

### Fiscal Estimate - 2017 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>17-1493/1</b>	<b>Introduction Number</b> <b>AB-0172</b>	
<b>Description</b> creating a nonrefundable individual income tax credit for certain taxpayers and a new top individual income tax bracket		
<b>Fiscal Effect</b>		
<b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Create New Appropriations <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		
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
<b>5. Types of Local Government Units Affected</b> <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <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		
<b>Agency/Prepared By</b> DOR/ Bradley Caruth (608) 261-8984	<b>Authorized Signature</b> Jamie Adams (608) 266-6785	<b>Date</b> 3/28/2017

## Fiscal Estimate Narratives

DOR 3/28/2017

LRB Number	17-1493/1	Introduction Number	AB-0172	Estimate Type	Original
<b>Description</b> creating a nonrefundable individual income tax credit for certain taxpayers and a new top individual income tax bracket					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, single individuals and heads of households with 2017 Wisconsin taxable income above \$247,350 are subject to a 7.65% top state individual income tax rate on the portion of income exceeding that amount. The comparable 2017 Wisconsin taxable income thresholds for married individuals filing jointly and married individuals filing separately are \$329,800 and \$164,900, respectively.

This bill creates a new 8.88% income tax bracket beginning in tax year 2017 for individuals with Wisconsin taxable income exceeding: \$750,000 for single and head of household filers, \$1,000,000 for joint married filers, and \$500,000 for separate married filers. The new bracket is also indexed for inflation.

The bill also creates a new low- and moderate-income tax credit. The base amount of the credit is \$200 (\$100 for married separate filers) and it is subject to an income phase-out depending on filing status. For single individuals and heads of households the full credit is available to individuals with taxable income below \$75,000. It phases out for taxable income in the range from \$75,000 to \$112,500, and no credit is allowed for single individuals and heads of households with income exceeding \$112,500. The comparable 2017 Wisconsin taxable income thresholds for married individuals filing jointly and married individuals filing separately are \$100,000 to \$150,000 and \$50,000 to \$75,000, respectively. The credit is nonrefundable and no credit is allowed for part-year and nonresidents of Wisconsin.

Based on a simulation using 2014 individual income tax returns adjusted for 2017-2019 income levels and law changes, DOR expects the bill to reduce revenue by approximately, \$79 million in fiscal year 2018, \$140 million in fiscal year 2019, \$123 million in fiscal year 2020, and decreasing amounts annually thereafter.

### Long-Range Fiscal Implications

The new credit in this bill is not indexed for inflation, so it will reduce revenue by a similar amount each year. In contrast, the additional revenue from a new top income tax bracket will tend to grow over time.

## Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Description</b> creating a nonrefundable individual income tax credit for certain taxpayers and a new top individual income tax bracket		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>		
<b>II. Annualized Costs:</b>		
<b>Annualized Fiscal Impact on funds from:</b>		
	Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$See Text	\$
<b>Agency/Prepared By</b>		
<b>Authorized Signature</b>		
<b>Date</b>		
DOR/ Bradley Caruth (608) 261-8984	Jamie Adams (608) 266-6785	3/28/2017