

Assembly Hearing Slip

(Please print plainly)

Date: 4/11

Bill No. AB 140

Or Subject _____

Name Tom Durak

Street Address or Route Number _____

City and Zip Code _____

Representing -DOR-

Speaking in favor:	<input type="checkbox"/>
Speaking against:	<input type="checkbox"/>
Registering in favor:	<input type="checkbox"/>
Registering against:	<input type="checkbox"/>
Speaking for information only:	<input type="checkbox"/>
Neither for nor against:	<input checked="" type="checkbox"/>

Please promptly return this slip to the messenger at the committee.

Provided by:
Assembly Sergeant at Arms
411 West, State Capitol
Madison, WI 53708

Assembly Hearing Slip

(Please print plainly)

Date: APRIL 11, 2001

Bill No. AB 140

Or Subject HOMESTEAD CREDIT

IN HOME DEFINITION

Name JIM KOSIAK

Street Address or Route Number _____

City and Zip Code ALBANY WI 53562

Representing SELF

Speaking in favor:	<input checked="" type="checkbox"/>
Speaking against:	<input type="checkbox"/>
Registering in favor:	<input type="checkbox"/>
Registering against:	<input type="checkbox"/>
Speaking for information only:	<input type="checkbox"/>
Neither for nor against:	<input type="checkbox"/>

Please promptly return this slip to the messenger at the committee.

Provided by:
Assembly Sergeant at Arms
411 West, State Capitol
Madison, WI 53708

Assembly Hearing Slip

(Please print plainly)

Date: 11 April 2001

Bill No. AB 140

Or Subject Def. of means under

Homestead Tax Credit

Name Rep. Mike Bowers

Street Address or Route Number 125 W. Copthol

City and Zip Code Madison WI 53708

Representing 80th Asseny Dist

Speaking in favor:	<input checked="" type="checkbox"/>
Speaking against:	<input type="checkbox"/>
Registering in favor:	<input type="checkbox"/>
Registering against:	<input type="checkbox"/>
Speaking for information only:	<input type="checkbox"/>
Neither for nor against:	<input type="checkbox"/>

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Madison, WI 53708

Interest is computed with due date of homestead part credit. There is no due date. (current law).

Amendment moves the interest due date to Inc Tax return filing date.

~~2.3~~ mail increase in homestead benefits, as a result of ↑ \$ of people qualifying

Homestead is to provide Prop tax relief to low income homeowners.

Modify the def affects who is eligible

① Exclude amount from a non-taxable pension or annuities.

② Exclude contributions to def comp, IRA & KEUACH plans. Feel need double

③ Include life insurance proceeds or illness benefits. In an effort to determine how well off "consist" with other provisions

Assembly Hearing Slip

(Please print plainly)

Date: 4/11/01

Bill No. AB140

Or Subject _____

Name Jenny Boesse

Address or Route Number P.O. Box 7158

City and Zip Code Madison, WI 53707-7158

Representing Elder Law Section of the State Bar of WI

Speaking in favor:	<input type="checkbox"/>
Speaking against:	<input type="checkbox"/>
Registering in favor:	<input checked="" type="checkbox"/>
Registering against:	<input type="checkbox"/>
Speaking for information only:	<input type="checkbox"/>
Neither for nor against:	<input type="checkbox"/>

Please promptly return this slip to the messenger at the committee.

Provided by:
Assembly Sergeant at Arms
411 West State Capitol
Madison, WI 53708

Ways & Means Committee
Preliminary Report on Referred Legislation
February 20, 2001

Bill: **AB 140**
Author: **Powers**
Date Referred: **02-19-2001**
Public Hearing: **N/A**
Executive Session: **N/A**

Relating Clause: **modifying the definition of "income" under the homestead tax credit.**

Comments from Department of Revenue-

"I will confirm that with our technical people, but it looks to me like it has all the pieces we were looking for." – Sherrie Gates-Hendrix, DOR

Comments from the Author-

Author's reasoning for introducing legislation:
At the request of a constituent who is a CPA and volunteers tax work for AARP.

Author's intent:
Reduce the AGI for individuals trying to qualify for the homestead tax credit.

Does the Author want the legislation moved forward?

Yes No

If no, do we have this in writing?

Yes No

Is the legislation in its final form?

Yes No

If major changes are required, the author shall prepare and introduce the necessary amendments.

Comments from potentially affected parties-
comments.

