaling \$561,000 to the state's endangered resources fund via a line on the tax form. Assuming that contributions for the artistic endowment fund would be similar to the amount of current contributions to the endangered resources fund, this bill would result in approximately 43,000 filers contributing, with \$600,000 being collected as a result of the check-off. If twice as many filers were to contribute to the fund, \$1.2 million would be collected. The Department would receive a portion of funds collected to cover the costs of administering the check-off program.

#### Administrative Costs

The Department would incur one-time administrative costs of \$318,900 in FY02 and \$14,000 in FY03 for programming, development, equipment, processing and supporting expenses, and ongoing costs of \$413,500 in FY03 for data entry, processing, correspondence, research, audit and supporting expenses. The bill does not provide funding for these costs.

## Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

|  |  |  |                      |
|--|--|--|----------------------|
| <b>LRB Number</b> 01-3865/1  |  | <b>Introduction Number</b> SB-265              |                      |
| <b>Subject</b>   |  |  |                      |
| Individual and corporate tax credit for artistic endowment fund contributions  |  |  |                      |
| <b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>                                |  |  |                      |
| + \$318,900 GPR-Exp in FY02 and +\$14,000 GPR-Exp in FY03.   |  |  |                      |
| <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  |  | \$186,100                                      |                      |
| (FTE Position Changes)   |  | (4.0 FTE)                                      |                      |
| State Operations - Other Costs   |  | 227,400  |                      |
| Local Assistance   |  |  |                      |
| Aids to Individuals or Organizations   |  |  |                      |
| <b>TOTAL State Costs by Category</b>   |  | <b>\$413,500</b>                               | <b>\$</b>            |
| <b>B. State Costs by Source of Funds</b>   |  |  |                      |
| GPR  |  | 413,500  |                      |
| 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  |  | \$   | \$-10,900,000        |
| GPR Earned   |  |  |                      |
| FED  |  |  |                      |
| PRO/PRS  |  |  |                      |
| SEG/SEG-S  |  |  |                      |
| <b>TOTAL State Revenues</b>  |  | <b>\$</b>                                      | <b>\$-10,900,000</b> |
| <b>NET ANNUALIZED FISCAL IMPACT</b>  |  |  |                      |
|  |  | State  | Local                |
| NET CHANGE IN COSTS  |  | \$413,500                                      | \$                   |
| NET CHANGE IN REVENUE  |  | \$-10,900,000                                  | \$                   |
| <b>Agency/Prepared By</b>  |  | <b>Authorized Signature</b>                    | <b>Date</b>          |
| DOR/ Meredith Krejny (608) 261-8984  |  | Brian Pahnke (608) 266-2700                    | 10/12/01             |