

FISCAL ESTIMATE FORM

2001 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 01-0230/2

INTRODUCTION # AB 25

Admin. Rule #

Subject

Index Working Families, Married Couple, and School Property Tax Credits for Inflation

Fiscal Effect

State: No State Fiscal Effect
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

- Increase Costs - May be Possible to Absorb
 Within Agency's Budget Yes No
 Decrease Costs

Local: No Local Government Costs

1. Increase Costs
 Permissive Mandatory
 2. Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
 4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:
 Towns Villages Cities
 Counties Others _____
 School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate:

The bill indexes for inflation, beginning in tax year 2001, the working families tax credit and the school property tax credit. Indexing is to be based on the change in the consumer price index (CPI) to August of the previous year from August 1999. The bill also indexes the married couples tax credit beginning in tax year 2002 based on the change in the CPI to August of the previous year from August 2000.

Specifically, the bill indexes the eligible income thresholds and phase-out ranges for the working families tax credit to the nearest \$10. For the married couple tax credit, the bill indexes the maximum credit amounts and rounds these to the nearest \$10. Finally, the bill indexes the maximum amount of eligible property taxes or rent that can be claimed for the school property tax/rent credit and rounds these figures to the nearest \$10.

The table below shows the credit parameters for tax years 2001, 2002 and 2003 based on the inflation forecast published in November by Standard & Poor's DRI. The relevant cumulative indexing factors used for the working families and school property tax/rent credits for each year are 3.4%, 5.6%, and 7.3%, respectively; for the married couple credit, indexing factors used were 2.2% in 2002 and 3.9% in 2003. Tax year 2000 information (and 2001 information for the married couple credit) is provided as a baseline.

Based on simulations using the 1999 Wisconsin Individual Income Tax Model (adjusted to reflect current law and statutory indexing of tax brackets and the standard deduction for future years), the revenue loss associated with this bill is estimated to be \$4.7 million in tax year 2001, \$11.0 million in tax year 2002, and \$16.8 million in tax year 2003. By credit, the fiscal effects for each year can be broken down as follows:

(continued on page two)

Long-Range Fiscal Implications:

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Meredith Krejny, (608) 261-8984	Yeang-Eng Braun <i>Yeang Eng Braun</i> (608) 266-2700	1/31/01

Revenue Loss By Credit, Tax Years 2001 - 2003

Credit	Tax Year		
	2001	2002	2003
Working Families Credit	\$ 360,000	\$ 590,000	\$ 800,000
Married Couple Credit	N/A	3,800,000	7,500,000
School Property Tax/Rent Credit	4,400,000	6,650,000	8,500,000

The effects of these tax changes will occur in FY 02, FY 03 and FY 04 respectively since withholding tables are typically not adjusted to account for changes in credits.

Credit Parameters: Tax Years 2000 through 2003

Credit	Tax Year			
	2000	2001	2002	2003
Working Families Tax Credit				
Eligible Income Thresholds				
Single/Head of Household/Married Separate	\$9,000	\$9,310	\$9,500	\$9,660
Married Joint Filers	18,000	18,610	19,010	19,310
Phase-out Ceiling				
Single/Head of Household/Married Separate	10,000	10,340	10,560	10,730
Married Joint Filers	19,000	19,650	20,060	20,390
Married Couple Credit				
Maximum Credit	\$440	\$480	\$490	\$500
Implied Maximum Eligible Earnings	16,000	16,000	16,333	16,666
School Property Tax/Rent Credit				
Maximum Tax/Rent Amount Eligible				
Single/Head of Household/Married Joint	\$2,500	\$2,590	\$2,640	\$2,680
Married Separate Filers	1,250	1,290	1,320	1,340
Maximum Credit				
Single/Head of Household/Married Joint	300	311	317	322
Married Separate Filers	150	155	158	161

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FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

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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 State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringe (FTE Position Changes)	\$ (FTE)	\$ - (- FTE)
State Operations-Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$	\$ -
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
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	\$	\$ - See Text
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$	\$ - See Text

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ _____	\$ _____
NET CHANGE IN REVENUES	\$ See Text _____	\$ _____

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Meredith Krajny, (608) 261-8984	Yeang-Eng Braun (608) 266-2700 <i>Yeang Eng Braun</i>	1/31/01