

Fiscal Estimate Narratives

DOR 3/8/2004

LRB Number 03-4244/1	Introduction Number SB-529	Estimate Type Original
Subject Voluntary investment program with the State of Wisconsin Investment Board for individuals and their employers		

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

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Subject			
Voluntary investment program with the State of Wisconsin Investment Board for individuals and their employers			
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		\$	
(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		\$SeeText	\$
Agency/Prepared By		Authorized Signature	Date
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