

ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

1. Type of Estimate and Analysis <input checked="" type="checkbox"/> Original <input type="checkbox"/> Updated <input type="checkbox"/> Corrected	2. Date February 27, 2024
3. Administrative Rule Chapter, Title and Number (and Clearinghouse Number if applicable) Chapter Tax 3 - Commercial Loan Income Exemption	
4. Subject The rule implements sections 325 and 341 of 2023 Wisconsin Act 19 (the 2023-2025 state budget bill) related to a commercial loan income exemption.	
5. Fund Sources Affected <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEG-S	6. Chapter 20, Stats. Appropriations Affected
7. Fiscal Effect of Implementing the Rule <input checked="" type="checkbox"/> No Fiscal Effect <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Indeterminate <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Could Absorb Within Agency's Budget	
8. The Rule Will Impact the Following (Check All That Apply) <input type="checkbox"/> State's Economy <input checked="" type="checkbox"/> Specific Businesses/Sectors <input type="checkbox"/> Local Government Units <input type="checkbox"/> Public Utility Rate Payers <input type="checkbox"/> Small Businesses (if checked, complete Attachment A)	
9. Estimate of Implementation and Compliance to Businesses, Local Governmental Units and Individuals, per s. 227.137(3)(b)(1). N/A	
10. Would Implementation and Compliance Costs Businesses, Local Governmental Units and Individuals Be \$10 Million or more Over Any 2-year Period, per s. 227.137(3)(b)(2)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
11. Policy Problem Addressed by the Rule 2023 Wisconsin Act 19 created an exemption for income derived from a commercial loan for certain financial institutions. The department has created this proposed rule order to reflect the statutory changes and provide clarification and certainty to affected industry members.	
12. Summary of the Businesses, Business Sectors, Associations Representing Business, Local Governmental Units, and Individuals that may be Affected by the Proposed Rule that were Contacted for Comments. The Wisconsin Bankers Association and Department of Financial Institutions were contacted for comment. The rule was posted on the Department's website for comment from March 25 – April 1, 2024. Interested parties were notified of the opportunity to comment through the department's administrative rules email list. One comment was received from Brent Holmes, the owner of Avant-Garde Body Piercing, LLC. Holmes commented on the unfairness of the policy to allow banks to exempt certain income when they, as a small business owner, cannot. This comment is related to passage of the underlying law and out of the control of the department through rulemaking.	
13. Identify the Local Governmental Units that Participated in the Development of this EIA. N/A	
14. Summary of Rule's Economic and Fiscal Impact on Specific Businesses, Business Sectors, Public Utility Rate Payers, Local Governmental Units and the State's Economy as a Whole (Include Implementation and Compliance Costs Expected to be Incurred)	

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There may be a small increase in administrative costs to financial institutions to create and maintain records. However, such costs are required by law to substantiate deductions, exclusions, credits, and other items reported on federal and state tax returns.

15. Benefits of Implementing the Rule and Alternative(s) to Implementing the Rule

2023 Wisconsin Act 19 created a new statute regarding excluding income derived from commercial loans of \$5 million or less for specific financial institutions. The Act did not define certain terms used in the statute. Defining and clarifying these terms allow for financial institutions to file and maintain records accurately. That will lead to shortened audit time and delays through the appeal and legal process. Alternative to implementing the rule would be amending the statute to define terms.

16. Long Range Implications of Implementing the Rule

No long-range implications are anticipated.

17. Compare With Approaches Being Used by Federal Government

There are no similar approaches being used by Federal Government.

18. Compare With Approaches Being Used by Neighboring States (Illinois, Iowa, Michigan and Minnesota)

There are no similar approaches being used by neighboring states. The new income exemption is unique to Wisconsin.

<h3>19. Contact Name</h3>	<h3>20. Contact Phone Number</h3>
Ann DeGarmo	608-266-7179

This document can be made available in alternate formats to individuals with disabilities upon request

ADMINISTRATIVE RULES
Fiscal Estimate & Economic Impact Analysis

ATTACHMENT A

1. Summary of Rule's Economic and Fiscal Impact on Small Businesses (Separately for each Small Business Sector, Include Implementation and Compliance Costs Expected to be Incurred)

2. Summary of the data sources used to measure the Rule's impact on Small Businesses

3. Did the agency consider the following methods to reduce the impact of the Rule on Small Businesses?

- Less Stringent Compliance or Reporting Requirements
- Less Stringent Schedules or Deadlines for Compliance or Reporting
- Consolidation or Simplification of Reporting Requirements
- Establishment of performance standards in lieu of Design or Operational Standards
- Exemption of Small Businesses from some or all requirements
- Other, describe:

4. Describe the methods incorporated into the Rule that will reduce its impact on Small Businesses

5. Describe the Rule's Enforcement Provisions

6. Did the Agency prepare a Cost Benefit Analysis (if Yes, attach to form)

- Yes No
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ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

FISCAL ESTIMATE FORM

2023 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 11-
INTRODUCTION #
Admin. Rule #

Subject
 Commercial Loan Exemption

Fiscal Effect
State: No State Fiscal Effect
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

<input type="checkbox"/> Increase Existing Appropriation <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Appropriation <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Create New Appropriation	<input type="checkbox"/> Increase Costs - May be Possible to Absorb Within Agency's Budget <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs
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Local: No Local Government Costs

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Governmental Units Affected: <input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others _____ <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
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Fund Sources Affected <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEG-S	Affected Ch. 20 Appropriations
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Assumptions Used in Arriving at Fiscal Estimate:

The rule implements sections 325 and 341 of 2023 Act 19 (the 2023-25 state budget bill) related to a commercial loan interest exemption.

Fiscal Estimate

A fiscal estimate for the provisions of sections 325 and 341 of 2023 Wisconsin Act 19 was included with the estimate for the state budget. Therefore, the rule would have no fiscal effect.

(continued on page two)

Long-Range Fiscal Implications:

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Zachary Petersen 608-267-2428	Wisconsin Department of Revenue Michael Oakleaf 608-261-5173	2/26/24

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

2011 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 11
INTRODUCTION #

Admin. Rule #

Subject

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 State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringe	\$	\$ -
(FTE Position Changes)	(FTE)	(- FTE)
State Operations-Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$	\$ -
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
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 REVENUES	\$ _____	\$ _____

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Zachary Petersen 608-267-2428	Wisconsin Department of Revenue Michael Oakleaf 608-261-5173	02/26/24