

Fiscal Estimate Narratives
DOR 3/16/2007

LRB Number 07-1898/1	Introduction Number AB-0149	Estimate Type Original
Description Relating to: eliminating the estate tax		

Assumptions Used in Arriving at Fiscal Estimate

Current Law

An estate tax is imposed in Wisconsin upon the transfer of certain property of a decedent that has a taxable "situs" in this state.

For deaths through 2007, Wisconsin is decoupled from the federal estate tax. Under current Wisconsin law, the state estate tax for deaths occurring from October 1, 2002 through December 31, 2007, is equal to the federal credit for state estate taxes in effect for deaths on December 31, 2000.

This link to prior federal law was adopted in 2001 Wisconsin Act 16 in response to the federal Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001, which would have phased out Wisconsin's estate tax. Prior to EGTRRA, Wisconsin estate tax was calculated as an amount equal to the maximum state estate tax credit allowed under federal tax code (known as the "pickup tax"). EGTRRA phased out the credit against federal estate tax for state death taxes so that Wisconsin's estate tax would have been eliminated beginning with deaths in 2005. EGTRRA also fully eliminates the federal estate tax, and consequently any credit for state taxes, beginning with deaths in 2010.

For deaths after 2007, Wisconsin will again conform to federal law. Since the EGTRRA changes to federal law eliminated the credit for deaths in 2005 and later years, however, there will be no Wisconsin estate tax collections for deaths in 2008 through 2010 under current state law.

For deaths occurring after 2010, the status of Wisconsin's estate tax is dependent on federal action. If no federal action is taken to offset the scheduled sunset of the EGTRRA provisions, Wisconsin's tax will be restored. If the final provisions of EGTRRA are extended, however, there will be no Wisconsin estate tax collections without further state legislation.

AB 149

AB 149 eliminates the state estate tax beginning with deaths in 2007. By limiting the duration of Wisconsin's link to prior federal law to deaths before January 1, 2007, rather than deaths before January 1, 2008, the bill eliminates one year's worth of estate tax collections (for death occurring in 2007). During the period where Wisconsin has been decoupled from current federal law, Wisconsin's estate tax collections have averaged approximately \$100 million annually (with actual collections of \$86.5 million in FY04, \$112.4 million in FY05, and \$108.6 million in FY06). Consequently, the bill is expected to reduce GPR tax collections by an estimated \$100 million.

According to current law, the estate tax is due and payable nine months after the date of the decedent's death. Assuming that the payment of estate tax is equally distributed throughout the year, it is estimated that the total \$100 million revenue reduction under the bill would reduce FY08 tax collections by \$75 million and FY09 collections by \$25 million. Depending on the date the bill is actually passed, however, persons responsible for administering the estates of decedents may need to prepare and file returns and the Department of Revenue may need to make refunds for estate payments for death during 2007.

Long-Range Fiscal Implications

Since the bill eliminates the estate tax beginning with deaths in 2007, under the bill, Wisconsin's future estate tax collections will be zero regardless of federal action or inaction to extend EGTRRA.

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Relating to: eliminating the estate tax			
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	\$	\$-100,000,000	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$	\$-100,000,000	
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$	\$	
NET CHANGE IN REVENUE	\$-100,000,000	\$	
Agency/Prepared By			
DOR/ Jacek Cianciara (608) 266-8133		Authorized Signature	
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Date			
3/16/2007			