Assembly Committee on Ways and Means

DATE _____
 Moved by Lehman Seconded by Turner
 AB 140 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____
 A _____ SR _____ Other _____
 A/S Amdt 0522
 A/S Amdt _____ to A/S Amdt _____
 A/S Sub Amdt _____
 A/S Amdt _____ to A/S Sub Amdt _____
 A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

In 116

- Be recommended for:
- Passage
 - Introduction
 - Adoption
 - Rejection
 - Indefinite Postponement
 - Tabling
 - Concurrence
 - Nonconcurrence

	Committee Member	Aye	No	Absent	Not voting
1.	Rep. Mickey Lehman, chair	1			
2.	Rep. John Ainsworth, vice-chair	2			
3.	Rep. Suzanne Jeskewitz	3			
4.	Rep. Frank Lasee	4			
5.	Rep. Samantha Starzyk	5			
6.	Rep. Tom Sykora	6			
7.	Rep. Carol Owens	7			
8.	Rep. Luther Olsen	8			
9.	Rep. Wayne Wood	9			
10.	Rep. Bob Ziegelbauer	10			
11.	Rep. Johnie Morris-Tatum	11			
12.	Rep. Mark Pocan	12			
13.	Rep. Bob Turner	13			
Totals		13	0		

MOTION CARRIED

MOTION FAILED

Assembly Committee on Ways and Means

DATE _____

Moved by _____

Wood

Seconded by _____

Ainsworth

AB 140

SB _____

Clearinghouse Rule _____

AJR _____

SJR _____

A _____

SR _____

Other _____

A/S Amdt _____

A/S Amdt _____

to A/S Amdt _____

A/S Sub Amdt _____

A/S Amdt _____

to A/S Sub Amdt _____

A/S Amdt _____

to A/S Amdt _____

to A/S Sub Amdt _____

Be recommended for:

Passage

Introduction

Adoption

Rejection

Indefinite Postponement

Tabling

Concurrence

Nonconcurrence

	Committee Member	Aye	No	Absent	Not voting
1.	Rep. Mickey Lehman, chair	1			
2.	Rep. John Ainsworth, vice-chair	2			
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7.	Rep. Carol Owens	7			
8.	Rep. Luther Olsen	8			
9.	Rep. Wayne Wood	9			
10.	Rep. Bob Ziegelbauer	10			
11.	Rep. Johnie Morris-Tatum		1		
12.	Rep. Mark Pocan	11			
13.	Rep. Bob Turner	12			
	Totals	12	1		

MOTION CARRIED

MOTION FAILED

Nowlan, Andrew

From: Gates-Hendrix, Sherrie
Sent: Tuesday, February 27, 2001 10:03 AM
To: Nowlan, Andrew
Subject: AB 140

Hi Andrew - I've been out sick, but wanted to make sure I let you know that I confirmed with our staff that AB 140 is exactly the bill we'd like to see for the definition of income. I think I told you I was fairly certain of that, but just wanted to confirm with our experts.

Sherrie



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

April 10, 2001

TO: Representative Michael Powers
Room 125 West, State Capitol

FROM: Al Runde, Fiscal Analyst

SUBJECT: Assembly Bill 140: Modifications to the Homestead Credit Household Income Definition

As you requested, this memorandum provide information on the proposed modifications to the definition of household income under the homestead tax credit included in Assembly Bill 140. Specifically, you requested an estimate of the cost associated with these proposed modifications.

The homestead tax credit program directs property tax relief to low-income homeowners and renters. The amount of the credit received by claimants depends on the interaction of household income and allowable property taxes or rent. For purposes of calculating the credit, household income is adjusted downward by \$250 for each dependent to account for family size. The homestead credit is refundable; that is, a check from the state is issued if the amount of the credit exceeds income tax liability.

For claimants with income of \$8,000 or less, the credit is equal to 80% of property taxes or rent constituting property taxes to a maximum of \$1,450 in property taxes or rent. The maximum credit is \$1,160. Rent constituting property taxes is 25% of rent if payment for heat is not included in rent and 20% of rent if payment for heat is included.

