

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-1322/1	Introduction Number SB-191	
Description creating a nonrefundable individual income tax credit for certain adoption expenses and modifying eligibility for the adoption expenses tax deduction		
Fiscal Effect State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
Fund Sources Affected Affected Ch. 20 Appropriations <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		
Agency/Prepared By DOR/ Bradley Caruth (608) 261-8984	Authorized Signature Michael Oakleaf (608) 261-5173	Date 5/7/2019

Fiscal Estimate Narratives

DOR 5/7/2019

LRB Number	19-1322/1	Introduction Number	SB-191	Estimate Type	Original
Description creating a nonrefundable individual income tax credit for certain adoption expenses and modifying eligibility for the adoption expenses tax deduction					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates a nonrefundable individual income tax credit for adoption expenses incurred by an individual who is eligible for, and claims, the federal adoption expenses credit. The state credit may be claimed for up to \$5,000 of qualified adoption expenses, to the extent that the expenses exceed their federal credit eligibility. Unused amounts may be carried forward for up to five years.

The maximum credit that may be claimed each fiscal year by all claimants is \$500,000. If the total amount of eligible claims exceed this amount, DOR must prorate the amount of credit that each claimant may receive.

The bill also restricts the state's current law deduction for up to \$5,000 of adoption expenses. Under the bill individuals may only claim the deduction to the extent that the adoption expenses are not claimed under the federal or state credits.

In 2016, there were approximately 1,360 Wisconsin claimants for the federal adoption credit. Based on IRS data for the federal adoption credit, about 44% of those claims, or 600 credits, are new claims, while the remaining 56% are carryover claims. A sample of the claims suggests that allowing a state credit of up to \$5,000 of qualified expenses in excess of the federal credit would yield an average credit amount of about \$3,850. Absent the \$500,000 fiscal year limit, the total credit claims would be about \$2.3 million. Accounting for the fiscal year limit, the credit will reduce revenue by \$500,000 annually.

The bill's restriction on the current law deduction for adoption expenses is expected to increase revenue by about \$30,000 annually, for a net impact of a \$470,000 revenue loss.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-1322/1		Introduction Number SB-191	
Description creating a nonrefundable individual income tax credit for certain adoption expenses and modifying eligibility for the adoption expenses tax deduction			
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		\$	\$-470,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-470,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-470,000	\$
Agency/Prepared By		Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984		Michael Oakleaf (608) 261-5173	5/7/2019