

**FISCAL ESTIMATE FORM**

**2001 Session**

- ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

<b>LRB #</b> 01-1323/1
<b>INTRODUCTION #</b> SB 76
<b>Admin. Rule #</b>

**Subject**  
**Income and Franchise Tax Credit for Small Business Administration Financing Guarantee Fees**

**Fiscal Effect**

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

Increase Costs - May be Possible to Absorb Within Agency's Budget  Yes  No

Decrease Costs

Increase Existing Appropriation     Increase Existing Revenues  
 Decrease Existing Appropriation     Decrease Existing Revenues  
 Create New Appropriation

**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 checked="" 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	

<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"/> SEG-S	<b>Affected Ch. 20 Appropriations</b> 20.566 (1)(a)
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**Assumptions Used in Arriving at Fiscal Estimate:**

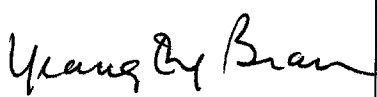
The bill would create a nonrefundable income and franchise tax credit for amounts paid as a guarantee fee to obtain financing that is guaranteed by the Small Business Administration (SBA). Unused credit amounts would not be refunded to the claimant, but may be carried forward for use in offsetting tax liability in future years.

Under current law, the amount of the fee may be taken as a deduction from income. The bill prohibits a claimant from claiming both a deduction and a credit for the same fees. Partnerships, limited liability companies and tax-option corporations compute the credit amount for partners, members and shareholders to take in proportion to their ownership interests.

SBA currently guarantees approximately \$210 million in financing amounts annually to Wisconsin taxpayers. Information from SBA suggests that \$4.3 million would be paid by applicants in financing guarantee fees. These fees currently may be deducted from taxable income as interest expenses, amortized over the life of the loans. Since a deduction and a credit cannot be claimed for the same fees, the estimated cost of the current law deduction would partially offset the cost of the proposed credit. The amount of offset would increase to an estimated \$300,000 annually as the program continues and additional years of guarantee fees are offset by untaken deductions (\$4.3 million x 7.9% tax rate). The Department estimates that 75% of credits claimed are used in a year. As such, the estimated fiscal effect of the credit is \$3 million annually (\$4.3 million x 75% - \$300,000).

The bill does not provide for costs incurred by the Department to administer the law change. The Department estimates one-time costs of \$37,750 for computer design and programming, and ongoing annual costs of \$2,500.

**Long-Range Fiscal Implications:**

<b>Agency/Prepared by: (Name &amp; Phone No.)</b> Wisconsin Department of Revenue Pam Walgren, (608) 266-7817	<b>Authorized Signature/Telephone No.</b> Yeang-Eng Braun (608) 266-2700 	<b>Date</b> 3/22/01
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**FISCAL ESTIMATE WORKSHEET**

Detailed Estimate of Annual Fiscal Effect

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**INTRODUCTION # SB 76**

**Subject**

Income and Franchise Tax Credit for Small Business Administration Financing Guarantee Fees

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

\$37,750 for one-time computer design and programming 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 (FTE Position Changes)	\$	\$ -
	( FTE)	(- FTE)
State Operations-Other Costs	2,500	-
Local Assistance		-
Aids to Individuals or Organizations		-
<b>TOTAL State Costs by Category</b>	<b>\$ 2,500</b>	<b>\$ -</b>
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$ 2,500	\$ -
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	\$	\$ - 3,000,000
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$ - 3,000,000</b>

**NET ANNUALIZED FISCAL IMPACT**

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ 2,500	\$
NET CHANGE IN REVENUES	\$ -3,000,000	\$

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Pam Walgren, (608) 266 7817	Yeang-Eng Braun (608) 266-2700 <i>Yeang Eng Braun</i>	3/23/01