

Fiscal Estimate - 2005 Session

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

| | |
|--|---|
| LRB Number 05-4502/1 | Introduction Number AB-1117 |
| Description Creating a refundable individual income tax living wage credit | |
| Fiscal Effect State: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Create New Appropriations </div> <div style="width: 33%;"> <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues </div> <div style="width: 33%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <div style="display: flex; justify-content: space-around;"> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No </div> <input type="checkbox"/> Decrease Costs </div> </div> Local: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate <div style="display: flex;"> <div style="width: 50%;"> 1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> <div style="width: 50%;"> 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> </div> </div> <div style="width: 33%;"> 5. Types of Local Government Units Affected <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> Towns <input type="checkbox"/> Counties <input type="checkbox"/> School Districts </div> <div style="width: 33%;"> <input type="checkbox"/> Village <input type="checkbox"/> Others <input type="checkbox"/> WTCS Districts </div> <div style="width: 33%;"> <input type="checkbox"/> Cities <input type="text" value="0"/> </div> </div> </div> </div> | |
| <div style="display: flex; justify-content: space-between;"> <div> Fund Sources Affected <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 20.835(2)(en) </div> <div> Affected Ch. 20 Appropriations </div> </div> | |
| Agency/Prepared By DOR/ Rebecca Boldt (608) 266-6785 | Authorized Signature Rebecca Boldt (608) 266-6785 |
| Date 3/15/2006 | |

Fiscal Estimate Narratives

DOR 3/16/2006

| | | | | | |
|--|-----------|---------------------|---------|---------------|----------|
| LRB Number | 05-4502/1 | Introduction Number | AB-1117 | Estimate Type | Original |
| Description | | | | | |
| Creating a refundable individual income tax living wage credit | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

The bill creates a refundable individual income tax credit based on the difference between the nonfarm federal poverty level and the combined income of a claimant, his or her spouse and dependents.

The credit may be claimed by individuals who 1)are eligible and who claim the earned income tax credit; 2) reside in the state for the full calendar year; and 3)work in paid employment for at least 1,750 hours in the taxable year to which the claim relates. While the bill does not define paid employment, it is assumed to include self employment.

For purposes of the credit, income is defined to mean income as calculated for the homestead credit plus all refundable state credits and income tax refunds plus the federal earned income tax credit and the refundable portion of the federal child tax credit less state income taxes paid. Thus, both taxable and nontaxable sources of income are included.

In calculating the credit, the nonfarm federal poverty level is based on family size. For tax year 2007, the credit is calculated using 90% of the nonfarm federal poverty level. For tax year 2008, the credit is calculated using 95% of the nonfarm federal poverty level; thereafter, the credit will be calculated using 100% of the nonfarm federal poverty level.

Based on a simulation using the 2003 Income Tax Model, the bill will result in a \$12.4 million increase in costs in FY07 and \$18.8 million in FY08.

The bill will result in \$11,200 increase in annual administrative costs for the department related to postage, printing and limited-term salaries for increased data capture.

Long-Range Fiscal Implications

The bill will result in approximately \$27 million in increased costs in FY09 and thereafter.

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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|--|---------------------|--|-----------------|
| LRB Number 05-4502/1 | | Introduction Number AB-1117 | |
| Description Creating a refundable individual income tax living wage credit | | | |
| I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): \$12.4 million increase in costs in FY07, and \$18.8 million in FY08. | | | |
| II. Annualized Costs: | | Annualized Fiscal Impact on funds from: | |
| | | Increased Costs | Decreased Costs |
| A. State Costs by Category | | | |
| State Operations - Salaries and Fringes | \$6,700 | | |
| (FTE Position Changes) | | | |
| State Operations - Other Costs | 4,500 | | |
| Local Assistance | | | |
| Aids to Individuals or Organizations | 27,000,000 | | |
| TOTAL State Costs by Category | \$27,011,200 | \$ | |
| B. State Costs by Source of Funds | | | |
| GPR | 27,011,200 | | |
| 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 | \$ | \$ | |
| GPR Earned | | | |
| FED | | | |
| PRO/PRS | | | |
| SEG/SEG-S | | | |
| TOTAL State Revenues | \$ | \$ | |
| NET ANNUALIZED FISCAL IMPACT | | | |
| | State | Local | |
| NET CHANGE IN COSTS | \$27,011,200 | \$ | |
| NET CHANGE IN REVENUE | \$ | \$ | |
| | | | |
| Agency/Prepared By | | Authorized Signature | Date |
| DOR/ Rebecca Boldt (608) 266-6785 | | Rebecca Boldt (608) 266-6785 | 3/15/2006 |