

Fiscal Estimate Narratives

DOR 3/7/02

LRB Number	01-4839/1	Introduction Number	AB-841	Estimate Type	Original
Subject					
Index for inflation income and property tax elements of the homestead tax credit					

Assumptions Used in Arriving at Fiscal Estimate

Eligibility for the homestead tax credit program and the amount of the credit are determined by the homestead credit formula. The parameters for the formula include "household income" and a maximum amount of property tax accrued, which under current law are fixed in nominal terms. As a result, inflation erodes their real value over time, decreasing the number of claimants in the program and the size of the average claim.

The proposed bill indexes for inflation these homestead tax credit parameters beginning with claims filed in tax year 2004, based on property taxes and income in 2003. Indexing is to be based on the change in the consumer price index (CPI) from August of the previous year to the CPI from August 2001, and the amounts are to be rounded to the nearest \$10. Based on the latest forecast from DRI-WEFA, the maximum level of household income for homestead filers in tax year 2003 would increase to \$24,840 from the current \$24,500; the maximum amount of property taxes/rent accrued would increase to \$1,470 from \$1,450.

Based on a simulation using the 1999 Wisconsin Individual Income Tax Model, it is estimated that this bill would increase Homestead expenditures by approximately \$1.1 million beginning in FY04. The impact would rise each subsequent year as a result of additional indexing. Assuming inflation remains constant at the rate used to adjust parameters for 2003, the expenditure increase would be \$2.2 million in FY05, \$3.3 million in FY06, and so on. These estimates are calculated using available information on tax year 1999 Homestead credit claimants and are adjusted to reflect the statutory increase in the Homestead credit income threshold for tax year 2000. Information is not available for filers who currently cannot claim the Homestead credit but who would become eligible for the credit under this bill. If this information were available, the estimated cost of the bill would be higher.

Because the indexed income ceiling will make more claimants eligible for the credit, the Department of Revenue would incur annual costs of \$20,900 to process and audit additional claims.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2001 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):		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$3,300	
(FTE Position Changes)		
State Operations - Other Costs	17,600	
Local Assistance		
Aids to Individuals or Organizations	1,100,000	
TOTAL State Costs by Category	\$1,120,900	\$
B. State Costs by Source of Funds		
GPR	1,120,900	
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	\$1,120,900	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By	Authorized Signature	Date
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