

Fiscal Estimate Narratives

DOR 4/19/2005

LRB Number	05-2502/2	Introduction Number	AB-319	Estimate Type	Original
Subject					
Nonrefundable individual income tax credit for property taxes of veterans, surviving spouses					

Assumptions Used in Arriving at Fiscal Estimate

This bill would provide a nonrefundable income tax credit for property taxes paid on the principal dwelling by certain veterans and unremarried surviving spouses of certain former service members. The bill applies to members of the national guard and reserves who are residents of Wisconsin at the time of entry into service and at the time of death or disability. Because the credit is nonrefundable, it is limited to tax otherwise due. Therefore, if a taxpayer does not owe any income tax, he or she would not be eligible for the credit.

The credit may be claimed by the following:

- 1) the unremarried surviving spouse of a person who died while on active duty in the U.S. armed forces
- 2) the unremarried surviving spouse of a person who served on active duty in the U.S. armed forces who at the time of death was 65 years of age and was rated by the U.S. Department of Veterans Affairs as having a service-connected disability of 100%.
- 3) the unremarried surviving spouse of a person who served in the national guard or reserves and died in the line of duty while on active or inactive duty.
- 4) a person who served on active duty in the U.S. armed forces and is at least 65 years old and is 100% disabled.

Based on DOR data, it is estimated the 2003 average house value was \$138,300 and the statewide average net tax rate was \$19.74 per \$1,000 of full residential value. Therefore, the average property tax on a principal dwelling was \$2,730 in 2003. Approximately 68% of Wisconsin's households own a home, according to the 2000 census. According to the Wisconsin Department of Veterans Affairs, 73% of veterans are married.

Approximately 10,400 Wisconsin soldiers have died while on active duty from World War II to the present, including soldiers in the national guard and reserves, based on data from Wisconsin's Department of Veteran's Affairs. If 73% of these soldiers were married and 68% of the surviving spouses owned homes, then about 5,200 surviving spouses would be eligible as long as they did not remarry. Data on remarriage is not available, but assuming that 30% remarried, that would leave about 3,600 surviving spouses eligible for the credit with a potential loss in property tax revenues of about \$9.8 million. If 70% remarried, then only 1,600 surviving spouses would be eligible for a potential revenue loss of \$4.4 million. Because persons claiming the veterans' property tax credit could no longer claim the school property tax credit, the revenue loss would be offset by the reduced claims for the school property tax credit. That offset would reduce the revenue loss under the scenarios described above to \$8.7 million and \$3.9 million respectively.

The bill also applies to surviving spouses of disabled veterans who, at the time of death, were 65 or older. Data is not available on how many veterans over 65 who are 100% disabled have died. One of the provisions in the bill applies directly to veterans, regardless of whether they are married. However, married veterans may claim only the property taxes that correspond to their ownership interest. There are about 1,000 veterans that are 100% disabled and are over 65 years old. Assuming the same 73% marriage and 68% home ownership rates, this provision will result in a revenue loss of approximately \$1 million.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
\$27,000 for 500 hours of programming in the Individual Income applications.			
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	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
	NET CHANGE IN COSTS	\$SeeText	\$
	NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By			
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			Date
			4/19/2005