

Fiscal Estimate Narratives

DOR 6/5/2007

LRB Number	07-1997/1	Introduction Number	AB-0365	Estimate Type	Original
Description Expanding eligibility for the veterans and surviving spouses property tax credit					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, eligible veterans and surviving spouses may claim a refundable credit in the amount of the property taxes paid during the year on their principal dwellings in Wisconsin. To be eligible for the credit, veterans must meet several criteria, including being at least 65 years of age and verified by the Wisconsin Department of Veterans Affairs as having served in the U.S. armed forces, having been a Wisconsin resident at the time of entry into service, currently being a Wisconsin resident for the purpose of veterans' benefits, and having a service-connected disability (SCD) rating of 100%. An eligible surviving spouse must be an un-remarried surviving spouse of an individual who was a Wisconsin resident at the time of entry into service, was a Wisconsin resident at the time of death and died while on active duty or would be otherwise considered an eligible veteran at the time of death. Claimants of the credit may not claim the school property tax credit, the homestead credit, the farmland tax relief credit, or the farmland preservation credit.

This bill extends eligibility for the credit in three ways. First, the bill eliminates the requirement that veterans be at least 65 years of age to claim the credit. Second, the bill allows veterans with an Individual Unemployability designation (as determined by the federal Department of Veterans Affairs) to claim the credit. Third, the bill allows otherwise eligible veterans to claim the credit if they have been Wisconsin residents for any consecutive five-year period after entry into the armed services.

Based on information from the Department of Veterans Affairs, there are approximately 1,022 Wisconsin veterans over the age of 65 with a SCD rating of 100%. The homeownership rate of veterans over the age of 65 is approximately 87% according to the 2001 National Survey of Veterans. This indicates that approximately 888 veterans would be eligible for the current credit. Including estimates of eligible unremarried surviving spouses of veterans who were either killed in action or died with a SCD rating of 100%, the estimated eligible population for the current credit is 1,521.

According to Department of Revenue data, 301 individuals claimed the veterans and surviving spouses property tax credit for tax year 2005, the first year the credit appeared on Wisconsin tax returns. If the estimated eligible population is correct, the number of claimants indicates a 20% participation rate. It is likely that the true participation rate is substantially below 100%, and also that the homeownership rate has been overstated. It may be the case that disabled veterans are less likely to own a home than the National Survey of Veterans indicates.

According to the Department of Veterans Affairs, there are approximately 6,671 veterans below the age of 65 and receiving compensation at a SCD rating of 100% or of any age with an Individual Unemployability designation. Using a 76% homeownership rate of veterans from the 2001 National Survey of Veterans, this indicates that approximately 5,050 veterans would become eligible for the credit under this bill. Including unremarried surviving spouses of veterans, the estimated newly eligible population for the credit is 6,084.

The average credit claimed in tax year 2005 was \$2,878. Assuming these taxpayers would have otherwise claimed the school property tax credit, the net cost of the credit averaged \$2,578. Applying this average cost to the newly eligible population results in an estimated total cost of the bill of approximately \$15,680,000 annually. If the participation rate remains at 20% the total cost will instead be approximately \$3,140,000. To the extent that some new claimants would no longer claim the homestead, farmland tax relief or farmland preservation credits, the fiscal estimate would be lower.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Expanding eligibility for the veterans and surviving spouses property tax credit			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
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		Authorized Signature	Date
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