

## Fiscal Estimate - 2005 Session

Original                   
  Updated                   
  Corrected                   
  Supplemental

<b>LRB Number</b> <b>05-3543/1</b>	<b>Introduction Number</b> <b>SB-351</b>
<b>Subject</b> Individual income tax credit for college savings and tuition amounts	
<b>Fiscal Effect</b>	
<b>State:</b>	
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate	
<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Decrease Existing Revenues
<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
<input type="checkbox"/> Decrease Costs	
<b>Local:</b>	
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate	
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
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	
<b>Fund Sources Affected</b>	
<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	
<b>Affected Ch. 20 Appropriations</b>	
<b>Agency/Prepared By</b> DOR/ Kirstin Nelson (608) 261-8984	<b>Authorized Signature</b> Rebecca Boldt (608) 266-6785
<b>Date</b> 10/14/2005	

## Fiscal Estimate Narratives

DOR 10/17/2005

LRB Number	<b>05-3543/1</b>	Introduction Number	<b>SB-351</b>	Estimate Type	<b>Original</b>
<b>Subject</b>					
Individual income tax credit for college savings and tuition amounts					

### Assumptions Used in Arriving at Fiscal Estimate

Wisconsin allows a deduction of \$3,000 from federal adjusted gross income (FAGI) for contributions made to an EdVest account, if the beneficiary is one of the following: the claimant, the claimant's dependent, the claimant's grandchild, the claimant's great-grandchild, or the claimant's niece or nephew.

This bill would create two nonrefundable individual income tax credits for amounts contributed to EdVest. The credit would equal the amount of contributions multiplied by the taxpayer's marginal tax rate. The bill refers to EdVest I and EdVest II; however EdVest I is no longer active according to the EdVest program even though it is still referenced in the statutes. Therefore, the fiscal effect of this bill on EdVest I is zero. Contributions to EdVest II, now known only as EdVest, up to \$3,000 would be used to claim an individual income tax credit. According to the EdVest program, there are approximately 100,000 existing accounts as of August 31, 2005, averaging \$2,100 per account. Assuming an average annual contribution of \$2,100 and a marginal tax rate of 5.5%, this bill could result in a revenue loss of approximately \$11.6 million ( $100,000 \times \$2,100 \times 5.5\%$ ). Because the credit is nonrefundable, and the full amount will not likely be claimed by all, the revenue loss is reduced by 20% to \$9.2 million ( $\$11.6 \text{ million} \times 80\%$ ).

The bill would also allow the credit when the beneficiary is the claimant's child regardless of whether or not the child is also the claimant's dependent. This provision of the bill is expected to result in a revenue decrease; however, the extent of the decrease is indeterminate because the number of divorced and legally separated tax filers contributing money to an EdVest account for their children is unknown.

The Department will incur \$26,363 in annual costs for salary and fringe benefits. All other costs can be absorbed by the Department.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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  Updated     
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LRB Number <b>05-3543/1</b>		Introduction Number <b>SB-351</b>	
<b>Subject</b>			
Individual income tax credit for college savings and tuition amounts			
<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		\$26,363	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>		<b>\$26,363</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR		26,363	
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, ets.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$-9,200,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$-9,200,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$26,363	\$
NET CHANGE IN REVENUE		\$-9,200,000	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	
DOR/ Kirstin Nelson (608) 261-8984		Rebecca Boldt (608) 266-6785	
		<b>Date</b>	
		10/14/2005	