

Fiscal Estimate Narratives

DOR 2/28/2018

LRB Number	17-5491/1	Introduction Number	SB-859	Estimate Type	Original
Description authorizing certain tax benefits for a paper products manufacturer with facilities in the city of Neenah and village of Fox Crossing and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

The bill would create an income and franchise tax credit for a certain paper manufacturer that would include a component based on wages paid and a component based on capital expenditures. The credits would be certified by the Wisconsin Economic Development Corporation (WEDC).

The payroll credit would be equal to 17% of the eligible payroll costs apportioned to this state for full-time employees that work at one of two specified facilities and whose annual wages are between \$30,000 and \$100,000. The credit could be certified for no more than 15 years. WEDC may certify the claimant as eligible if the claimant maintains at least 93% of its full-time employees in the base year.

The capital expenditures credit would be equal to 15% of the claimant's significant capital expenditures. WEDC may allocate the credit over a number of years.

The bill also creates a sales and use tax exemption for the sale of building materials, supplies, and equipment used solely to construct or develop facilities for the claimant if the capital expenditures for constructing the facilities may be claimed as income and franchise tax credits under the bill as certified by WEDC.

Fiscal Estimate

Payroll Credit - The fiscal effect of the payroll credit created under the bill is unknown because the number of eligible employees and the wages paid to those employees is unknown. For illustrative purposes, if the claimant has 600 employees and if the average wage of these employees is \$65,000, the payroll credit under the bill would result in an increase in appropriations of an estimated \$6.6 million ($600 \times \$65,000 \times 17\%$) annually for up to 15 years. The fiscal effect would be higher to the extent that the claimant retains more than 600 employees. The fiscal effect would be higher/lower to the extent that the average annual wages for retained employees is greater/lesser than \$65,000. The fiscal effect would be lower to the extent that the claimant retains fewer employees than in the base year but retains at least 93% of the employees in the base year to remain eligible for the credit.

Capital Expenditures Credit - Because the amount of the claimants future significant capital expenditures and the period over which WEDC would allocate the credits are unknown, the fiscal effect of the credit for significant capital expenditures is unknown. As an illustration, if the claimant expends \$50 million for eligible capital expenditures, and WEDC allocates the credits over seven years, the fiscal effect would be an increase in appropriations of \$1.1 million annually for seven years. The annual fiscal effect could be higher/lower to the extent that the capital expenditures are greater/lesser than in the example or if the period over which the credits are allocated is longer/shorter.

Sales Tax Exemption - The department does not have capital expenditures data for such a project. Therefore, the fiscal effect is indeterminate.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description authorizing certain tax benefits for a paper products manufacturer with facilities in the city of Neenah and village of Fox Crossing and making an appropriation		
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	\$See Text	\$
NET CHANGE IN REVENUE	\$See Text	\$
Agency/Prepared By		Authorized Signature
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		Date
		2/28/2018