



**Fiscal Estimate Narratives**  
**DOR 2/7/02**

LRB Number	<b>01-4085/1</b>	Introduction Number	<b>AB-756</b>	Estimate Type	<b>Updated</b>
<b>Subject</b>					
Modify the definition of income under the homestead tax credit and farmland preservation tax credit					

**Assumptions Used in Arriving at Fiscal Estimate**

Under current law, for purposes of the homestead tax credit program, "household income" is broadly defined to include taxable income from all sources such as wages and salaries, dividends and interest, income from private pensions and annuities, most types of nontaxable transfers (including Social Security, railroad retirement benefits, veterans' pension and disability payments, and public assistance), court-ordered support payments, scholarship and fellowship awards, GI benefits, and other cash amounts. Other amounts considered household income include depreciation claimed for state income tax purposes, excluded long-term capital gains, contributions to Individual Retirement Accounts (IRAs), and other types of tax-preference income. The household income definition used for the farmland preservation tax credit program is statutorily linked to the definition used for purposes of the homestead credit.

The proposed bill would modify the homestead credit definition of household income to allow a subtraction for interest income received from the installment sale of business, farm or rental real property that includes the claimant's former homestead. The proposal also specifically states that this provision would not apply to the definition of household income used for purposes of the farmland preservation tax credit.

The number of filers receiving interest income from installment sales of real property and the amount of this interest is not known. Thus, the fiscal effect of this bill cannot be determined.

A portion of homestead tax credit program expenditures may be offset by federal temporary assistance to needy families (TANF) funds. Thus, the fiscal effect of this bill may be allocated between the GPR appropriation and the federal funding mechanism.

**Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 01-4085/1		<b>Introduction Number</b> AB-756	
<b>Subject</b>			
Modify the definition of income under the homestead tax credit and farmland preservation tax credit			
<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, ets.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Meredith Krejny (608) 261-8984		Brian Pahnke (608) 266-2700	2/7/02