

Fiscal Estimate Narratives

DOR 2/19/2008

LRB Number	07-3463/1	Introduction Number	AB-0786	Estimate Type	Original
Description Creating a nonrefundable individual income tax credit for the purchase of gluten-free food					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates a non-refundable credit equal to the amount spent on the purchase of gluten-free food. The purchase of the food must be certified by a physician as medically necessary. The maximum credit is \$10,000 (\$5,000 if married filing separately). Nonresidents must prorate the credit based on the ratio of Wisconsin adjusted gross income to federal adjusted gross income.

Since the credit is equal to the cost of gluten-free food and any qualifying individual would likely be on a gluten-free diet, it is assumed that the credit is for the entire amount spent on food during the year. According to the federal Consumer Expenditure Survey, the average household spent approximately \$6,000 on food in 2005. In contrast, the average net tax per Wisconsin return for 2006 was approximately \$2,800. This suggests that the bill would reduce revenue by approximately \$2,800 per claimant.

Celiac disease is most closely linked to a medical need for gluten-free diets. According to the National Institutes of Health, the exact number of individuals with the disease is unknown, but it has been estimated to occur in 1 in 133 individuals in the U.S. The National Foundation for Celiac Awareness suggests that the disease is undiagnosed in approximately 97% of cases, which implies about 1,260 diagnosed cases in Wisconsin (5.6 million residents x 1/133 with the disease x 3% diagnosed).

In addition to uncertainty about the prevalence of Celiac disease, it is unclear to what extent gluten-free diets are medically prescribed for conditions such as gluten intolerance or autism spectrum disorders. As a result, it is not known how many individuals medically require a gluten-free diet. If only individuals with diagnosed Celiac disease claim this credit, the revenue loss is estimated to be \$3.5 million (1,250 WI claimants x \$2,800 per claimant), but if individuals with other conditions also claim the credit, the revenue loss would be higher.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Creating a nonrefundable individual income tax credit for the purchase of gluten-free food			
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		\$	\$
NET CHANGE IN REVENUE		\$SeeText	\$
Agency/Prepared By		Authorized Signature	Date
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