

Fiscal Estimate - 2003 Session

Original Updated Corrected Supplemental

LRB Number **03-3398/1** Introduction Number **AB-787**

Subject
Inclusion of net gambling losses in calculation of individual income tax itemized deduction credit

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 3. Increase Revenue
 Permissive Mandatory Permissive Mandatory

2. Decrease Costs 4. Decrease Revenue
 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 20.566(1)(a)

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 2/13/2004

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Subject Inclusion of net gambling losses in calculation of individual income tax itemized deduction credit		

Assumptions Used in Arriving at Fiscal Estimate

Under current federal law, gambling losses to the extent of gambling income are allowed as a miscellaneous itemized deduction. Gambling losses are not deductible under current state law.

This bill would allow individuals to include gambling losses to the extent of gambling income as a miscellaneous deduction for purposes of the state Itemized Deduction Credit. According to the Internal Revenue Service (IRS), one million tax filers claimed gambling losses of \$11.6 billion as itemized deductions in 2001. Applying Wisconsin's share of miscellaneous itemized deductions of about 1%, Wisconsin's share of claimed gambling losses amounts to \$110.8 million. Under current Wisconsin law, the itemized deduction credit is equal to 5% of the amount by which itemized deductions exceed the standard deduction. In general, individuals who itemize deductions for federal tax purposes have enough itemized deductions for state tax purposes so that these individuals would receive credit for all of the claimed gambling losses. Therefore, this bill would decrease state income tax revenues by \$5.5 million (\$110.8 million x .05).

The Department would incur one-time costs of \$23,000 for computer programming changes. Ongoing processing costs could be absorbed.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
+\$23,000 of one-time programming costs.		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
GPR		
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	\$	\$-5,500,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$-5,500,000
NET ANNUALIZED FISCAL IMPACT		
	State	Local
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-5,500,000	\$
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