

### Fiscal Estimate - 2011 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 11-4074/1	<b>Introduction Number</b> AB-0601	
<b>Description</b> The angel investment and early stage seed investment tax credit programs		
<b>Fiscal Effect</b>		
<b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" 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 <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		
<b>5. Types of Local Government Units Affected</b> <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others 0 <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/ Bradley Caruth (608) 261-8984	<b>Authorized Signature</b> John Koskinen (608) 267-8973	<b>Date</b> 3/2/2012

## Fiscal Estimate Narratives

DOR 3/2/2012

LRB Number	11-4074/1	Introduction Number	AB-0601	Estimate Type	Original
<b>Description</b> The angel investment and early stage seed investment tax credit programs					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, the angel investment credit program allows a taxpayer to claim a tax credit that equals 25 percent of a bona fide angel investment made directly in a qualified new business venture (QNBV) for the tax year. The credits are certified by the Wisconsin Economic Development Corporation (WEDC) and the program is subject to \$47.5 million maximum allowable credit claimed by all claimants in all taxable years.

Under this bill, the \$47.5 million limitation is eliminated. The bill also makes changes to the credit eligibility requirements. It requires that a certified QNBV agrees to stay in Wisconsin for at least three years following the receipt of a bona fide angel investment or face a penalty. It also clarifies that certain conditions, such as having less than 100 employees and not having operated in Wisconsin for more than ten consecutive years, only apply to initial certifications of a QNBV. Lastly, a claimant does not have to repay an angel or early stage seed investment credit if the investment becomes worthless or a bona fide liquidity event occurs.

Under current law, WEDC is authorized to transfer a portion of the available angel investment credit allocation to the jobs tax credit, subject to approval by the Joint Committee on Finance. Assuming growth in angel investment credits of approximately 6% annually and a WEDC preferred \$5 million annual transfer to the jobs tax credit, the \$47.5 million statutory limit will be exhausted during tax year 2013. The elimination of the \$47.5 million limitation will allow for continued growth in angel investment credits and continued transfers to the jobs tax credit.

Under the above assumptions, the elimination of the statutory limit will increase the angel investment credit by approximately \$2.8 million and increase the jobs tax credit by \$5 million in fiscal year 2014. In fiscal year 2015, the bill will increase the angel investment credit by \$6.3 million and the jobs tax credit by \$5 million relative to current law. Thereafter, the fiscal effect of the angel investment credit is assumed to increase by approximately 6% annually and fiscal effect of the jobs tax credit is assumed to remain at \$5 million annually.

The fiscal effect of the remaining provisions of the bill is unknown, but likely to be minor compared to the elimination of the \$47.5 million statutory limit on the angel investment credit.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

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LRB Number <b>11-4074/1</b>		Introduction Number <b>AB-0601</b>	
<b>Description</b> The angel investment and early stage seed investment tax credit programs			
<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	5,000,000		
<b>TOTAL State Costs by Category</b>	<b>\$5,000,000</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR	5,000,000		
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		\$	\$-6,300,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$-6,300,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$5,000,000	\$
NET CHANGE IN REVENUE		\$-6,300,000	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Bradley Caruth (608) 261-8984		John Koskinen (608) 267-8973	3/2/2012