

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-5898/1	Introduction Number SB-1063
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Description
 a tax credit for investments in a community development financial institution

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate	5. Types of Local Government Units Affected	
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Counties <input type="checkbox"/> Others
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

Agency/Prepared By	Authorized Signature	Date
DOR/ Zach Petersen (608) 267-2428	Michael Oakleaf (608) 261-5173	2/27/2024

Fiscal Estimate Narratives

DOR 2/27/2024

LRB Number	23-5898/1	Introduction Number	SB-1063	Estimate Type	Original
Description a tax credit for investments in a community development financial institution					

Assumptions Used in Arriving at Fiscal Estimate

Under this bill, individuals may claim a nonrefundable tax credit for a qualified investment in a registered community development financial institution (CDFI). The credit is equal to 10% of the qualified investment if the investment is at least \$10,000 but not more than \$150,000, or 12% if the investment is more than \$150,000, but not more than \$500,000. If a person withdraws the investment from the CDFI before the end of a 5-year investment period and does not reinvest in another CDFI, the person must repay a portion of the credit amount, depending on when withdrawn.

Partnerships, limited liability companies, and tax-option corporations may not claim the credit but the eligibility for, and the amount of, the credit are based on their payment of amounts. Partners, members of limited liability companies, and shareholders of tax-option corporations may claim the credit in proportion to their ownership interests.

The credit is available for taxable years beginning after December 31, 2022, and before January 1, 2025. Unused credit may be carried forward and offset against tax for up to 15 years.

Fiscal Estimate

DOR does not have the necessary data to determine how many individuals or entities currently invest or would be incentivized to invest in a CDFI under this bill. As such, the fiscal impact of the bill is unknown.

However as a comparison, the federal government provides the new markets tax credit for making qualified equity investments in certain community development entities. The credit amount is equal to 39% of the investment awarded over seven years. Based on the most recent data available from the U.S. Treasury Department, \$95 million new market credits were awarded to Wisconsin CDFIs in 2022. If the amount of qualified investments under this bill are comparable to those under the new markets tax credit, after adjusting for the credit rates, the Wisconsin credit amount would be approximately \$11.1 million annually. To the extent that more (fewer) investments qualify for Wisconsin purposes, the fiscal effect would be larger (smaller).

According to the most recent American Rescue Plan Act (ARPA) Net Tax Reduction Calculation Update released by the Department of Administration, the remaining margin for tax reductions before triggering potential SLFRF recoupment at \$96.9 million for fiscal year 2024 and \$326.6 million for fiscal year 2025. This bill will reduce these margins.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): The bill would result in one-time costs of \$8,280 to update programming and publications.		
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
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