

Fiscal Estimate Narratives

DOR 11/1/01

LRB Number 01-3796/4	Introduction Number AB-605	Estimate Type Original
Subject Estate tax repeal		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the Wisconsin estate tax is due nine months after the date of death and is equal to the amount of the federal estate tax credit allowed for estate taxes paid to a state. The Economic Growth and Tax Relief Reconciliation Act, enacted in June 2001, phases out the federal estate tax credit upon which the state tax is based, reducing it by 25% for deaths occurring in 2002, 50% for deaths in 2003, and 75% for deaths in 2004, and eliminating the credit for deaths after 2004. The federal act also phases out the federal estate tax between 2002 and 2010.

2001 Wisconsin Act 16 responded to this federal law as follows:

- For deaths prior to October 1, 2002, the state estate tax follows the new federal law. As a result, the Wisconsin estate tax is reduced by 25% of what it was under prior law.
- For deaths occurring after September 30, 2002 and before January 1, 2008, the state estate tax reverts to federal law in effect for deaths on December 31, 2000. Thus, the Wisconsin estate tax is restored to what it was prior to the federal act, and is not reduced or eliminated during this period.
- For deaths occurring after December 31, 2007, the state estate tax is based on federal law in effect on the day of the decedent's death; this would effectively eliminate the Wisconsin estate tax.

This bill would repeal the Wisconsin estate tax provisions recently enacted in 2001 Act 16. Thus, the Wisconsin estate tax would follow the federal phase-out and repeal for deaths on or after October 1, 2002.

Assuming revenues of \$120 million per year under a Wisconsin estate tax based on federal law in effect for deaths on December 31, 2000, the revenue loss from this bill would be as follows:

FY04 -\$64.3 million
FY05 -\$93.3 million
FY06 -\$115.2 million
FY07 -\$120 million
FY08 -\$120 million
FY09 -\$30 million

The revenue loss declines from \$120 million to \$30 million in FY09 because Act 16 had already repealed the tax on most estates that would have been subject to tax in that year under prior federal law. Under this bill, there will be no Wisconsin estate tax collections, aside from residual collections on estates of persons dying prior to 2005, beginning in FY07.

A preliminary estimate indicates that the Department would incur administrative costs of \$10,400 in FY03 for programming and supporting expenses.

Long-Range Fiscal Implications