

Fiscal Estimate - 2001 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 01-4667/1	Introduction Number AB-740
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Subject
 Indexing for inflation certain individual income tax credits

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate
 Increase Existing Appropriations
 Increase Existing Revenues
 Increase Costs - May be possible to absorb within agency's budget
 Decrease Existing Appropriations
 Decrease Existing Revenues

 Yes
 No
 Create New Appropriations
 Decrease Costs

Local:

No Local Government Costs
 Indeterminate

1. Increase Costs
 3. Increase Revenue
 Permissive Mandatory
 Permissive Mandatory
 2. Decrease Costs
 4. Decrease Revenue
 Permissive Mandatory
 Permissive Mandatory

5. Types of Local Government Units Affected
 Towns
 Village
 Cities
 Counties
 Others
 School Districts
 WTCS Districts

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/ Meredith Krejny (608) 261-8984	Brian Pahnke (608) 266-2700	1/29/02

Fiscal Estimate Narratives

DOR 1/29/02

LRB Number	01-4667/1	Introduction Number	AB-740	Estimate Type	Original
Subject					
Indexing for inflation certain individual income tax credits					

Assumptions Used in Arriving at Fiscal Estimate

The bill indexes for inflation, beginning in tax year 2003, the working families tax credit, the married couples tax credit and the school property tax credit. Indexing is to be based on the change in the consumer price index (CPI) from August of the previous year to the CPI from August 2001. The bill also renames the working families tax credit the "working family and income equity tax credit."

Specifically, the bill indexes the eligible income threshold amounts and phase-out levels of income for the working families tax credit for single persons and rounds this figure to the nearest \$10; the threshold amounts and phase-out levels for married joint filers are set to twice of those for single filers. For the married couple tax credit, the bill indexes the maximum credit amounts and rounds these to the nearest \$10. Finally, the bill indexes the maximum amount of eligible property taxes or rent that can be claimed for the school property tax/rent credit and rounds this figure to the nearest \$10; the amount for married separate filers is set at one-half of this amount.

Table 1 (see estimate attachment) shows the credit parameters for tax year 2003 based on the inflation forecast published in January 2002 by DRI-WEFA. The indexing factor used is 1.9%. Tax year 2002 information is provided as a baseline.

Based on simulations using the 1999 Wisconsin Individual Income Tax Model (adjusted to reflect current law and statutory indexing of tax brackets and the standard deduction for future years), the revenue loss associated with this bill is estimated to be approximately \$7.6 million in tax year 2003. Table 2 shows the fiscal effect broken down by credit.

The effects of these tax changes would occur in FY04 since withholding tables are typically not adjusted to account for changes in credits.

Long-Range Fiscal Implications

AB 740 (LRB 4667/1): Indexing for Inflation Certain Individual Income Tax Credits

Table 1
Credit Parameters: Tax Years 2002 and 2003

Credit	Tax Year	
	2002	2003
<u>Working Families Tax Credit</u>		
Eligible Income Thresholds		
Single/Head of Household/Married Separate	\$9,000	\$9,170
Married Joint Filers	18,000	18,340
Phase-out Ceiling		
Single/Head of Household/Married Separate	10,000	10,190
Married Joint Filers	19,000	20,380
<u>Married Couple Credit</u>		
Maximum Credit	\$480	\$490
Implied Maximum Eligible Earnings	16,000	16,333
<u>School Property Tax/Rent Credit</u>		
Maximum Tax/Rent Amount Eligible		
Single/Head of Household/Married Joint	\$2,500	\$2,550
Married Separate Filers	1,250	\$1,275
Maximum Credit		
Single/Head of Household/Married Joint	300	\$306
Married Separate Filers	150	\$153

Table 2
Revenue Loss by Credit, Tax Year 2003

Credit	TY 2003
Working Families Credit*	\$ 390,000
Married Couple Credit	4,200,000
School Property Tax/Rent Credit	3,000,000

* Would be renamed the "Working Family and Income Equity Credit" under this proposal.

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

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Subject			
Indexing for inflation certain individual income tax credits			
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 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, ets.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$-7,600,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-7,600,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-7,600,000	\$
Agency/Prepared By		Authorized Signature	Date
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