

### Fiscal Estimate - 2017 Session

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number **17-5023/1**      Introduction Number **AB-0890**

**Description**  
 creating an individual income tax subtract modification for certain low income residents of rural areas

**Fiscal Effect**

**State:**

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

**Local:**

- No Local Government Costs
- Indeterminate
  - 1.  Increase Costs
  - 2.  Decrease Costs
  - 3.  Increase Revenue
  - 4.  Decrease Revenue
- Permissive  Mandatory
  - Permissive  Mandatory
  - 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**

GPR   
  FED   
  PRO   
  PRS   
  SEG   
  SEGS

<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
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## Fiscal Estimate Narratives

DOR 2/2/2018

LRB Number	17-5023/1	Introduction Number	AB-0890	Estimate Type	Original
<b>Description</b> creating an individual income tax subtract modification for certain low income residents of rural areas					

### Assumptions Used in Arriving at Fiscal Estimate

This bill creates a \$500 individual income tax subtraction for qualifying rural households with a motor vehicle that is registered in this state and used for personal transportation. To be eligible for the subtraction, the claimant's federal adjusted gross income, may not exceed 250% the federal poverty level and the claimant must live in a county that is not in a designated metropolitan statistical area (MSA). Under the bill, only one member of a household may claim the subtraction each year.

Based on a simulation using tax year 2016 return data, adjusted to reflect 2018 income levels and laws, a \$500 subtraction for all rural county returns with federal adjusted gross income below 250% of the federal poverty level results in a revenue loss of approximately \$4.1 million annually. In this simulation, 294,000 of 672,000 rural households were under the income threshold.

Based on data from the U.S. Census Bureau American Community Survey, approximately 5.5% of households in rural Wisconsin counties do not have access to a vehicle. About 44% of households in rural counties were below the income threshold, however, it is likely that those households represent a disproportionately high share of households without a vehicle. Assuming that 80% of those households without cars also have income below 250% of the poverty level, the estimated number of affected households decreases to 265,000. Under this assumption, the annual revenue loss from the bill would be approximately \$3.7 million.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Description</b> creating an individual income tax subtract modification for certain low income residents of rural areas			
<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	\$		\$-3,700,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>\$-3,700,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-3,700,000		\$
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