

Fiscal Estimate Narratives

DOR 5/17/2013

LRB Number	13-1282/1	Introduction Number	SB-181	Estimate Type	Original
Description Tax credit for hospitality business advertising					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates a nonrefundable credit in an amount equal to 10% of the amount that a taxpayer spends in a taxable year on advertising outside Wisconsin to promote the claimant's hospitality business located in Wisconsin. Hospitality business is defined to include eating and drinking places, hotels and motels, sporting and recreational camps, recreational vehicle parks and campsites, theatrical producers, bands, orchestras, and actors, race tracks, public golf courses, amusement parks, membership sports and recreational clubs, and other amusement and recreational services. Unused credit may be carried forward and offset against tax for up to 15 years.

Partnerships, limited liability companies, and tax-option corporations may not claim the credit but the eligibility for, and the amount of, the credit are based on their payment of amounts. Partners, members of limited liability companies, and shareholders of tax-option corporations may claim the credit in proportion to their ownership interests.

Fiscal Estimate

Data do not exist to definitively estimate the fiscal effect of providing a credit equal to 10% of the amount spent for advertising outside of Wisconsin by eligible businesses. Based on a review of tax year 2009 corporate, partnership, and sole proprietor returns that had a North American Industry Classification System (NAICS) code that identifies them as potentially in one of the eligible industry classifications, these businesses had Wisconsin sales of approximately \$10.0 billion during the tax year. Studies of the ratio of sales to advertising expenses have shown that businesses in the hospitality industry typically spend approximately 3% of sales on advertising. Based on this, advertising expense by these businesses is assumed to be approximately \$300 million per year (\$10.0 billion x 3%). If 10% of the advertising amount is spent outside of Wisconsin, it would result in annual credit claims of \$3.0 million (\$300 million x 10% (out of state advertising) x 10% (credit amount)). If 20% of the advertising amount was spent outside of Wisconsin, it would result in credit claims of \$6.0 million. The fiscal effect would be reduced to the extent that claimants do not have sufficient tax liability to use the full amount claimed.

Any additional administrative costs resulting from the bill can be absorbed within existing resources.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Tax credit for hospitality business advertising			
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	\$		\$-6,000,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$-6,000,000
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>		<u>Local</u>
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-6,000,000		\$
Agency/Prepared By		Authorized Signature	Date
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