

**ADMINISTRATIVE RULES
FISCAL ESTIMATE
AND ECONOMIC IMPACT ANALYSIS**

Type of Estimate and Analysis

Original Updated Corrected

Administrative Rule Chapter, Title and Number

Chapters Tax 2 and 3 – Income taxation, returns, records, gross income, deductions, exclusions, and exemptions

Subject

Income and franchise tax provisions

Fund Sources Affected

Chapter 20 , Stats. Appropriations Affected

GPR FED PRO PRS SEG SEG-S

Fiscal Effect of Implementing the Rule

No Fiscal Effect

Increase Existing Revenues

Increase Costs

Indeterminate

Decrease Existing Revenues

Could Absorb Within Agency's Budget

Decrease Costs

The Rule Will Impact the Following (Check All That Apply)

State's Economy

Specific Businesses/Sectors

Local Government Units

Public Utility Rate Payers

Would Implementation and Compliance Costs Be Greater Than \$20 million?

Yes No

Policy Problem Addressed by the Rule

The rule does not create or revise policy, other than to reflect current law and department policy.

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)

As indicated in the attached fiscal estimate, the proposed rule is intended to reflect and clarify existing law and does not impose any additional fiscal impact.

No comments concerning the economic effect of the rule were submitted in response to the department's solicitation.

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

Clarifications and guidance provided by administrative rules may lower the compliance costs for businesses, local governmental units, and individuals.

If the rule is not implemented, Chapters Tax 2 and 3 will be incomplete in that they will not reflect current law or department policy.

Long Range Implications of Implementing the Rule

No long-range implications are anticipated.

Compare With Approaches Being Used by Federal Government

N/A

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

N/A

FISCAL ESTIMATE FORM

2013 Session

- ORIGINAL UPDATED
- CORRECTED SUPPLEMENTAL

| |
|---------------------------------|
| LRB # |
| INTRODUCTION # |
| Admin. Rule # to be assigned |

Subject
Proposed order of the Department of Revenue relating to income and franchise tax provisions

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 |
|---|--|

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 |
|--|--|--|

| | |
|---|---------------------------------------|
| 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 |
|---|---------------------------------------|

Assumptions Used in Arriving at Fiscal Estimate:

- The proposed rule makes the following changes:
- Revises s. Tax 2.32 to reflect that, for taxable years beginning after December 31, 2012, the economic development surcharge does not apply to individuals, estates, trusts, partnerships, and limited liability companies treated as partnerships.
 - Revises s. Tax 2.88 to reflect, effective July 2, 2013, the reduction in the rate of refund interest from 9% to 3%.
 - Revises s. Tax 2.957 to reflect that the relocated business credit and deduction may not be claimed by a business that relocates to Wisconsin in a taxable year beginning after December 31, 2013.
 - Repeals s. Tax 2.985 to reflect that the electronic medical records credit may not be claimed for taxable years beginning after December 31, 2013.
 - Creates s. Tax 2.986 to administer the registration of "qualified Wisconsin businesses" for purposes of the capital gains exclusion in s. 71.05 (25), Stats., and the income tax deferral in s. 71.05 (26), Stats.
 - Revises s. Tax 2.99 to reflect that the dairy and livestock farm investment credit may not be claimed for taxable years beginning after December 31, 2013.
 - Revises s. Tax 3.095 to reflect that, effective for taxable years beginning after December 31, 2012, certain interest from bonds issued by the Wisconsin Health and Educational Facilities Authority is exempt.

These changes reflect current law enacted during the 2013-2014 Legislative session. The rules are intended to reflect and clarify existing law and do not impose any additional fiscal impact.

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

2013 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

| | |
|-----------------------|----------------|
| LRB # | Admin. Rule # |
| INTRODUCTION # | to be assigned |

Subject

Proposed order of the Department of Revenue relating to income and franchise tax provisions

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

STATE

LOCAL

| | | |
|------------------------|------|------|
| NET CHANGE IN COSTS | \$ 0 | \$ 0 |
| NET CHANGE IN REVENUES | \$ 0 | \$ 0 |

| | | |
|--|---|---------------------------|
| Agency/Prepared by: Wisconsin Department of Revenue Brad Caruth (608) 261-8984 | Authorized Signature/Telephone No. Wisconsin Department of Revenue Mike Wagner (608) 266-6785 | Date 11-08-2013 |
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