The credit is phased out for claimants with income between \$8,000 and \$24,500, at which point the credit equals zero. For claimants with less than \$1,450 in allowable rent or property taxes, the credit is eliminated at lower income levels. The credit formula can be expressed as a mathematical equation for individuals with income between \$8,000 and \$24,500 as shown below:

$$\text{Homestead Credit} = 80\% \times [\text{Property Taxes} - 8.788\% \times (\text{Household Income} - \$8,000)]$$

In 1999-00, homestead tax credit expenditures increased to nearly \$80.0 million due to the increase in the maximum allowable income level from \$19,154 to \$20,290 for tax year 1999, under 1999 Act 9. It is currently estimated that the cost of the credit will further increase to \$94.0 million in 2000-01 due to the additional increase in the maximum allowable income level to \$24,500 for tax year 2000, under Act 9. If the formula factors of the credit are not changed, credit expenditures will likely decline from the 2000-01 level during the next biennium. It is currently estimated that the credit expenditures will total \$91.9 million in 2001-02 and \$90.0 million in 2002-03. The decline in the projected expenditures for the credit reflects the growth in household income compared to the constant formula factors.

Assembly Bill 140

Assembly Bill 140 would modify the definition of household income used in determining whether one is eligible for a homestead credit and the size on the credit received. Specifically, the bill would exclude the nontaxable portions of pensions and annuities as well as the tax deductible contributions to individual retirement accounts and Keough plans and nontaxable deferred compensation. The bill would also include life insurance death benefits and sickness or injury compensation excluded from gross income under Section 104 of Internal Revenue Code in the definition of household income.

Information on the nontaxable portions of pensions and annuities as well as tax deductible payments to individual retirement accounts and Keough accounts is available from the 1999 individual income tax sample. However, information on the amount of deferred compensation deducted from taxable income by individual state tax filers is not available. These amounts are deducted from income before income is reported in determining federal adjusted gross income, which is the basis for determining state taxes.

While a significant amount of deferred compensation is likely excluded from taxable income by state tax filers, homestead tax filers are typically lower income filers, elderly filers, or both. Lower income filers are not likely to have significant amounts of discretionary income available to defer compensation and elderly filers are more likely to be withdrawing funds from their deferred compensation accounts than deferring income to those accounts. Therefore, excluding deferred compensation amounts from household income under the homestead credit may not have a significant impact on the cost of the credit. Similarly, the change in treatment of IRA and Keough contributions, which are also used as a means to defer taxable income, is not likely to lead to a significant change in the cost of the credit unless these changes provide an incentive to low income filers to defer income from taxation for retirement, which under the bill could lead to a larger homestead credit. No such change in the behavior of homestead credit claimants is included in this estimate.

Also, no information is available on the amount of life insurance death benefits and sickness or injury compensation excluded from gross income under Section 104 of the Internal Revenue Code by state individual income tax filers that is proposed to be added to the definition of

household income under the bill. Any amounts of these benefits that exist would be added back to household income under the bill, which could reduce the costs associated with proposed household income exclusions included in bill.

Under the bill, if the legislation is enacted prior to July 31, 2001, the modifications to the credit would first apply to tax year 2001. Alternatively, if the legislation is enacted between July 31, 2001, and December 31, 2001, the modifications to the credit would first apply to tax year 2002. Using the 1999 tax sample for the data available, it is estimated that AB 140 would increase the estimated cost of the credit by \$2.6 million in 2001-02 and \$2.1 million in 2002-03, if the legislation first applies to tax year 2001. For the reasons mentioned earlier, most of the increase in the cost of the credit is likely associated with exclusion of the nontaxable portion of pensions and annuities, rather than due to the proposed change in the treatment of IRA or Keough plan contributions and deferred compensation.

I hope this information is helpful. Please contact me if you have any further questions.

AR/sas



State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK ROAD • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933 • 608-266-6466 • FAX 608-266-5718 • <http://www.dor.state.wi.us>

Scott McCallum
Governor

Richard G. Chandler
Secretary of Revenue

May 21, 2001

The Honorable Wayne Wood
Wisconsin Assembly
104 North, State Capitol
Madison, WI 53702

Dear Representative Wood:

As a follow-up to your telephone conference with Tom Ourada and Mark Wipperfurth on May 18, 2001, this letter should help clarify how 2001 AB140 affects the treatment of income relating to retirement plans.

It may be helpful to think of retirement plans in two categories:

- (1) Plans for which a deduction is allowed in arriving at adjusted gross income in the year money is placed in the retirement account, such as an IRA, Keogh, 401(k), etc. (this reduces the tax in the year of the contribution); and
- (2) Plans for which no income tax deduction is made in the year money is placed in the retirement account (e.g., a standard employee pension plan or a privately purchased annuity contract).

