

### Fiscal Estimate - 2009 Session

Original       Updated       Corrected       Supplemental

<b>LRB Number</b> 09-1043/1		<b>Introduction Number</b> AB-0080	
<b>Description</b> An education tax credit for businesses			
<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 type="checkbox"/> Decrease Existing Appropriations		<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriations		<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
		<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	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs		4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected			
<input type="checkbox"/> Towns		<input type="checkbox"/> Village	
<input type="checkbox"/> Counties		<input type="checkbox"/> Cities	
<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>		<b>Authorized Signature</b>	
DOR/ Michael Oakleaf (608) 261-5173		Rebecca Boldt (608) 266-6785	
		<b>Date</b>	
		3/2/2009	

## Fiscal Estimate Narratives

DOR 3/2/2009

LRB Number	09-1043/1	Introduction Number	AB-0080	Estimate Type	Original
<b>Description</b> An education tax credit for businesses					

### Assumptions Used in Arriving at Fiscal Estimate

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

To claim credit for tuition expenses of a family member of the claimant or a managing employee, the family member must have been employed an average of at least 20 hours a week for the claimant or the claimant's business during the previous year and be enrolled in a degree-granting program substantially related to the claimant's business.

Corporations, insurers and sole proprietors could claim the credit; partnerships, limited liability companies, and tax option companies would compute the credit and pass it on to partners, members and shareholders in proportion to their ownership interests.

Qualified postsecondary institutions are the University of Wisconsin System institutions, technical college system institutions, any regionally accredited four-year nonprofit college or university having regional headquarters and principal place of business in Wisconsin, or a school approved by the veterans educational approval board if the school has a physical presence and delivery of education in the state. Degree granting programs are defined to include any program for which an associate, bachelor's or graduate degree is awarded. No credit could be allowed unless the claimant obtained written certification from the school on the amount of qualified tuition the claimant paid or incurred in the taxable year.

A credit could not be claimed for any tuition amounts excluded from income under the Wisconsin tuition expense deduction or the federal employer educational assistance exclusion.

The bill would also require the department to biennially submit a report to the legislature identifying each postsecondary institution that has received tuition payments and the amount of the tuition for each institution claimed as a credit.

Based on information from the University of Wisconsin System, the Wisconsin Technical College System and the U.S. Office of Management and Budget for federal fiscal year 2009, it is estimated that employers in Wisconsin provide approximately \$54 million in qualified tuition expenses for employees annually. Based on the income distribution of individual taxpayers in tax year 2007, it is estimated that of the \$54 million, an estimated \$25 million would be subject to the 50% credit and \$29 million would be subject to the 75% credit. This would result in credit claims of approximately \$34.3 million annually (\$29 million x 75%) + (\$25 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 would be to reduce income tax revenues by \$25.7 million annually (\$34.3 million x 75%). The fiscal effect of the bill would be increased to the extent that the credit encourages more businesses to pay for tuition for their employees.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>09-1043/1</b>		<b>Introduction Number</b> <b>AB-0080</b>	
<b>Description</b> An education tax credit for businesses			
<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	\$	\$-25,725,000
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-25,725,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$-25,725,000	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	
DOR/ Michael Oakleaf (608) 261-5173		Rebecca Boldt (608) 266-6785	
		<b>Date</b>	
		3/2/2009	