

Fiscal Estimate Narratives

DOR 2/16/2012

LRB Number	11-3029/1	Introduction Number	SB-448	Estimate Type	Original
Description An income tax and franchise tax credit for training apprentices					

Assumptions Used in Arriving at Fiscal Estimate

The bill creates a non-refundable income tax and franchise tax credit for an employer that pays wages to an apprentice who is participating in a two- to five-year apprenticeship program in which the apprentice is receiving instruction leading to qualification as a skilled journeyman in any of the five industrial manufacturing trades, five private sector service occupations, or five construction trades with the most projected job openings for new entrants, as determined by the Department of Workforce Development.

The amount of the credit is 5% of the wages paid to an apprentice in a taxable year, but cannot exceed \$1,400. In the taxable year in which the apprentice completes the apprenticeship program the amount of the credit is 8% of the wages paid to an apprentice, but cannot exceed \$3,000. Generally, no employer may claim the credit for taxable years beginning after December 31, 2014, if the number of employers training apprentices does not increase by more than 40 percent from January 1, 2012, to December 31, 2014. Unused credit amounts may be carried forward for 15 years.

Fiscal Estimate

Based on data from the Department of Workforce Development (DWD), in calendar year 2011 there were approximately 2,200 new apprentices registered in Wisconsin. Because DWD has not made a determination on which trades or occupations would be eligible under the bill, it is unknown how many of the newly registered apprentices would be eligible.

If it is assumed that 75% of newly-registered apprentices are eligible, and that the average apprenticeship period is 3 years, and that the maximum credit of \$1,400 in the first two years and \$3,000 in the third year is claimed for each eligible apprentice, the bill would result in revenue reductions of an estimated \$433,000 in FY 2012, \$2.3 million in FY 2013, \$5.0 million in FY 2014, \$8.4 million in FY 2015, and \$9.3 million in FY 2016.

If it is assumed that 50% of newly-registered apprentices are eligible, and all of the other assumptions above remain the same, the bill would result in revenue reductions of an estimated \$290,000 in FY 2012, \$1.5 million in FY 2013, \$3.3 million in FY 2014, \$5.6 million in FY 2015, and \$6.2 million in FY 2016.

The fiscal effect will be lower in FY 2015 and thereafter if it is determined that the number of employers training apprentices has not increased more than 40% between January 1, 2012 and December 31, 2014.

The fiscal effect will lower in FY 2013 and thereafter to the extent that other tax provisions, including the Qualified Production Activities Income Credit, reduce or eliminate claimants' available tax liability against which to claim the credit in this bill.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 11-3029/1		Introduction Number SB-448	
Description An income tax and franchise tax credit for training apprentices			
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	\$	\$-6,200,000
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$-6,200,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-6,200,000	\$
Agency/Prepared By		Authorized Signature	
DOR/ Michael Oakleaf (608) 261-5173		John Koskinen (608) 267-8973	
		Date	
		2/16/2012	