

Fiscal Estimate - 2003 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 03-4026/1	Introduction Number SB-421
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Subject
 Internal Revenue Code update; Public Law 108-121

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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Decrease Existing Appropriations	
<input type="checkbox"/> Decrease Existing Appropriations	<input type="checkbox"/> Create New Appropriations	

Local:

<input type="checkbox"/> No Local Government Costs	5. Types of Local Government Units Affected <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"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs			3. <input type="checkbox"/> Increase Revenue
<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		

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 DOR/ Karyn Kriz (608) 261-8984	Authorized Signature Dennis Collier (608) 266-5773	Date 2/13/2004
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Fiscal Estimate Narratives

DOR 2/13/2004

LRB Number	03-4026/1	Introduction Number	SB-421	Estimate Type	Original
Subject					
Internal Revenue Code update; Public Law 108-121					

Assumptions Used in Arriving at Fiscal Estimate

This bill adopts, for state income and franchise tax purposes, changes to the Internal Revenue Code made by Public Law 108-121, the Military Family Tax Relief Act of 2003 (MFTRA).

MFTRA provides tax relief for members of the military serving in the Middle East and their families that will affect the tax returns filed for 2003. Wisconsin taxpayers who claim the tax relief on their 2003 federal returns would need to make adjustments on their state returns to recognize differences between state and federal law until Wisconsin adopts these provisions in 2004, at which time these taxpayers would need to file amended returns for 2003 to claim this tax relief for Wisconsin purposes.

This bill would reduce state income tax revenues for tax year 2003 by \$500,000 in FY04, due to a deduction for travel expenses for National Guard and Reserve personnel. The loss from other provisions would be minimal. The provisions of MFTRA that would be adopted for state tax purposes under this bill include the following:

- The military death benefit is doubled from \$6,000 to \$12,000 and the full amount of the benefit is excluded from income; previously, one-half of the benefit was taxable. These changes are retroactive to September 11, 2001, and thus apply to military operations in Afghanistan and Iraq, as well as other locations since that date.
- The act clarifies that dependent care assistance provided by the U.S. Department of Defense is a qualified military benefit that is excluded from a taxpayer's gross income. The exclusion is effective for tax years beginning after December 31, 2002.
- The act eases a restriction on the exclusion for the gain from the sale of a residence for uniformed and foreign service personnel. Under current law, taxpayers may exclude up to \$250,000 (\$500,000 for married couples filing jointly) of gain from the sale of a principal residence if they owned and used the property as a principal residence for two or more years during the five years preceding the sale. Uniformed and foreign service personnel called to active duty away from home may elect to suspend the five-year test, for one property, for up to five years. If the election is made, the five-year period does not include any period, up to five years, during which the service member is on extended duty (more than 90 days) at least 50 miles from home or in government quarters under government orders. The provision is retroactive to sales made after May 6, 1997.
- An exclusion from income is provided for reimbursement paid to members of the military for losses on the sale of their homes resulting from declines in home values due to a military base closure or reduction in operations. The exclusion, effective on November 12, 2003, is limited to the fair market value of the property.
- MFTRA provides a deduction from gross income for travel expenses for members of the National Guard and Reserve when they travel more than 100 miles away from home and must stay away overnight. Under previous law, the deduction was from adjusted gross income, and thus limited to persons itemizing their deductions. The deduction applies to expenses paid or incurred for tax years starting after December 31, 2002.
- MFTRA expands the income and estate tax relief provided under the Victims of Terrorism Act of 2001 to astronauts who die in the line of duty, effective for deaths occurring after December 31, 2002. These provisions benefit the families of the astronauts killed in the space shuttle Columbia accident.

MFTRA also allows the filing extension provided to military personnel serving in a combat zone under

current law to troops deployed in contingency operations, that is, those who may become involved in military actions. Wisconsin automatically adopts federal filing extensions under current law. Other provisions of the act do not have a substantive effect on Wisconsin.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

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LRB Number 03-4026/1		Introduction Number SB-421	
Subject			
Internal Revenue Code update; Public Law 108-121			
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 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		\$	\$-500,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-500,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$500,000	\$
Agency/Prepared By		Authorized Signature	
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		Date	
		2/13/2004	