For retirement plans in category (1), the homestead credit law as it exists today requires the following:

- The amount deducted for income tax purposes in the year money is paid in to the account must be added back in computing "household income" ("household income" is the income reportable on the homestead credit claim); and
- When distributions are eventually made (when the claimant begins drawing money out of the retirement plan account), the entire amount of the distribution (the "gross pension or annuity") must be included in household income, including both taxable and nontaxable amounts. (For income tax purposes, both the "earnings" - the interest that has accrued over the years - and the portion that was allowed as a deduction in the years invested are taxable, but any portion of the claimant's original investment for which no deduction had been made is not taxable.)

AB 140 does two things with respect to category (1) retirement plans:

- Amounts deducted for income tax purposes in the year of the investment do not have to be added back in calculating household income for purposes of the homestead credit.
- If the homestead claimant had made any contributions to the retirement plan that were not deducted for income tax purposes at the time of the contribution, that portion (which is not taxable) is not counted as household income.

The Honorable Wayne Wood
May 21, 2001
Page 2

For retirement plans in category (2), the homestead credit law as it exists today requires that the gross amount of any distributions from the retirement plan must be included in household income, including both taxable portions (earnings) and nontaxable portions (the claimant's investment in the plan). AB 140 eliminates the requirement to include the nontaxable portion of retirement plan distributions as a part of household income. Nontaxable recoveries of a claimant's investment in a retirement plan are not included in household income under AB 140.

In summary, AB 140 excludes certain retirement plan income or deductions from the definition of "income" for homestead credit purposes, which must currently be included. It does NOT add any new items to the definition of "income," relating to retirement plan contributions or distributions.

I hope this provides you with the information you need. If you have any further questions, please feel free to contact either Mr. Ourada or Mr. Wipperfurth.

Sincerely,

Richard G. Chandler
Secretary of Revenue

RGC:MPW

Cc: Representative Michael Lehman
Representative Michael Powers
Representative David Ward
Ways & Means Committee Members



Michael (Mickey)
Lehman
State Representative
58th Assembly District

Committee Chair: Ways and Means

Memorandum

To: Members, Assembly Ways and Means Committee

From: Rep. Mickey Lehman

Date: May 21st, 2001

Re: May 23rd, Ways & Means Meeting

Attached please find amendment LRBa0200/1 to AB 15 and amendment LRBa0552/1 to AB 140. Assembly Bills 15 and 140 along with Assembly Bill 314 and Senate Bill 163 are scheduled for Executive Action in the Ways & Means Committee on Wednesday, May 23rd.



June 6, 2000

TITLE Modify Definition of "Income" for Homestead and Farmland Preservation Credits

SUMMARY OF RECOMMENDATION:

Modify the definition of "income" for the purposes of the Homestead and Farmland Preservation credits to specify that: (1) nontaxable recoveries of a claimant's investment in a pension or annuity is excluded from "income" and only the taxable portion of the pension or annuity is included; (2) contributions made to a deferred comp, IRA and Keogh plan that are excluded or deducted from taxable income are not included in the definition of income; (3) that life insurance proceeds received by a beneficiary and nontaxable injury/illness benefits are included in the definition of income. These changes were included in 1999 AB 85.

DESCRIPTION OF CURRENT LAW AND PROBLEM

For homestead credit and farmland preservation credit purposes, "income" includes the **gross** amount of all pensions and annuities, amounts contributed to a deferred compensation plan that are excluded from wages, and amounts deducted for contributions to individual retirement accounts and Keogh plans. Life insurance proceeds received by a beneficiary and nontaxable injury or sickness benefits are not includable.

1. Gross pensions and annuities – It is inequitable to include the portion of a pension or annuity payment that represents a return of the claimant's investment in the pension or annuity plan. When amounts are withdrawn from a savings account or other investment plan, only the earnings portion (interest or dividends) is "income," not the portion the claimant deposited into the account. When stocks or capital assets are sold, only the gain from the sale is "income," not the cost of the stocks or assets.
2. Deferred compensation, individual retirement account, and Keogh plan contributions – Amounts that have been excluded or deducted from taxable income as contributions to a deferred compensation plan, an individual retirement account, or a Keogh plan are taxable (and thus includable as "income") at the time distributions from these plans are received. Requiring these amounts to also be included as "income" in the year of the contribution results in double-counting that income and is therefore inequitable.
3. Life insurance proceeds and injury or illness benefits – "Income" is intended to be a measure of a claimant's resources available to help pay property taxes or rent. Therefore, it is equitable to include life insurance proceeds received by a beneficiary of a life insurance policy upon an insured person's death, and nontaxable compensation received for an injury or illness, as "income" for homestead credit and farmland preservation credit purposes.

