

Fiscal Estimate Narratives

DOR 1/23/2018

LRB Number	17-2521/1	Introduction Number	SB-706	Estimate Type	Original
Description Income and franchise tax credit for the development of low-income housing					

Assumptions Used in Arriving at Fiscal Estimate

The bill would create a non-refundable tax credit for the development of low-income housing in Wisconsin. Under the bill, a "qualified development" is defined as a housing project in this state that is qualified for the federal low-income housing credit under Section 42(g) of the Internal Revenue Code (IRC) and that is financed with tax exempt bonds pursuant to Section 42(i) of the IRC.

The credit would be allocated by the Wisconsin Housing and Economic Development Authority (WHEDA). The maximum amount of credit that WHEDA may certify to be claimed in a calendar year is \$42 million plus the total of all unallocated credits from previous calendar years plus the total amount of all previously allocated credits that have been revoked or canceled by WHEDA.

The owners of a qualified development would be eligible for the credit for six years beginning with the taxable year in which the qualified development is placed into service.

The credit may be claimed against income and franchise taxes assessed under Chapter 71 and insurance premium fees assessed under Chapter 76.

Fiscal Estimate

The fiscal effect of the bill is unknown but would be subject to the annual limits in the bill. The average annual fiscal effect could therefore be limited to a decrease in income and franchise tax revenue of \$42 million. The fiscal effect in a given year could be higher if unallocated credits from prior years are subsequently allocated. The fiscal effect would be less than \$42 million in a given year to the extent that taxpayers do not have sufficient tax liability to use the full amount of credit they have been allocated.

For context, WHEDA allocates approximately \$14 million in federal low-income housing tax credits annually. The bill would provide total state tax credits of approximately three times that amount.

It is also unknown what proportion of the credit would be claimed against Chapter 71 income and franchise taxes or Chapter 76 insurance premium fees. The fiscal effect on income and franchise tax revenue could be reduced to the extent that credits are claimed by insurance companies against premium fees assessed under Chapter 76.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Income and franchise tax credit for the development of low-income housing		
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, ets.)		
	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	Date
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