

Fiscal Estimate - 2013 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 13-3674/3	Introduction Number AB-0758
Description Income and franchise tax credit for hiring young people for summer employment	
Fiscal Effect	
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input 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	
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
Fund Sources Affected Affected Ch. 20 Appropriations <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	
Agency/Prepared By DOR/ Michael Oakleaf (608) 261-5173	Authorized Signature Michael Wagner (608) 266-6785
Date 4/2/2014	

Fiscal Estimate Narratives

DOR 4/2/2014

LRB Number	13-3674/3	Introduction Number	AB-0758	Estimate Type	Original
Description Income and franchise tax credit for hiring young people for summer employment					

Assumptions Used in Arriving at Fiscal Estimate

The bill would create a non-refundable income and franchise tax credit for an amount of the wages that the business pays to an employee during the taxable year if all of the following apply:

1. The business paid the wages for work performed during the period beginning on May 1 and ending on August 31 of the taxable year.
2. The employee is at least 15 years old, but not more than 19 years old.
3. The employee receives an hourly wage that is at least equal to the federal minimum hourly wage.
4. The employee was a resident of this state on January 1 of the year in which the employee is employed by the taxpayer.
5. The employee resides in a county where the average rate of total unemployment is 6% or greater, as determined by the U.S. secretary of labor based on jobs data for March of the year in which the employee is employed by the taxpayer.

The maximum credit amount that a business may claim for the taxable year is \$1,500 for each eligible employee, not to exceed \$7,500. If the credit exceeds the claimant's tax liability, the unused amount may not be carried forward.

Fiscal Estimate

Data do not exist to definitively determine the fiscal effect of the credit created under the bill. The actual fiscal effect will depend on the number of youths employed, the number of counties with an unemployment rate of 6% or greater on March 1 of a given year, the number of eligible youths employed by individual businesses, and the tax liability of those businesses. The following discussion is intended to provide some context on the potential magnitude of the revenue loss that could be expected under the provisions of the bill.

The US Bureau of Labor Statistics (BLS) estimated that in 2012 there were 125,000 youths aged 16 to 19 employed full-time in Wisconsin. In addition, national data from BLS showed that the number of youths aged 16 to 19 that were employed during the months of May through August increased above the annual average by approximately 33%. Assuming that the increase in Wisconsin is the same as the national increase, an estimated 166,250 youths aged 16-19 ($125,000 \times 1.33$) were employed in Wisconsin during the months of May through August.

Data from BLS showed that as of March 1, 2013, all Wisconsin counties except Pierce, La Crosse, and Dane had unemployment levels of 6% or higher. Based on population data from the Wisconsin Department of Health Services, 93.9% of WI youths aged 15-19 lived in the counties with unemployment of 6% or greater. Based on this, we can assume that 156,109 youths aged 16-19 ($166,250 \times 93.9\%$) were employed full-time during the months of May through August in Wisconsin counties with unemployment of 6% or greater.

Based on the above, if credits were claimed for 10% of the youths aged 16-19 employed full-time from May through August, a total of \$23.4 million ($156,109 \text{ youths} \times 10\% \times \$1,500 \text{ credit}$) in credit would be claimed. If credits were claimed for 25% of youths aged 16-19 employed full-time, a total of \$58.5 million ($156,109 \times 25\% \times \$1,500$) in credits would be claimed.

Because the above estimates only include youths aged 16-19 due to data limitations, the above fiscal effects would be greater to the extent that 15 year-old youths that are employed full-time from May through August in counties with unemployment of 6% or higher. The fiscal effects could be higher to the extent that credit is claimed for more eligible youths than shown in the above discussion.

The fiscal effects shown would be lower to the extent that businesses employ more than five youths aged

15-19 and therefore reach the maximum credit of \$7,500. In addition, the fiscal effects shown above would be lower to the extent that businesses do not have sufficient tax liability to use the entire credit claimed. The fiscal effects would also be lower to the extent that fewer counties have an unemployment rate of 6% or greater on March 1 of future years.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

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LRB Number 13-3674/3		Introduction Number AB-0758	
Description Income and franchise tax credit for hiring young people for summer employment			
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			
		<u>State</u>	<u>Local</u>
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$See Text	\$
Agency/Prepared By		Authorized Signature	
DOR/ Michael Oakleaf (608) 261-5173		Michael Wagner (608) 266-6785	
		Date	
		4/2/2014	