

Fiscal Estimate Narratives

DOR 5/19/2023

LRB Number	23-2821/1	Introduction Number	AB-0272	Estimate Type	Original
Description an income and franchise tax exemption for broadband expansion grants					

Assumptions Used in Arriving at Fiscal Estimate

The bill makes an exemption to taxable corporate income for grants received from the state or federal government for the purpose of expanding broadband access.

Fiscal Estimate

The amount of grant money Wisconsin will receive in the coming years is unknown. The Public Service Commission estimates that Wisconsin will receive between \$700 million and 1.2 billion from the Broadband Equity, Access, and Deployment grant. Therefore, fiscal effect of the bill is currently unknown but will result in a decrease in revenue.

For illustrative purposes, assume Wisconsin receives \$1 billion in grants, 20% of which will be allocated beginning in calendar year (CY) 2024 and the remaining 80% in CY2025. Using allocation data from the Public Service Commission, roughly 20% of broadband grant money in prior years went to nontaxable entities such as a municipality. Given that information, the fiscal effect of the bill would result in a reduction in revenue of \$25.3 million in FY25, and \$45.8 million in FY26.

It is not known what the Wisconsin apportionment percentage of the entities receiving the grants will be. The fiscal effect may be lowered significantly if entities with low apportionment percentages receive a large share of grants eligible for the exclusion. The fiscal effect could be higher/lower to the extent the proportion of municipalities receiving grants is lower/higher. The fiscal effect could be higher/lower to the extent Wisconsin receives more/less grant money. Finally, the fiscal effect could be lower to the extent that entities that calculate a loss or use credits receive grants eligible for the exclusion.

Because this bill affects tax revenue, it may impact the state's maintenance of effort requirement under the American Rescue Plan Act. The Dept of Administration should review this bill for this specific purpose to provide further clarity on the matter.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-2821/1	Introduction Number AB-0272	
Description an income and franchise tax exemption for broadband expansion grants		
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	\$	\$
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
DOR/ Zach Petersen (608) 267-2428	Michael Oakleaf (608) 261-5173	5/19/2023