



## Fiscal Estimate Narratives

DOR 3/9/2009

LRB Number	09-1550/3	Introduction Number	SB-063	Estimate Type	Original
<b>Description</b> a postsecondary education tax credit for businesses					

### Assumptions Used in Arriving at Fiscal Estimate

The bill creates an income tax and franchise tax credit for businesses that pay tuition for an individual to attend a university, college, or technical college. Sole proprietorships, corporations, and insurers may claim the credit. Partnerships, limited liability companies, and tax-option corporations compute the credit but pass it on to the partners, members, or shareholders in proportion to their ownership interests.

The credit is an amount equal to 25% of the tuition paid by a business for an individual to attend school, if the individual is enrolled in a course of instruction approved by the Educational Approval Board; or 30% of the tuition paid by a business for an individual to attend school, if the individual is enrolled in a course of instruction that relates to a projected worker shortage in this state.

The taxpayer claims the total amount of the tuition paid for the individual for the taxable year in which the individual graduates from the course of instruction. If the credit claimed by a business exceeds the business's tax liability, the state will not issue a refund check, but the business may carry forward any remaining credit to subsequent taxable years.

### Fiscal Estimate

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 \$80.8 million in qualified tuition expenses for employees annually. This would result in credit claims of approximately \$20.2 million annually (\$80.8 million x 25%), assuming none of the credits qualified for the 30% rate for students enrolled in courses of study related to industries with worker shortages.

Data do not exist to estimate the proportion of qualified tuition expenses that are for courses of study related to industries with worker shortages. If all of qualified tuition expenses were for these courses, the result would be credit claims of approximately \$24.2 million (\$80.8 million x 30%).

Based on Department data, approximately 75% of credits claimed in a tax year are actually used to offset claimants' tax liability. Therefore, it is estimated that the fiscal effect would be to reduce income tax revenues annually by between \$15.2 million (\$20.2 million x 75%) and \$18.2 million (\$24.2 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

LRB Number <b>09-1550/3</b>		Introduction Number <b>SB-063</b>	
<b>Description</b> a postsecondary 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, 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>		<b>Authorized Signature</b>	
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		<b>Date</b>	
		3/9/2009	