

### Fiscal Estimate - 2009 Session

Original       Updated       Corrected       Supplemental

<b>LRB Number</b> <b>09-2801/1</b>	<b>Introduction Number</b> <b>AB-0300</b>
<b>Description</b> An income and franchise credit for property taxes paid on restaurant kitchen machinery and equipment	
<b>Fiscal Effect</b>	
<b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs	
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 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> <b>Affected Ch. 20 Appropriations</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	
<b>Agency/Prepared By</b> DOR/ Michael Oakleaf (608) 261-5173	<b>Authorized Signature</b> Rebecca Boldt (608) 266-6785
<b>Date</b> 6/16/2009	

## Fiscal Estimate Narratives

DOR 6/16/2009

LRB Number	<b>09-2801/1</b>	Introduction Number	<b>AB-0300</b>	Estimate Type	<b>Original</b>
<b>Description</b>					
An income and franchise credit for property taxes paid on restaurant kitchen machinery and equipment					

### Assumptions Used in Arriving at Fiscal Estimate

The bill would provide a non-refundable income and franchise tax credit equal to the amount of property taxes paid on machinery and equipment used primarily in the operation of a restaurant's kitchen to prepare or serve food or beverages.

The Wisconsin Restaurant Association estimated Wisconsin restaurant sales at about \$7.2 billion in 2008. According to the University of Wisconsin Extension's restaurant industry sales ratios, property taxes average about 1% of annual restaurant sales. Thus, Wisconsin restaurants' total property taxes are estimated at \$72 million ( $\$7.2 \text{ billion} \times 1\%$ ).

Property owners report personal property by "furniture, fixtures, and equipment" (FFE). In 2008, the value of furniture, fixtures, and equipment (FFE) was approximately 5% of the total equalized value of commercial property in Wisconsin. Assuming restaurants have the same portion of value in FFE as all commercial property, and assuming 2/3 of the value of restaurant FFE is kitchen machinery and equipment, about \$2.4 million ( $\$72 \text{ million} \times 5\% \times 2/3$ ) of the property taxes paid by restaurants was for kitchen machinery and equipment. Thus, the bill would reduce revenue by an estimated \$2.4 million per year. The fiscal effect would be reduced to the extent that restaurants claiming the credit did not have sufficient tax liability to use the full credit amount.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>09-2801/1</b>		<b>Introduction Number</b> <b>AB-0300</b>	
<b>Description</b> An income and franchise credit for property taxes paid on restaurant kitchen machinery and equipment			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<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	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
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, ets.)</b>			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$-2,400,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>\$-2,400,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State		Local
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-2,400,000		\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Michael Oakleaf (608) 261-5173		Rebecca Boldt (608) 266-6785	6/16/2009