

Fiscal Estimate Narratives

DOR 2/19/2008

LRB Number	07-3838/3	Introduction Number	AB-0794	Estimate Type	Original
Description Changes to economic development tax benefit programs, providing an exemption from emergency rule procedures, and requiring the exercise of rule-making authority					

Assumptions Used in Arriving at Fiscal Estimate

The bill consolidates five existing zone-based credits (the Agricultural Development Zone, Airport Development Zone, Community Development Zone, Enterprise Development Zone, and the Technology Zone credits) into a new nonrefundable economic development tax credit. Unlike the zone-based credit programs it replaces, the new credit will be available to claimants in all areas of the state. Commerce may allocate tax credits up to the total amount remaining under the existing credits that the bill replaces as of the effective date of the bill.

The credit is determined by the Department of Commerce for job creation projects, capital investment projects, employee training projects, and projects related to persons with corporate headquarters in Wisconsin. Unused credits may be carried over and offset against tax for up to 15 years.

Eligible activities under the bill include all of the following:

1. Job creation projects that result in the creation and maintenance of jobs paying wages and providing benefits at a level approved by Commerce.
2. Projects that involve a significant investment of capital, as determined by Commerce by rule, by the person in new equipment, machinery, real property, or depreciable personal property.
3. Projects that involve significant investments in the training or reeducation of employees for the purpose of improving the productivity or competitiveness of the business of the person.
4. Projects that will result in the location or retention of a person's corporate headquarters in Wisconsin or that will result in the retention of employees if the person's corporate headquarters are located in Wisconsin.

Like the zone credit programs it replaces, partnerships, limited liability companies, and tax-option corporations may not claim the credit but the eligibility for, and the amount of, the credit are based on their payment of amounts. Partners, members of limited liability companies, and shareholders of tax-option corporations may claim the credit in proportion to their ownership interests.

Fiscal effect

To date, of the \$386.2 million that was available to be allocated under the five economic development programs that are consolidated under this bill, \$343 million has been allocated to taxpayers, with a remaining balance to be allocated of \$43.2 million (11.2% of the total).

As the bill provides for a maximum available credit amount equal to the remaining available credit amount under the existing programs, the bill has no fiscal effect. To the extent that the consolidated program allows more claimants to qualify for credits, the available credit amount may be allocated sooner than under current law, which would shift the revenue loss into nearer-term fiscal years. However, the total fiscal effect remains unchanged from current law.

Long-Range Fiscal Implications