

Fiscal Estimate Narratives
DOR 2/21/2020

LRB Number	19-5726/1	Introduction Number	SB-821	Estimate Type	Original
Description a property tax exemption for all machinery, tools, and patterns; a reduction of state general obligation and variable rate debt supported by general purpose revenue; and increasing the maximum deduction under the individual income tax sliding scale standard deduction					

Assumptions Used in Arriving at Fiscal Estimate

PERSONAL PROPERTY TAX EXEMPTION

Under current law, beginning with the property tax assessments as of January 1, 2018, machinery, tools, and patterns, not including such items used in manufacturing are exempt from personal property taxes. The state reimburses taxing jurisdictions where this property is located for the loss of property tax revenue. The bill exempts all other machinery, tools, and patterns from the personal property tax and reimburses the taxing jurisdictions where this property is located for the loss of property tax revenue, based on the 2019 assessed values of such property.

Based on 2019-2020 preliminary data, the department estimates the 2021 personal property aid payment will increase by \$44,173,600 to exempt all other machinery, tools, and patterns. The 2020 personal property payment is estimated at \$74,730,100.

Under current law, personal property aid costs decrease when a TID closes and the payment ceases. The bill clarifies that following the termination of a tax incremental district the amount that would have been paid to the tax incremental district under current law and under the bill is distributed to the other applicable taxing jurisdictions.

The department estimates 2020 personal property aid payments will increase by \$517,900 for TIDs closed in 2019 compared to current law. 2020 personal property aid payments to tax incremental districts are currently estimated at \$14,835,700.

ADMINISTRATIVE COSTS

The department would incur one-time costs of \$600,000 to re-determine TID bases, update computer programs and revise forms for the bill's personal property tax exemption.

SLIDING SCALE STANDARD DEDUCTION

Under current state law, individuals may reduce their Wisconsin income by a standard deduction amount for individual income tax purposes. Wisconsin uses a sliding scale standard deduction that decreases as income increases. For tax year 2020, the standard deduction for single individuals is \$11,050 when Wisconsin income is less than \$15,940, and it is phased out as income rises from \$15,940 to \$108,023. For heads of households, mostly single parents, the deduction is \$14,280 when income is less than \$15,940, and it is phased down to the level of the standard deduction of single filers as income rises from \$15,940 to \$46,658. When income exceeds \$46,658, heads of households receive the same deduction as single individuals. For joint filers, the standard deduction is \$20,470 when income is less than \$23,000 and is phased out when income is between \$23,000 and \$126,499. For married persons filing separately, the standard deduction is \$9,720 when income is less than \$10,920 and is phased out when income is between \$10,920 and \$60,066. These amounts are indexed for inflation.

Under this bill, effective for tax year 2020, the standard deduction amounts are increased by 13.2% for each filing status, the income levels for beginning the deduction phase out are increased by 11.4%, and the rates at which

the deductions phase out are adjusted so they are closer together. Based on a simulation comparing current law standard deduction parameters to proposed standard deduction parameters, this provision of the bill will reduce revenue by approximately \$247 million in fiscal year 2021, \$222 million in fiscal year 2022, and similar amounts annually thereafter.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): \$600,000		
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	44,691,500	
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$44,691,500	\$
B. State Costs by Source of Funds		
GPR	44,691,500	
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, ets.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$-222,000,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$-222,000,000
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$44,691,500	\$
NET CHANGE IN REVENUE	\$-222,000,000	\$

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Date

2/21/2020