



## Fiscal Estimate Narratives

DOR 2/28/2014

LRB Number	<b>13-3418/1</b>	Introduction Number	<b>AB-0697</b>	Estimate Type	<b>Original</b>
<b>Description</b> Amount of an academic excellence higher education scholarship, the number of those scholarships that may be awarded in an academic year, the eligibility criteria for those scholarships, creating an individual income tax credit for certain academic scholarship recipients, and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

This bill creates a nonrefundable individual income tax credit for students who receive an Academic Excellence Higher Education Scholarship and graduate from an institution within the University of Wisconsin System, a technical college district school, or a private institution of higher education with a bachelor's degree, an associate degree, or vocational diploma. To be eligible for the credit, graduates must reside and work in Wisconsin.

The credit is equal to 50% of all tuition and fees, including segregated fees, that would have been charged to a single full-time student by the institution or school attended by an individual who received the scholarship for the years in which the individual received the scholarship (50% of U.W.-Madison undergraduate tuition if the individual attended a private institution).

One-fifth of the credit may be claimed in the taxable year which immediately follows the year in which the individual graduates and an additional one-fifth in each of the next four consecutive taxable years. The individual must be a full-year resident of Wisconsin for a year in which the credit is claimed.

Based on information from the State of Wisconsin Higher Education Aids Board (HEAB), approximately 3,000 scholarships are awarded annually under the current scholarship program and HEAB expects to award approximately 1,800 scholarships annually under the proposed program when it is fully phased-in. Under this bill the credit is available beginning in 2017, so scholarship recipients who graduated in 2012 to 2016 would be eligible to claim the 2017 credit based on the five year credit window.

Using historic tuition rates, eligible graduates could claim approximately \$14.7 million in credits in 2017 if they remained in Wisconsin. Data compiled by the Federal Reserve Bank of Boston indicate that approximately 70% of Wisconsin baccalaureate degree recipients in 2008 remained in the state for at least a year after graduation. If scholarship recipients follow the same pattern, the total credit claim would be approximately \$10.3 million in 2017.

The average credit amount under this bill will exceed the typical income tax paid by individuals who are in their mid to late twenties. Since the credit is nonrefundable, it is expected to reduce revenue by approximately \$2.4 million annually beginning in fiscal year 2018.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

Original
  Updated
  Corrected
  Supplemental

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<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	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
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, etc.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes	\$		\$-2,400,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>\$-2,400,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-2,400,000	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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