

Fiscal Estimate Narratives

DOR 4/6/2010

LRB Number	09-4462/1	Introduction Number	AB-0909	Estimate Type	Original
Description An income and franchise tax credit for new small businesses that hire interns					

Assumptions Used in Arriving at Fiscal Estimate

The bill creates a non-refundable income and franchise tax credit equal to \$1,000 for newly-created small businesses that hire an eligible intern. For the business to be eligible for the credit, it must have fewer than ten employees in the taxable year in which the credit is claimed and must have been organized in Wisconsin on a date that is not more than 12 months from the date on which an eligible intern begins employment with the business. An eligible intern must be enrolled in a course of instruction at a qualified postsecondary institution, must work for the new small business for at least 20 hours per week on average during a period that corresponds to with at least one semester at the intern's qualified postsecondary institution. A qualified postsecondary institution means a University of Wisconsin institution, a technical college institution, a regionally-accredited 4-year non-profit college or university having its regional headquarters and principal place of business in this state, or a school approved by the educational approval board under s. 28.50 if the delivery of education occurs in this state.

Data do not exist to definitively estimate the fiscal effect of the bill. As an illustration of the potential cost of the bill, according to the U.S. Small Business Administration, there were 12,905 business firms created in Wisconsin in 2008. There were a total of 874,816 created in the US during 2008. Therefore, Wisconsin accounted for 1.48% of total US firms created in 2008. Additionally, according to the U.S. Small Business Administration 95.6% of the firms created had fewer than 20 employees. Assuming that Wisconsin had the same percentage of newly-created firms with fewer than 20 employees as the US as a whole, then in 2008 there were 12,337 newly-created firms in Wisconsin with fewer than 20 employees (12,905 x 95.6%). If 75% of the newly-created firms have no more than 10 employees, then there would be 9,253 firms that would potentially be eligible for the credit if they hire an eligible intern (12,337 x 75%). If 10% of these firms hire an eligible intern, then the fiscal effect would be \$925,000 (\$1,000 x 925 firms). If 20% of eligible firms hire an eligible intern, then the fiscal effect would be \$1.85 million (\$1,000 x 1,850 firms).

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description An income and franchise tax credit for new small businesses that hire interns			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$		\$
B. State Costs by Source of Funds			
GPR			
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	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$
NET ANNUALIZED FISCAL IMPACT			
	State		Local
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$See Text		\$
Agency/Prepared By		Authorized Signature	
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		Date	
		4/6/2010	