

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-4698/1	Introduction Number SB-645	
Description Creating a refundable individual income tax living wage credit		
Fiscal Effect		
State:		
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Create New Appropriations </div> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues </div> <div style="width: 30%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <div style="text-align: center; margin-left: 20px;"> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No </div> <input type="checkbox"/> Decrease Costs </div> </div>		
Local:		
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <p>1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> <p>2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> </div> <div style="width: 30%;"> <p>3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> <p>4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> </div> <div style="width: 30%;"> <p>5. Types of Local Government Units Affected</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> Towns <input type="checkbox"/> Counties <input type="checkbox"/> School Districts </div> <div style="width: 30%;"> <input type="checkbox"/> Village <input type="checkbox"/> Others <input type="checkbox"/> WTCS Districts </div> <div style="width: 30%;"> <input type="checkbox"/> Cities </div> </div> </div> </div>		
Fund Sources Affected		
<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 20.835(2)(en)		
Affected Ch. 20 Appropriations		
Agency/Prepared By	Authorized Signature	Date
DOR/ Rebecca Boldt (608) 266-6785	Rebecca Boldt (608) 266-6785	3/14/2006

Fiscal Estimate Narratives

DOR 3/14/2006

LRB Number	05-4698/1	Introduction Number	SB-645	Estimate Type	Original
Description Creating a refundable individual income tax living wage credit					

Assumptions Used in Arriving at Fiscal Estimate

The bill creates a refundable individual income tax credit based on the difference between the nonfarm federal poverty level and the combined income of a claimant, his or her spouse and dependents.

The credit may be claimed by individuals who 1)are eligible and who claim the earned income tax credit; 2) reside in the state for the full calendar year; and 3)work in paid employment for at least 1,750 hours in the taxable year to which the claim relates. While the bill does not define paid employment, it is assumed to include self employment.

For purposes of the credit, income is defined to mean income as calculated for the homestead credit plus all refundable state credits and income tax refunds plus the federal earned income tax credit and the refundable portion of the federal child tax credit less state income taxes paid. Thus, both taxable and nontaxable sources of income are included.

In calculating the credit, the nonfarm federal poverty level is based on family size. For tax year 2007, the credit is calculated using 90% of the nonfarm federal poverty level. For tax year 2008, the credit is calculated using 95% of the nonfarm federal poverty level; thereafter, the credit will be calculated using 100% of the nonfarm federal poverty level.

Based on a simulation using the 2003 Income Tax Model, the bill will result in a \$12.4 million increase in costs in FY07 and \$18.8 million in FY08.

The bill will result in \$11,200 increase in annual administrative costs for the department related to postage, printing and limited-term salaries for increased data capture.

Long-Range Fiscal Implications

The bill will result in approximately \$27 million in increased costs in FY09 and thereafter.

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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LRB Number 05-4698/1		Introduction Number SB-645	
Description Creating a refundable individual income tax living wage credit			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): \$12.4 million increase in costs in FY07, and \$18.8 million in FY08.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$6,700		
(FTE Position Changes)			
State Operations - Other Costs	4,500		
Local Assistance			
Aids to Individuals or Organizations	27,000,000		
TOTAL State Costs by Category	\$27,011,200		\$
B. State Costs by Source of Funds			
GPR	27,011,200		
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	\$27,011,200	\$	
NET CHANGE IN REVENUE	\$	\$	
Agency/Prepared By		Authorized Signature	Date
DOR/ Rebecca Boldt (608) 266-6785		Rebecca Boldt (608) 266-6785	3/14/2006