

## Fiscal Estimate - 2009 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>09-4403/1</b>	<b>Introduction Number</b> <b>AB-0853</b>
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**Description**  
 tax benefits for hiring new employees and granting rule-making authority.

**Fiscal Effect**

**State:**

- |   |   |   |
|---|---|---|
| <input type="checkbox"/> No State Fiscal Effect<br><input type="checkbox"/> Indeterminate<br><input type="checkbox"/> Increase Existing Appropriations<br><input type="checkbox"/> Decrease Existing Appropriations<br><input type="checkbox"/> Create New Appropriations | <input type="checkbox"/> Increase Existing Revenues<br><input checked="" type="checkbox"/> Decrease Existing Revenues | <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget<br><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No<br><input type="checkbox"/> Decrease Costs |
|---|---|---|

**Local:**

- |  |  |   |
|--|--|---|
| <input type="checkbox"/> No Local Government Costs<br><input type="checkbox"/> Indeterminate<br>1. <input type="checkbox"/> Increase Costs<br><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory<br>2. <input type="checkbox"/> Decrease Costs<br><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 3. <input type="checkbox"/> Increase Revenue<br><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory<br>4. <input type="checkbox"/> Decrease Revenue<br><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 5. Types of Local Government Units Affected<br><input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities<br><input type="checkbox"/> Counties <input type="checkbox"/> Others    0<br><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>	<b>Date</b>
DOR/ Michael Oakleaf (608) 261-5173	Rebecca Boldt (608) 266-6785	3/26/2010

## Fiscal Estimate Narratives

DOR 3/26/2010

LRB Number	09-4403/1	Introduction Number	AB-0853	Estimate Type	Original
<b>Description</b> tax benefits for hiring new employees and granting rule-making authority.					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, employers are required to withhold Wisconsin income taxes from their employees' wages, and to remit the amount withheld to the Department of Revenue on behalf of the employee. Amounts withheld and remitted to the Department of Revenue by the business are advance payment for the employees' Wisconsin income tax liability.

Under the bill, an eligible business may retain withholding in an amount that is equal to the increase in the business's payroll attributable to new employees with full-time jobs rather than remit the amount as withholding taxes. A business is eligible for the tax benefits if it employs no more than ten employees during the year and if it is certified by the Department of Commerce to receive the tax benefit. The new employees must begin employment after February 3, 2010 and before January 1, 2011 and must not have been employed for more than 40 hours in the 60-day period ending on the date employment begins. The new employee may not be employed to replace another employee unless the other employee separated employment voluntarily or was terminated with cause. The new employee may not be related to the employer as defined under 26 USC 51(i)(1).

Under the bill, the Department of Revenue is to consider all amounts retained as tax benefits to be amounts submitted to DOR as withholding taxes on behalf of the businesses' employees. The maximum amount of tax benefits that may be awarded under the bill is \$2 million.

### Fiscal Estimate

The fiscal effect is estimated to be \$2 million for all fiscal years, the maximum amount of tax benefit that may be certified under the bill. The bulk of the fiscal effect is expected to be experienced in FY 2011. However, to the extent that certified businesses have not withheld and retained amounts during FY 2011 equal to the amount of tax benefits they are certified to receive, the fiscal effect would be less than \$2 million in FY 2011, with the remainder of the fiscal effect being felt in future fiscal years. For example, assume an eligible business with seven employees hires an eighth employee at an annual salary of \$39,000, the average annual wage in Wisconsin in 2008. The business applies to Commerce and is certified for a tax benefit of \$39,000, the increase in its payroll. Based on an analysis of tax year 2008 individual tax returns, the average annual withholding per wage earner was \$2,059. Therefore, on average, an employer with eight employees would remit \$16,472 in withholding annually ( $\$2,059 \times 8$ ). Assuming withholding amounts and the number of employees remain the same, the business would be able to retain all of its withholding for the next 2.4 years ( $\$39,000/\$16,472$ ).

Any additional administrative costs associated with the bill can be absorbed within existing resources of the department.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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<b>LRB Number</b> 09-4403/1		<b>Introduction Number</b> AB-0853	
<b>Description</b> tax benefits for hiring new employees and granting rule-making authority.			
<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, etc.)</b>			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State		Local
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$See Text		\$
<b>Agency/Prepared By</b>			
DOR/ Michael Oakleaf (608) 261-5173		<b>Authorized Signature</b>	<b>Date</b>
		Rebecca Boldt (608) 266-6785	3/26/2010