

### Fiscal Estimate - 2023 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>23-4579/1</b>	<b>Introduction Number</b> <b>AB-1191</b>
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**Description**  
 a refundable income tax credit based on property taxes paid and making an appropriation

**Fiscal Effect**

**State:**

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input checked="" type="checkbox"/> Create New Appropriations		

**Local:**

<input type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	<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
<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>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	20.835(2)(ce)

<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DOR/ Bradley Caruth (608) 261-8984	Michael Oakleaf (608) 261-5173	4/18/2024

## Fiscal Estimate Narratives

DOR 4/18/2024

LRB Number	23-4579/1	Introduction Number	AB-1191	Estimate Type	Original
<b>Description</b> a refundable income tax credit based on property taxes paid and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, low-income homeowners and renters may qualify for the refundable homestead credit, an individual income tax credit based on household income and property tax or rent constituting property tax. If household income is \$8,060 or less, the credit is 80 percent of property tax up to \$1,460; thus, the maximum credit is \$1,168. If household income exceeds \$8,060 but is no more than \$24,680, the credit is 80 percent of the amount by which property tax exceeds 8.785 percent of household income in excess of \$8,060.

This bill creates a complimentary refundable income tax credit. If the claimant's household income is less than \$100,000, the credit equals a percentage of the amount by which the property taxes, or rent constituting property taxes, exceed 4 percent of household income. The credit percentage is 10 percent for tax year 2024, 15 percent for tax year 2025, and 40 percent for tax year 2026 and for each tax year thereafter. If household income is at least \$100,000 but less than \$150,000, the credit rate is set at 50 percent, but the credit is also subject to an income phase-out. The credit may not be claimed if household income is \$150,000 or more.

The credit is reduced by the amount of homestead credit claimed by the individual and no credit may be claimed if the individual or the individual's spouse claims the veterans and surviving spouses property tax credit. The credit may be claimed only by full-year Wisconsin residents who cannot be claimed as a dependent by another taxpayer. No credit is allowed if the value of the claimant's property exceeds \$1 million.

Based on a simulation using tax year 2019 returns, adjusted for changes in income, DOR expects the bill to increase costs by approximately \$120 million in fiscal year 2025, \$186 million in fiscal year 2026, and \$501 million annually beginning in fiscal year 2027.

The department is unable to absorb anticipated one-time administrative costs of \$522,000 and ongoing costs of \$1.11 million, annually.

According to Department of Administration net tax reduction calculations related to the American Rescue Plan Act (ARPA), the remaining margin for tax reductions before triggering potential SLFRF recoupment is \$97.0 million for fiscal year 2024 and \$326.6 million for fiscal year 2025. This bill would exceed those margins.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Description</b> a refundable income tax credit based on property taxes paid and making an appropriation		
<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	\$See Text	\$
NET CHANGE IN REVENUE	\$	\$
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