

Fiscal Estimate - 2005 Session

Original Updated Corrected Supplemental

LRB Number 05-0471/1		Introduction Number AB-106	
Subject Expand the individual income tax deduction for college tuition expenses			
Fiscal Effect			
State:			
<input type="checkbox"/> No State Fiscal Effect			
<input type="checkbox"/> Indeterminate			
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Increase Existing Revenues	
<input type="checkbox"/> Decrease Existing Appropriations		<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriations		<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
		<input type="checkbox"/> Decrease Costs	
Local:			
<input type="checkbox"/> No Local Government Costs			
<input type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs		3. <input type="checkbox"/> Increase Revenue	
<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	
5. Types of Local Government Units Affected			
<input type="checkbox"/> Towns		<input type="checkbox"/> Village <input type="checkbox"/> Cities	
<input type="checkbox"/> Counties		<input type="checkbox"/> Others	
<input type="checkbox"/> School Districts		<input type="checkbox"/> 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 20.566 (1)(a)			
Agency/Prepared By DOR/ Joshua Dukelow (608) 266-5516		Authorized Signature Rebecca Boldt (608) 266-6785	Date 2/24/2005

Fiscal Estimate Narratives

DOR 2/24/2005

LRB Number	05-0471/1	Introduction Number	AB-106	Estimate Type	Original
Subject					
Expand the individual income tax deduction for college tuition expenses					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, taxpayers may subtract up to \$3,000 per student per year from federal adjusted gross income for tuition paid to attend a university, college, technical college or other school that is approved by the Educational Approval Board and that is located in this state or that is subject to the Minnesota-Wisconsin reciprocity agreement. The deduction is phased out at certain income levels.

Under this bill, the deduction is expanded to include tuition expenses for any college, university, technical college or other school that is approved by the Educational Approval Board and that is located in Minnesota, Illinois, Iowa or Michigan.

Using data from the National Center for Education Statistics, it is estimated that approximately 8,300 Wisconsin residents attend undergraduate degree programs at higher education institutions in Minnesota, Illinois, Iowa or Michigan as of 2002 (the latest year for which data is available). These are students who are not covered by the current law reciprocity agreement. This number could increase to the extent that additional institutions in these four states get approved by the Educational Approval Board.

The average 2003 federal deduction for qualified tuition and fees was approximately \$2,000. Assuming that tuition expenses grow at 10% annually, the 2005 deduction would average approximately \$2,420. If each of the Wisconsin taxpayers who attended or whose dependents attended these qualifying institutions claimed the \$2,420 deduction, a total of \$20 million in income would be excluded from Wisconsin adjusted gross income. Applying an average marginal tax rate of 5.6% would result in a decrease in income tax revenue of \$1.1 million (\$20 million x 0.056). The fiscal effect of the bill could be greater, because deductions for graduate or post-graduate students were not included in this analysis.

Long-Range Fiscal Implications

In the long run, the fiscal effect of this bill could increase if more Wisconsin residents choose to attend out-of-state institutions as a result of the bill.

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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 Corrected
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Subject			
Expand the individual income tax deduction for college tuition expenses			
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		\$	\$-1,100,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-1,100,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-1,100,000	\$
Agency/Prepared By		Authorized Signature	Date
DOR/ Joshua Dukelow (608) 266-5516		Rebecca Boldt (608) 266-6785	2/24/2005