

Fiscal Estimate Narratives
DOR 9/30/2005

LRB Number	05-1741/2	Introduction Number	AB-672	Estimate Type	Original
Subject					
Individual income tax credit for sales and use taxes paid to replace certain tangible personal property					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates a refundable individual income tax credit equal to the amount of sales and use taxes paid on the purchase of tangible personal property that the claimant purchased to replace tangible personal property that was damaged or destroyed by fire, flood, or natural disaster. The credit only applies to sales and use taxes paid in the taxable year to which the claim relates. The credit may only be claimed if the governor has declared a state of emergency, if the total value of the claimant's damaged or destroyed property exceeds \$4,999 and the claimant submits evidence of the value, and if the claim is made within approximately one year after the loss occurs.

This credit may not be claimed for any amounts for which the claimant was reimbursed by insurance. Therefore, this credit will most likely be claimed by those individuals who do not have homeowner's insurance, flood insurance, or comprehensive auto insurance. Data is not available to estimate how many people do not have insurance and would therefore be eligible for the credit.

According to the Wisconsin Department of Emergency Management's Annual Natural Disaster Report for 2003-04, between 2000 and 2004, private individuals incurred about \$312 million in damages to property, crops and facilities from natural disasters, including floods, storms, tornadoes, and hail. However, the majority of these damages were related to housing structures which are not covered under this bill. The credit under the bill applies only to tangible personal property, not real property, and the amount of damages related to tangible personal property is not known. It is not possible to predict how much a claimant might pay in sales taxes on damaged or destroyed property that they choose to replace after a fire, flood, or other natural disaster and that was not covered by an insurance policy. Therefore, the revenue loss due to claimed credits is unknown.

Any costs incurred by the Department under this bill can be absorbed.

Long-Range Fiscal Implications