ADMINISTRATIVE IMPACT

Processing cost will likely increase minimally, because additional claimants will likely be eligible for homestead credit benefits.

FISCAL EFFECT

Minimal GPR revenue loss.

DRAFTING INSTRUCTIONS

See the attached copy of 1999 Assembly Bill 85, which accomplishes exactly the intent of this Legislative Proposal. These revisions modify "income" as follows:

1. Nontaxable recoveries of a claimant's investment in a pension or annuity plan (except social security and railroad retirement) are not includable in "income."

Example: Claimant A receives pension payments of \$6,000 for the year, consisting of \$4,000 of taxable income and \$2,000 representing a return of Claimant A's investment in the pension plan.

Only \$4,000 is "income." As a result of this modification, the \$2,000 recovery of Claimant A's investment is not includable in "income."

2. Excludable contributions to deferred compensation plans and deductions for contributions to Keogh plans and individual retirement accounts under section 219 of the Internal Revenue Code are not "income" in the year the contributions are made. These amounts would be "income" for homestead credit and farmland preservation credit purposes only when distributions are received from these plans.
3. Life insurance proceeds received by a beneficiary of a life insurance policy upon an insured person's death, and compensation for injuries or illness excluded from taxable income under section 104 of the Internal Revenue Code, must be included in "income" for homestead credit and farmland preservation credit purposes.

EFFECTIVE DATE AND/OR INITIAL APPLICABILITY

Claims filed for taxable years beginning on or after January 1 of the year of enactment, or January 1 of the year following enactment if enacted on or after August 1.

DOR CONTACT PERSON

Clay Seth
Policy Initiatives Advisor
266-8920

PREPARED BY

Mark Wipperfurth
Revenue Tax Specialist
266-8253

June 7, 2000

TITLE Revise Interest Charges on an Assessment to Recover an Excessive Homestead, Farmland Preservation, or Farmland Tax Relief Credit

SUMMARY OF RECOMMENDATION:

Revise current law for Homestead, Farmland Preservation and Farmland Tax Relief credits to provide that assessments made to recover credit overpayments shall include charges for interest calculated from the date the credit claim was filed. Under current law, interest on overpayments may be charged from the "due date" of the claim. However, homestead, farmland preservation and farmland tax relief credit claims do not have "due dates" but instead have filing deadlines that are 4 years after the due date of the tax return for the year to which the claim relates.

DESCRIPTION OF CURRENT LAW AND PROBLEM

Interest on an assessment to recover an excessive credit may be charged from the "due date" of the claim, per sec. 71.82(1)(c) and (2)(c), Wis. Stats. (1997-98). While a homestead, farmland preservation, or farmland tax relief credit claim does not have a "due date" because a claim is not required to be filed, the "deadline" for filing a claim is 4 years after the unextended due date of the corresponding tax return for the year to which the claim relates. This means that no interest may be charged on an assessment to recover an excessive credit until after the filing deadline, even though the credit may have been allowed as much as 4 years or more before the assessment.

- Example. Claimant A files a 1996 homestead credit claim for \$800 in January 1997, and the \$800 is paid to Claimant A on February 20, 1997. In 2001 the department determines that the correct credit for 1996 is \$300. Claimant A is assessed for the excessive credit of \$500 on February 5, 2001 (payment is due April 9, 2001). Since the deadline for filing a 1996 homestead credit claim is April 16, 2001, no interest may be charged on the February 5, 2001 assessment, even though Claimant A received the excessive credit of \$500 more than 4 years before the due date of the repayment.

For the fiscal year ending June 30, 1999, the department assessed back \$662,537 of previously issued homestead credits, as illustrated in the table below.

Project	Number of Assessments	Homestead Credit Dollars Assessed
Welfare and public assistance	1,323	\$427,717
Federal audit adjustments	281	77,847
Fraud profile	46	48,416
Preprocessing audit	55	37,056
Tax-exempt properties	50	12,484
Other audit adjustments	128	59,017
Totals	1,883	\$662,537

ADMINISTRATIVE IMPACT

Will increase revenues modestly by permitting the proper charges for interest on assessments to recover excessive credits previously allowed.

