



## Fiscal Estimate Narratives

DOR 10/27/2005

LRB Number	05a1124/1	Introduction Number	AA2- AB347	Estimate Type	Corrected
<b>Description</b> Property tax credit for veterans who receive 100 percent disability compensation and for their unremarried spouses					

### Assumptions Used in Arriving at Fiscal Estimate

Under the bill as amended by AA2, a veteran who receives 100% disability compensation from the U. S. Department of Veterans Affairs due to a service-connected disability and an unremarried surviving spouse of such veteran would be eligible for a property tax credit equal to the property tax on any real property owned by such person, as long as the property is not used for pecuniary gain.

According to the U. S. Department of Veterans Affairs, in 2004 there were 3,809 veterans in Wisconsin receiving 100% service-related disability compensation. Data on the number of unremarried surviving spouses are not available. According to the 2000 U. S. Census, the homeownership rate among households in Wisconsin is 68%. Assuming this homeownership rate and no second or vacation homes, an estimated 2,590 (3,809 X 68%) residential parcels would be eligible for the credit created under the bill. However, assuming a national 55% homeownership rate of people with one to four long-lasting physical conditions such as blindness, deafness, or severe vision or hearing impairment, an estimated 2,095 (3,809 x 55%) residential parcels would be eligible for the credit.

Data from the Wisconsin Department of Revenue indicates that the statewide average market value of an improved residential parcel in 2004 was about \$149,000. Based on this, between \$312 million (\$149,000 x 2,095) and \$385.9 million (\$149,000 X 2,590) in property value would be eligible for the credit created under the amended bill. At the statewide average net tax rate for 2004/05 of \$19.63 per \$1,000 of full value, the total credit would be between \$6.1 million GPR (\$312 million x 0.01963) and \$7.6 million GPR (\$385.9 million X 0.01963).

Under 2005 Act 25, a refundable individual income tax credit was created for property taxes paid on a principal dwelling by certain veterans and their unremarried spouses. Some of the people who could claim the Act 25 credit would also be eligible for the credit created under the amended bill. Since the credit under the amended bill reduces the taxes paid to \$0 and the income tax credit requires payment of the property tax bill before the credit can be claimed, persons eligible for both credits are likely to choose the credit created under the amended bill. This would reduce the cost of the income tax credit, as enacted by Act 25, by \$980,000 or \$1.2 million depending on the homeownership rate. Therefore, the net state cost of property tax credit for disabled veterans created by the amended bill would be between \$5.1 million and \$6.4 million.

State administrative costs for the credit would be absorbed within the Department of Revenue's budget.

Counties and municipalities may have minor increases in costs to administer the credit.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> Property tax credit for veterans who receive 100 percent disability compensation and for their unremarried spouses			
<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>			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$5.1-6.4million(SeeText)	\$
NET CHANGE IN REVENUE		\$	\$
<b>Agency/Prepared By</b>			
DOR/ Paul Ziegler (608) 266-5773		<b>Authorized Signature</b>	
		Paul Ziegler (608) 266-5773	
<b>Date</b>			
			10/27/2005