



## Fiscal Estimate Narratives

DOR 9/11/2017

LRB Number	17-4125/1	Introduction Number	SB-398	Estimate Type	Original
<b>Description</b> qualified new business venture eligibility					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, investors may receive an Angel or Early Stage Seed Investment credit for investments in businesses certified by the Wisconsin Economic Development Corporation (WEDC) as a Qualified New Business Venture (QNBV). The credit is equal to 25% of the amount of the investment. WEDC may certify a QNBV if it has not received more than \$8 million in investments that qualify for a credit. The bill would increase the limit to \$12 million in investments that qualify for a credit.

#### Fiscal Estimate

Based on data from WEDC, there are 19 active QNBVs that are at or near the the current law \$8 million cap. Assuming that half of these QNBVs secure additional investments up to the \$12 million cap under the bill over the first four years after the cap is raised, it would result in additional credit claims of \$2.375 million per year.

Based on a review of tax returns that have claimed the Angel and Early Stage Seed credits, approximately 56.4% of the credit claimed in a year is used to offset taxes. Assuming that 56.4% of the new credits are used to offset taxes, and that the remainder is carried forward to future tax years, the bill would result in a reduction in income and franchise tax revenue of an estimated \$335,000 in FY 2018, \$1.5 million in FY 2019, and \$2.0 million in FY 2020, and \$2.2 million in FY 2021.

The fiscal effect is dependent on the number of QNBVs who utilize the additional investment in a given year and the amount of the additional investment those QNBVs utilize. The fiscal effect would be reduced to the extent that fewer QNBVs utilize the additional investments or receive investments of less than \$12 million. Conversely, the fiscal effect would be greater to the extent that more QNBVs utilize the additional investments greater than \$8 million up to the full amount allowed under the bill.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 17-4125/1		<b>Introduction Number</b> SB-398	
<b>Description</b> qualified new business venture eligibility			
<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, ets.)</b>			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$-2,200,000
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-2,200,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$-2,200,000	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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