

REVENUE ESTIMATING CONFERENCE

TAX: Corporate Income Tax
ISSUE: Employee Fitness Tax Credit
BILL NUMBER(S): SB1230
SPONSOR(S): Senator Margolis
MONTH/YEAR COLLECTION IMPACT BEGINS: July 1, 2006
DATE OF ANALYSIS: December 2, 2005

SECTION 1: NARRATIVE

a. Current Law: At present the current law gives no tax credits for corporations who promote employee fitness programs.

b. Proposed Change: Corporate taxpayers would be allowed credits against any tax due for a taxable year based on a percentage of the expenditure and the type of expenditures used to promote employee fitness. A tax credit of 10% of the total expenditure will be granted for equipping, operating, and maintaining a fitness facility on-site or located else where. A credit of 10% of the total expenditure will be granted for equipping and providing any related financial support for an amateur athletic team. A tax credit will be given for 10% of half the costs of employing a qualified person to instructs employees about fitness on the taxpayer’s premises. The tax credits cannot exceed 50% of the tax due in any taxable year and cannot exceed \$50 per employee.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

U.S. Census Bureau – Estimates on number of corporations, number of employees, and number of establishments
 Premier Health & Fitness Center– Estimate of an annual membership
 Fitness Pro – Estimated cost of equipping a fitness center
 Fitness Equipment Superstore – Estimated cost of equipping a fitness center

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

1. Assume there is an adoption lag of 50% for the first year due to the small size of the tax credits.
2. Assume that the more employees a firm has, the greater its propensity to spend money on corporate fitness programs.
3. Assume the average cost of equipping a fitness center is \$20,000.
4. Assume the average additional cost of operating an off-site fitness center is \$10,000.
5. Assume the average cost of equipping an amateur team is \$600 and other operational costs are \$250.
6. Assume the average cost of a qualified fitness instructor is \$150 per class.

SECTION 4: PROPOSED FISCAL IMPACT

State Impact—All Funds	FY 2006-07 Annualized	FY 2006-07 Cash	FY 2007-08 Cash
High			
Middle	(\$0.65 Million)	(\$0.33 Million)	(\$0.65 Million)
Low			

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 2 / 10 / 06) The conference adopted the proposed estimate.

	FY 2006-07 Annualized	FY 2006-07 Cash	FY 2007-08 Cash
General Revenue	(.7)	(.3)	(.7)
Total State Impact	(.7)	(.3)	(.7)
Total Local Impact			
Total Impact	(.7)	(.3)	(.7)

Employee Fitness Tax Credits				
	<u>Large Firms 500+ Employees</u>	<u>Midsize Firms 100- 499 Emp</u>	<u>Small Firms <100 Employees</u>	<u>Totals</u>
Number of Firms	4,220	5,658	24,844	34,722
Establishments	63,502	14,706	30,275	108,483
Employees	3,563,794	757,219	941,175	5,262,188

Fitness Facility				
Percent of Firms	2%	1%	0%	
Percent of in House Facilities	80%	100%		
Cost of Equipping Facility	20,000	20,000	20,000	
Number of in house Facilities	68	57	-	
Percent of Off-site Facilities	20%	0%	0%	
Equipping Costs of Off-site	20,000	20,000	20,000	
Operational Costs	10,000	10,000	10,000	
Number of Off-site Facilities	17	-	-	
Total Costs	1,860,400	1,131,600	-	
Tax Credit (10% of Cost)	186,040	113,160	-	299,200

Corporate Teams				
Percent of Firms	15%	12%	10%	
Equipping Costs	600	600	600	
Operational Costs	250	250	250	
Number of Teams	633	679	2,484	
Total Costs	538,050	407,376	1,490,640	
Tax Credit (10% of Cost)	53,805	40,738	149,064	243,607

In House Fitness Classes				
Percent of Firms	2%	1%	0%	
Cost of one Class	150	150	150	
Number of Classes Yearly	100	100	100	
Total Cost	1,266,000	848,700	-	
Tax Credit (5% of Cost)	63,300	42,435	-	105,735

Tax Credit Limit	178,189,700	37,860,950	47,058,750	263,109,400
Tax Credit Estimate	303,145	196,333	149,064	648,542