

Fiscal Estimate - 2001 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 01-3560/1	Introduction Number AB-734
Subject Exempt from taxation WHEDA interest income	
Fiscal Effect	
State: <input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs	
Local: <input checked="" type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
Fund Sources Affected Affected Ch. 20 Appropriations <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	
Agency/Prepared By WHEDA/ Geoff Wheeler (608) 266-2027	Authorized Signature Geoff Wheeler (608) 266-2027
Date 12/10/01	

Fiscal Estimate Narratives
WHEDA 1/17/02

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Assumptions Used in Arriving at Fiscal Estimate

Assumptions include \$21.4M annual issuance, 6 yr avg bond life, marginal tax rate 6.77%, average coupon rate 4.8%. Cost will increase incrementally (step up) for 6 years, peak at year 6 and continue at that level indefinitely unless assumptions change. Existing in state participation rate is 5%. In the first year the loss to existing revenue stream will be @ \$3500. In the 6th year, loss to existing revenue will be @\$21,000. Assumed in state participation rate with double tax exemption is 35% (based on other states experience). Cost for additional level of participation is an opportunity cost, not a cost to existing revenue stream. Unless we have double tax exemption, we won't have 35% participation to tax, unless all of that otherwise would be invested in a taxable instrument. Maximum opportunity cost assuming all additional in state investment in these bonds replaces investment in taxables, also steps up to @\$125,000 at the peak in year six.

Since all the interest rate savings from double tax exemption would be passed on to borrowers, interest deductions from taxable income will be decreased for for profit developers, and some of the above costs would be recaptured at some indeterminate rate.

Double tax exemption places WHEDA on an equal footing with WHEFA, local housing authorities, redevelopment authorities and other entities authorized under Chapter 229.

Long-Range Fiscal Implications