



**Fiscal Estimate Narratives**  
**DOR 2/24/2004**

LRB Number	<b>03-1842/1</b>	Introduction Number	<b>SB-449</b>	Estimate Type	<b>Original</b>
<b>Subject</b>					
Tax credit for sales tax paid to replace items lost by natural disaster					

**Assumptions Used in Arriving at Fiscal Estimate**

This bill would create a refundable individual income tax credit for the amount of sales and use tax paid on items purchased to replace the claimant's tangible personal property that was damaged or destroyed by fire, flood, or natural disaster. The total value of the claimant's damaged or destroyed property must be at least \$5,000 and the claimant must submit evidence of the property's value with the tax return. The governor must also declare a state of emergency or disaster in the county or municipality in which the claimant's property was located. Part-time residents and nonresidents must multiply the value of the credit for which they are eligible by the ratio of their Wisconsin adjusted gross income to their federal adjusted gross income.

Under current federal law, there is a deduction allowed for casualty and theft losses not covered by insurance for the amount of that which is in excess of 10% of federal adjusted gross income. According to the 2001 Individual Income Tax Model, about 1,400 tax filers had \$44 million of casualty and theft losses in excess of \$5,000 in 2001. Assuming that all \$44 million of losses resulted from tangible personal property damage due to a natural disaster and assuming a sales tax rate of 5%, \$2.2 million (\$44 million x .05) could be claimed for sales tax paid on items purchased to replace the damaged property. However, the cost of the credit is likely to fluctuate widely from year to year depending on the amount of casualty losses.

The Department would incur costs of \$25,000 annually in overtime and LTE payroll costs in order to audit about 200 out of every 1,000 claimants. The Department assumes that no more than 1,000 individuals would claim the credit annually. However, if there is a huge natural disaster during the year, the Department's costs could be more than \$25,000 in that year.

**Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>03-1842/1</b>		Introduction Number <b>SB-449</b>	
<b>Subject</b>			
Tax credit for sales tax paid to replace items lost by natural disaster			
<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		\$25,000	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>		<b>\$25,000</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR		25,000	
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		\$25,000	\$
NET CHANGE IN REVENUE		\$SeeText	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	
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		<b>Date</b>	
		2/24/2004	