DRAFTING INSTRUCTIONS

Revise sec. 71.82(1)(c) and (2)(c), Wis. Stats., to state that an assessment shall bear interest from the date the claim was filed rather than from the due date of the claim. Also provide that for purposes of those paragraphs, a claim filed on or before the unextended due date for filing an income or franchise tax return for the taxable year to which the claim relates, shall be considered as filed on such unextended due date.

In addition, revise sec. 71.738(3), Wis. Stats., to remove the words "or of the claim made under subch. VIII," to eliminate any confusion regarding the provisions of subchapters XII (administrative provisions) and XIII (interest and penalties).

EFFECTIVE DATE AND/OR INITIAL APPLICABILITY

Assessments made on or after the day after publication, to recover excessive homestead, farmland preservation, or farmland tax relief credits.

DOR CONTACT PERSON

Clay Seth
Policy Initiatives Advisor
266-8920

PREPARED BY

Mark Wipperfurth
Revenue Tax Specialist
266-8253

4/12

AB 140/46

Want the language to target the back end. That money going into IRA/KEOGH is included but when drawing principle (not int.) out, it not be included in income for homestead purposes.

	Current Law		under ^{Wayne} bill	
	Inc	Homestead	Inc	Homestead
IRA Contr	NO	NO	NO	Yes
IRA Dist				
IRA Dist Prin			Yes	NO
IRA Dist Gain			Yes	Yes

Include in definition of Income

	Current Law		Wayne Idea		140	
	Inc.	Home.	Inc.	Home.	Inc.	Home.
IRA Contr	NO	NO	NO	Yes	NO	NO
IRA Dist Prin	Yes		Yes	NO	Yes	NO
IRA Gain	Yes	Yes	Yes	NO	Yes	Yes

FISCAL ESTIMATE FORM

2001 Session

- ORIGINAL UPDATED
- CORRECTED SUPPLEMENTAL

LRB # 01-1067/1

INTRODUCTION # AB 140

Admin. Rule #

Subject

Modify Income Definition for Homestead Credit-Pensions, Life Insurance Proceeds and Sickness/Injury Compensation

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

20.835 (2)(c)

Assumptions Used in Arriving at Fiscal Estimate:

This bill modifies the definition of income used in the Homestead tax credit program by excluding from income the nontaxable portion of pensions and annuities as well as tax deductible payments to IRAs, Keogh accounts and deferred compensation. The bill also includes in household income life insurance death benefits and sickness or injury compensation excluded from gross income under Section 104 of the Internal Revenue Code.

Based on a simulation using the 1999 Wisconsin Individual Income Tax Model, it is estimated that this bill would increase Homestead expenditures by no more than \$2.3 million annually. This estimate was calculated using available information on tax year 1999 Homestead credit claimants and was adjusted to reflect the statutory increase in the Homestead credit income threshold for tax year 2000 and thereafter. Information is not available for filers who currently cannot claim the Homestead credit but who would become eligible for the credit under this bill. Further, because information is not available for the amount of non-taxable life insurance death benefits or sickness and injury compensation received by filers, the estimate does not include the effect of adding back these amounts to household income. As a result, the fiscal effect provided here overstates the actual effect of this bill by an unknown amount.

Long-Range Fiscal Implications:

Agency/Prepared by: (Name & Phone No.)

Wisconsin Department of Revenue

Meredith Krejny, (608) 261-8984

Authorized Signature/Telephone No.

Yeang-Eng Braun

(608) 266-2700

Yeang Eng Braun

Date

2/26/01

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

2001 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 01-1067/1
INTRODUCTION # AB 140

Admin. Rule #

Subject

Modify Income Definition for Homestead Credit-Pensions, Life Insurance Proceeds and Sickness/Injury Compensation

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:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringe	\$		\$ -
(FTE Position Changes)		(FTE)	(- FTE)
State Operations-Other Costs			-
Local Assistance			-
Aids to Individuals or Organizations		See Text	-
TOTAL State Costs by Category	\$	See Text	\$ -
B. State Costs by Source of Funds		Increased Costs	Decreased Costs
GPR	\$	See Text	\$ -
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	\$ See Text	\$
NET CHANGE IN REVENUES	\$	\$

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Meredith Krejny, (608) 261-8984	Yeang-Eng Braun (608) 266-2700 <i>Yeang Eng Braun</i>	2/26/01