

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-5629/1	Introduction Number AB-1082
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Description
 adopting the federal student loan forgiveness tax exclusion for state tax purposes

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input checked="" type="checkbox"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs	5. Types of Local Government	
<input type="checkbox"/> Indeterminate	Units Affected	
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Counties <input type="checkbox"/> Others 0
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

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	Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984	Michael Oakleaf (608) 261-5173	2/14/2024

Fiscal Estimate Narratives

DOR 2/14/2024

LRB Number	23-5629/1	Introduction Number	AB-1082	Estimate Type	Original
Description adopting the federal student loan forgiveness tax exclusion for state tax purposes					

Assumptions Used in Arriving at Fiscal Estimate

Current state law excludes the amount of student loan debt relief from taxable income if the student loan was discharged according to a provision of the loan under which all or part of the indebtedness of the individual would be discharged if the individual worked for a certain period of time in certain professions (ex: certain student loans discharged under the Public Service Loan Forgiveness program).

For state income tax purposes, effective beginning in 2024, this bill adopts the student loan debt relief tax exclusion under the federal American Rescue Plan Act of 2021, which more broadly excludes discharged student loans. While the federal provision expires after 2025, this bill extends the exclusion for state tax purposes beyond the 2025 tax year.

The amount of student loan forgiveness that will occur in 2024 or future years is unknown, so the fiscal effect of the bill is indeterminate.

In recent years, Wisconsin returns accounted for about 1.7% of U.S. adjusted gross income and Wisconsin has an average marginal tax rate for people with student loan interest deductions of 5.2%. This suggests that, per billion of currently taxable federal student loan forgiveness that occurs in 2024, Wisconsin residents will receive about \$17 million of income (1.7% of forgiven debt) and the state would collect about \$880,000 in additional revenue. Under the bill, the state would forgo that additional revenue.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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Description adopting the federal student loan forgiveness tax exclusion for state tax purposes		
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		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$See Text	\$
Agency/Prepared By	Authorized Signature	Date
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