Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2009 Session

☒ Original   ☐ Updated   ☐ Corrected   ☐ Supplemental

LRB Number 09-3586/1	Introduction Number SB-353

Description
Federalizing the treatment of capital losses

Fiscal Effect

State:
☐ No State Fiscal Effect
☐ Indeterminate

☐ Increase Existing Appropriations   ☐ Increase Existing Revenues

☐ Decrease Existing Appropriations   ☒ Decrease Existing Revenues

☐ Create New Appropriations

☒ Increase Costs - May be possible to absorb within agency's budget
    ☒ Yes   ☐ No

☐ 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   0
☐ School Districts   ☐ WTCS Districts

Fund Sources Affected	Affected Ch. 20 Appropriations
☒ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS	

Agency/Prepared By	Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984	Paul Ziegler (608) 266-5773	10/22/2009

LRB Number 09-3586/1	Introduction Number **SB-353**	Estimate Type **Original**
Description Federalizing the treatment of capital losses		

Assumptions Used in Arriving at Fiscal Estimate

Under current Wisconsin and federal law capital losses can be fully offset against capital gains in determining taxable income. Capital losses cannot, however, be fully offset against other income. In Wisconsin an annual maximum of $500 of capital losses can be deducted from ordinary income, while at the federal level an annual maximum of $3,000 of capital losses can be deducted from ordinary income.

This bill increases the $500 annual limit on capital loss deductions to the $3,000 federal level.

No estimate is available for the amount of capital losses that will be reported for 2009 or the share of those losses that will exceed $500. Reviewing returns from 2000 to 2007, capital losses have been reported on as many as 10% of returns (in 2002 and 2003) to fewer than 5% of returns (in 2000 and 2007). Using the 2005 Individual Income Tax Model and assuming conditions similar to tax year 2002, the trough of the previous business cycle and the previous peak year for reporting of capital losses, it is estimated that this bill would reduce revenue by $27 million annually. To the extent that more taxpayers report capital loss deductions in tax year 2009, the fiscal effect of the bill will be larger.

Long-Range Fiscal Implications

Capital gains and loss realizations are subject to greater variability than other sources of income. As a result, the fiscal effect of the bill will vary substantially from year to year.

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 09-3586/1	Introduction Number SB-353

Description
Federalizing the treatment of capital losses

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	$	$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	$	$
NET ANNUALIZED FISCAL IMPACT		
	State	Local
NET CHANGE IN COSTS	$	$
NET CHANGE IN REVENUE	$SeeText	$

Agency/Prepared By	Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984	Paul Ziegler (608) 266-5773	10/22/2009