

### Fiscal Estimate - 2003 Session

Original       Updated       Corrected       Supplemental

LRB Number **03-3883/4**      Introduction Number **AB-874**

**Subject**  
Investment of certain private sector employer and employee moneys, income tax exemptions

**Fiscal Effect**

**State:**

No State Fiscal Effect  
 Indeterminate

Increase Existing Appropriations       Increase Existing Revenues  
 Decrease Existing Appropriations       Decrease Existing Revenues  
 Create New Appropriations

Increase Costs - May be possible to absorb within agency's budget  
 Yes       No  
 Decrease Costs

**Local:**

No Local Government Costs  
 Indeterminate

1.  Increase Costs      3.  Increase Revenue  
 Permissive  Mandatory       Permissive  Mandatory  
2.  Decrease Costs      4.  Decrease Revenue  
 Permissive  Mandatory       Permissive  Mandatory

5. Types of Local Government Units Affected  
 Towns       Village       Cities  
 Counties       Others  
 School Districts       WTCS Districts

**Fund Sources Affected**      **Affected Ch. 20 Appropriations**

GPR     FED     PRO     PRS     SEG     SEGS

<b>Agency/Prepared By</b> DOR/ Karyn Kriz (608) 261-8984	<b>Authorized Signature</b> Dennis Collier (608) 266-5773	<b>Date</b> 2/11/2004
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## Fiscal Estimate Narratives

DOR 2/23/2004

LRB Number	<b>03-3883/4</b>	Introduction Number	<b>AB-874</b>	Estimate Type	<b>Original</b>
<b>Subject</b>					
Investment of certain private sector employer and employee moneys, income tax exemptions					

### Assumptions Used in Arriving at Fiscal Estimate

This bill would require the State of Wisconsin Investment Board (SWIB) to create an investment program. Private sector Wisconsin employees who work at a business or organization that employs fewer than 25 employees and their employers would be allowed to place funds with SWIB for investment. These funds and any investment return on the funds would be paid to individuals upon retirement or termination or employment. This bill would allow an individual to deduct from federal adjusted gross income any amount of contributions the individual makes to his or her account under this program. Gains that accrue to such an account are also tax-exempt if the gains are redeposited into the account.

According to the U.S. Census Bureau's County Business Patterns, there were about 121,000 establishments in Wisconsin with fewer than 25 employees in 2001. If all employees at these establishments place funds with SWIB for investment, about 660,000 employees would be eligible for the state tax exemption. There are no data available on the total amount that would be invested in the proposed program. However, if it were assumed that each employee contributes \$1,000 to his or her account, \$661 million (660,000 x \$1,000) of contributions would be made each year. Assuming an average marginal tax rate of 5.5%, this bill would result in a \$36 million (\$661 million x .055) decrease in state income tax revenues.

However, based on discussions with SWIB, this program is not predicted to be very popular and it is assumed that about 1% of the tax filing population of 2.7 million, or 27,000 filers, would participate in this program. Assuming each of the participating 27,000 filers contributes \$1,000 annually and assuming an average marginal tax rate of 5.5%, state income tax revenues would decrease by \$1.5 million (27,000 x \$1,000 x .055). However, the actual cost of the program could be higher or lower depending on the number of participants in the program and the annual amount contributed to the accounts.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>03-3883/4</b>		Introduction Number <b>AB-874</b>	
<b>Subject</b>			
Investment of certain private sector employer and employee moneys, income tax exemptions			
<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. 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, etc.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		\$	\$
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$SeeText	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	
DOR/ Karyn Kriz (608) 261-8984		Dennis Collier (608) 266-5773	
		<b>Date</b>	
		2/11/2004	