

Fiscal Estimate - 2005 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 05-3758/1		Introduction Number AB-731	
Subject Nonrefundable individual income tax credit for contributions to college savings, tuition accounts			
Fiscal Effect State: <div style="display: flex; flex-wrap: wrap;"><div style="width: 50%;"><input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations</div><div style="width: 50%;"><input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Decrease Existing Revenues</div><div style="width: 50%;"><input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs</div></div> Local: <div style="display: flex; flex-wrap: wrap;"><div style="width: 50%;"><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</div><div style="width: 50%;">5. Types of Local Government Units Affected <div style="display: flex; justify-content: space-between;"><div><input type="checkbox"/> Towns <input type="checkbox"/> Counties <input type="checkbox"/> School Districts</div><div><input type="checkbox"/> Village <input type="checkbox"/> Others <input type="checkbox"/> WTCS Districts</div><div><input type="checkbox"/> Cities <div style="border-bottom: 1px solid black; width: 50px; text-align: center;">0</div></div></div></div></div>			

Fiscal Estimate Narratives

DOR 10/17/2005

LRB Number	05-3758/1	Introduction Number	AB-731	Estimate Type	Original
Subject					
Nonrefundable individual income tax credit for contributions to college savings, tuition accounts					

Assumptions Used in Arriving at Fiscal Estimate

Wisconsin allows a deduction of \$3,000 from federal adjusted gross income (FAGI) for contributions made to an EdVest account, if the beneficiary is one of the following: the claimant, the claimant's dependent, the claimant's grandchild, the claimant's great-grandchild, or the claimant's niece or nephew.

This bill would create two nonrefundable individual income tax credits for amounts contributed to EdVest. The credit would equal the amount of contributions multiplied by the taxpayer's marginal tax rate. The bill refers to EdVest I and EdVest II; however EdVest I is no longer active according to the EdVest program even though it is still referenced in the statutes. Therefore, the fiscal effect of this bill on EdVest I is zero. Contributions to EdVest II, now known only as EdVest, up to \$3,000 would be used to claim an individual income tax credit. According to the EdVest program, there are approximately 100,000 existing accounts as of August 31, 2005, averaging \$2,100 per account. Assuming an average annual contribution of \$2,100 and a marginal tax rate of 5.5%, this bill could result in a revenue loss of approximately \$11.6 million ($100,000 \times \$2,100 \times 5.5\%$). Because the credit is nonrefundable, and the full amount will not likely be claimed by all, the revenue loss is reduced by 20% to \$9.2 million ($\$11.6 \text{ million} \times 80\%$).

The bill would also allow the credit when the beneficiary is the claimant's child regardless of whether or not the child is also the claimant's dependent. This provision of the bill is expected to result in a revenue decrease; however, the extent of the decrease is indeterminate because the number of divorced and legally separated tax filers contributing money to an EdVest account for their children is unknown.

The Department will incur \$26,363 in annual costs for salary and fringe benefits. All other costs can be absorbed by the Department.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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Subject			
Nonrefundable individual income tax credit for contributions to college savings, tuition accounts			
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	\$26,363		
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$26,363	\$	
B. State Costs by Source of Funds			
GPR	26,363		
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	\$	\$-9,200,000	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$	\$-9,200,000	
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$26,363	\$	
NET CHANGE IN REVENUE	\$-9,200,000	\$	
Agency/Prepared By		Authorized Signature	Date
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