

Fiscal Estimate - 2003 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 03-4155/1	Introduction Number AB-793
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Subject
 Estate tax on the transfer of property within this state's jurisdiction

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 type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Towns Village Cities
 Counties Others
 School Districts WTCS Districts

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 DOR/ Karyn Kriz (608) 261-8984	Authorized Signature Dennis Collier (608) 266-5773	Date 2/12/2004
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Fiscal Estimate Narratives

DOR 2/13/2004

LRB Number	03-4155/1	Introduction Number	AB-793	Estimate Type	Original
Subject					
Estate tax on the transfer of property within this state's jurisdiction					

Assumptions Used in Arriving at Fiscal Estimate

Under current Wisconsin law, an estate tax is imposed on the transfer of the personal property of a resident decedent or the transfer of property within the jurisdiction of Wisconsin when the decedent was not a Wisconsin resident. However, an estate tax is not imposed on the transfer of a nonresident decedent's intangible personal property located in Wisconsin if the decedent's state of residence does not impose an estate tax on the intangible personal property located there that is owned by a Wisconsin resident. This reciprocity provision only applies if the state where the decedent resided has an estate tax.

The Department interprets the intent of this bill to be to eliminate the Wisconsin estate tax on the transfer of a nonresident decedent's intangible personal property located in Wisconsin when the decedent's state of residence does not have an estate tax.

Under current federal law, the state death tax credit against federal tax liability expires for deaths occurring after December 31, 2004. Therefore, beginning January 1, 2005, some states will no longer have a state death tax. Because they do not, property of their residents under the jurisdiction of Wisconsin will be taxable by Wisconsin, since it is not taxable in their state of residence. Also under current law, Wisconsin's estate tax is repealed for deaths after December 31, 2007.

Thus, this bill would only affect tax on estates of persons dying in 2005, 2006 and 2007. Because estate taxes are due 9 months after the date of death, this bill would have a one-time impact on collections made from October 1, 2005, through September 30, 2008. Based on Department of Revenue (DOR) estimates, estate tax revenues on estates of persons dying in 2005, 2006 or 2007 would be \$76 million in FY06, \$108 million in FY07, \$118 million in FY08 and \$31 million in FY09.

According to Internal Revenue Service (IRS) data, about 24% of gross taxable estate for federal tax purposes is composed of intangible assets. For nonresidents subject to the Wisconsin estate tax, it is not known what percentage of these intangible assets are currently in Wisconsin; for purposes of this estimate, it is assumed 50% are located here, which would mean that on average 12% of a nonresident's gross estate would be affected by this bill.

Based on DOR experience, about 10% of estate tax returns are filed by nonresidents. The U.S. Bureau of the Census reports that, among persons ages 65 and older who moved from Wisconsin between 1995 and 2000, 61.5% moved to states that, according to the Congressional Research Service, would not impose an estate tax for deaths occurring after December 31, 2005. This implies that approximately 6% of estate tax returns would be nonresident returns affected by this bill.

Based on these assumptions, the revenue loss would be as follows:

FY06: \$0.5 million (\$76 million x 12% x 6%)
FY07: \$0.8 million (\$108 million x 12% x 6%)
FY08: \$0.8 million (\$118 million x 12% x 6%)
FY09: \$0.2 million (\$31 million x 12% x 6%)

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

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Subject			
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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
One-time decrease in state tax revenues of \$0.5 million in FY06, \$0.8 million in FY07, \$0.8 million in FY08 and \$0.2 million in FY09.			
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			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$	\$
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		Date	
		2/12/2004	