

1999 Session

FISCAL ESTIMATE

ORIGINAL UPDATED

DOA-2048 N(R10/94)

CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.

LRB 0353/1

AB 40

Amendment No. if Applicable

Subject

Indexing Individual Income Tax Credits for Inflation

Fiscal Effect

State: No State Fiscal Effect
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

Increase Costs - May be Possible to Absorb
 Within Agency's Budget Yes No

Decrease Costs

Local: No Local Government Costs

1. Increase Costs
 Permissive Mandatory
 2. Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
 4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:
 Towns Villages Cities
 Counties Others _____
 School Districts WTCS Districts

Fund Sources Affected

GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

This bill indexes for inflation, beginning in tax year 1999, the working families tax credit, the dependent tax credit, the senior citizen tax credit, the married couple tax credit and the school property tax/rent credit. Indexing is to be based on the change in the consumer price index from August of the second prior year to August of the prior year.

Specifically, the bill indexes the eligible income thresholds and the phase-out ranges for the working families tax credit and rounds these amounts to the nearest \$10 figure. The base credit amount of the dependent credit is indexed and rounded to the nearest \$1 figure. Similarly, the base credit amount of the elderly credit is indexed and rounded to the nearest \$1 figure as are the credit's phase-out floors and ceilings. For the married couple tax credit, the bill indexes the maximum credit amounts, which are scheduled to increase in tax years 1999, 2000 and 2001. These figures are to be rounded to the nearest \$10 figure. Finally, the bill indexes the maximum amount of eligible property taxes or rent that can be claimed for the school property tax/rent credit and rounds these figures to the nearest \$10.

The table below shows the credit parameters for tax years 1999, 2000 and 2001 based on the long-term inflation forecast published by DRI/McGraw Hill. The relevant indexing factors are 1.6%, 2.6% and

(continued on page two)

Long-Range Fiscal Implications

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
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2.8% respectively. The following parameters assume: that for the working families credit, the income threshold for married joint filers is not indexed but set at twice the indexed threshold amount for single filers; that for the elderly credit, the phase-out ceilings are not indexed but are calculated based on the statutory phase-out rate of 2.5% and that the phase-out ceilings and floors for married separate filers are calculated as one-half of those for married-joint filers; and that for the school property tax/rent credit, the maximum amount of eligible property taxes or rent that can be claimed by separate filers is not indexed but calculated as one half of that for all other filers and that the maximum is calculated each year based on the scheduled increases in the credit.

Credit Parameters – Tax Years 1998 Through 2001

Credit	Tax Year			
	1998	1999	2000	2001
Working Families Tax Credit				
Eligible Income Thresholds				
Single and Head of Household	\$9,000	\$9,150	\$9,380	\$9,630
Married/Joint	\$18,000	\$18,300	\$18,760	\$19,260
Married Separate	\$9,000	\$9,150	\$9,380	\$9,630
Phase-out Range	\$1,000	\$1,020	\$1,040	\$1,070
Married Couple Credit				
Maximum Credit	\$304	\$360	\$400	\$450
Credit Rate	2.17%	2.50%	2.75%	3.00%
Elderly Credit				
Credit Amount	\$25	\$25	\$26	\$27
Phase-out Floor				
Single	\$30,000	\$30,486	\$31,269	\$32,106
Married/Joint	\$40,000	\$40,648	\$41,692	\$42,808
Married Separate	\$20,000	\$20,324	\$20,846	\$21,404
Phase-out Ceiling				
Single	\$31,000	\$31,486	\$32,309	\$33,186
Married/Joint	\$41,000	\$41,648	\$42,732	\$43,888
Married Separate	\$21,000	\$21,324	\$21,886	\$22,484
Dependent Credit				
Credit Amount	\$50	\$51	\$52	\$54
School Property Tax /Rent Credit				
Tax/Rent Amount	\$2,500	\$2,030	\$2,080	\$2,140
Tax/Rent Amount (Separate Filers)	\$1,250	\$1,015	\$1,040	\$1,070
Credit Rate	14.00%	10.00%	10.00%	10.00%

Based on the 1997 Wisconsin Individual Income Tax Model adjusted to reflect 1999 law, the revenue loss associated with this bill is estimated to be \$8.5 million in tax year 1999, \$17.3 million in tax year 2000 and \$26.8 million in tax year 2001. These taxes will occur in FY '00, FY '01 and FY '02, since withholding tables are typically not adjusted to account for changes in credits. An estimated 24,000 additional tax refunds would occur, resulting in \$6,400 in annual additional costs for postage.

YFB, 12/22/98

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Subject
Indexing Individual Income Tax Credits for Inflation

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 State Funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringe (FTE Position Changes)	\$ -	\$ -
State Operations-Other Costs	(FTE)	(- FTE)
Local Assistance	6,400	-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$ 6,400	\$ -
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$ 6,400	\$ -
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	\$ -	\$ - See Text
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$ -	\$ - See Text

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ 6,400	\$ -
NET CHANGE IN REVENUES	\$ See Text	\$ -

Agency/Prepared by: (Name & Phone No.) Wisconsin Department of Revenue Craig D. Kammholz, (608) 261-8984	Authorized Signature/Telephone No. Yeang-Eng Braun (608) 266-2700 <i>Yeang-Eng Braun</i>	Date 12/22/98
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