



Legislative Fiscal Bureau

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February 8, 2019

TO: Representative John Nygren
Room 308 East, State Capitol

FROM: Rick Olin, Fiscal Analyst

SUBJECT: Estimated Manufacturing and Agriculture Tax Credit for Selected Types of Industries

At your request, this memorandum provides the estimated 2018-19 fiscal effect of manufacturing and agriculture credits claimed by certain types of manufacturing industries.

The manufacturing and agriculture tax credit (MAC) may be claimed under the individual income and corporate income/franchise taxes, and the credit is generally equal to 7.5% of the claimant's eligible qualified production activities income derived from Wisconsin property that is assessed as manufacturing or agricultural under the state's general property tax. In 2018-19, total MAC claims are estimated to reduce state tax revenues by \$291.4 million, including \$276.0 million claimed by manufacturers.

Specifically, you asked for the estimated revenue reduction due to claims by Wisconsin manufacturers whose finished products utilize agricultural inputs. While many manufacturers use agricultural inputs, the following table focuses on three industry types where agricultural products are the primary input. Because most taxpayers do not identify their business type when claiming the MAC, the following allocations use factors reported in the 2016 Annual Survey of Manufactures, U.S. Census Bureau. The Survey does not include data on business profits, which would be the preferred allocation method, so data on value of shipments and value added were used for the following allocations:

**Estimated Fiscal Effect of the MAC in 2018-19 for Certain Manufacturers
(\$ in Millions)**

<u>Manufacturing Classification</u>	<u>Estimated Revenue Reduction</u>	<u>% of Manufacturing MAC Claims</u>
Food Manufacturing	\$62.3	22.6%
Beverage and Tobacco Product Manufacturing	3.6	1.3
Basic Chemical Manufacturing	<u>3.9</u>	<u>1.4</u>
Subtotal for Three Classifications	\$69.8	25.3%
Total for All Manufacturers	\$276.0	100.0%

If you have any questions on this information, please let me know.

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