

Fiscal Estimate - 2011 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 11-2614/2	Introduction Number AB-0287				
Description Relating to: creating a nonrefundable individual income tax credit for certain adoption expenses and modifying eligibility for the adoption expenses tax deduction					
Fiscal Effect State: <table style="width: 100%; border: none;"> <tr> <td style="width: 33%; vertical-align: top;"> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations </td> <td style="width: 33%; vertical-align: top;"> <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Decrease Existing Revenues </td> <td style="width: 33%; vertical-align: top;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs </td> </tr> </table>		<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Decrease Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs	
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Agency/Prepared By	Authorized Signature	Date			
DOR/ Bradley Caruth (608) 261-8984	John Koskinen (608) 267-8973	10/14/2011			

Fiscal Estimate Narratives

DOR 10/14/2011

LRB Number	11-2614/2	Introduction Number	AB-0287	Estimate Type	Original
Description Relating to: creating a nonrefundable individual income tax credit for certain adoption expenses and modifying eligibility for the adoption expenses tax deduction					

Assumptions Used in Arriving at Fiscal Estimate

Under current Wisconsin law adoptive parents may deduct adoption fees, court costs or legal fees relating to the legal adoption of a child. This subtraction from federal adjusted gross income is limited to \$5,000 of adoption expenses that occur during the tax year in which the adoption is finalized or the two prior tax years. Employer-paid adoption expenses that under federal law are excluded from gross income may not be used for the deduction.

Under current federal law adoptive parents may claim a tax credit for adoption expenses including adoption fees, court costs or legal fees relating to the legal adoption of a child. The maximum credit amount under current federal law is \$13,360 for 2011. The credit is refundable and it is adjusted for inflation. The credit begins phasing out for income over \$185,210 and no credit is allowed for income above \$225,210.

In 2013 the federal credit is scheduled to revert to a prior law level of \$5,000 adjusted for inflation. The phase out range is scheduled to revert to \$75,000 to \$115,000.

This bill creates a nonrefundable individual income tax credit for adoption expenses incurred by an individual who is eligible for, and claims, the federal adoption credit. The credit generally follows federal definitions and treatment including those for qualifying expenses and income phase out provisions. The proposed Wisconsin credit may be claimed for an amount of qualified adoption expenses, up to \$5,000, to the extent that the expenses exceed the federal credit. The maximum credit that may be claimed each fiscal year by all claimants is \$500,000. If the total amount of eligible claims exceed \$500,000, the department of revenue must prorate the amount of credit that each claimant may receive. Unused credit amounts may be carried forward for up to five years.

Also under this bill, the current law \$5,000 subtraction for adoption expenses may be claimed only to the extent that the adoption expenses are not claimed under the federal credit or the credit created in this bill.

Using 2009 data, there were approximately 150 Wisconsin claimants of the federal adoption credit who were at or near the maximum allowable credit. Based on the distribution of credit claims and Wisconsin liabilities, it is estimated that these individuals will be able to claim an additional \$3,000 Wisconsin credit in tax year 2012 on average, resulting in a revenue loss of \$450,000. The bill will also reduce the current adoption subtraction to a minimal amount in 2012, producing a revenue gain of \$270,000. As a result, the net effect of the bill will be to reduce revenue by \$180,000 in fiscal year 2013.

Assuming the federal credit is allowed to revert to a \$5,000 maximum, the proposed Wisconsin credit will reach the \$500,000 fiscal year maximum in subsequent years. The subtraction will continue to be reduced to a minimal amount, so the bill will reduce revenue by \$230,000 annually beginning in fiscal year 2014.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

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Description Relating to: creating a nonrefundable individual income tax credit for certain adoption expenses and modifying eligibility for the adoption expenses tax deduction			
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, etc.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$SeeText	\$
Agency/Prepared By		Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984		John Koskinen (608) 267-8973	10/14/2011