

Fiscal Estimate - 2007 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 07-0668/1	Introduction Number AB-0015	
Description Denying tax benefits to financial institutions that violate the state or federal soldiers' relief act		
Fiscal Effect		
State:		
<input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate		
<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues <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 checked="" type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <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		
<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		
Affected Ch. 20 Appropriations		
Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 1/31/2007

LRB Number	07-0668/1	Introduction Number	AB-0015	Estimate Type	Original
Description Denying tax benefits to financial institutions that violate the state or federal soldiers' relief act					

Assumptions Used in Arriving at Fiscal Estimate

The bill would deny tax benefits to any financial institution that violates the protections offered under federal and state laws to active duty soldiers and sailors and their dependents related to lawsuits, leases, obligations, contracts, and property taxes. The tax benefits that would be denied to the financial institutions include subtractions from federal income reported on Schedule W, net business loss carryforwards, and refundable and non-refundable tax credits.

Fiscal Effect

Based on a simulation selecting a sample of taxpayers with a SIC or NAICS code indicating the taxpayer was a financial institution, the average increase in income and franchise tax liability that would result from a violation of the federal provisions was \$58,000. In the simulation, several institutions had their tax liability increased by over \$5 million for the year modeled, while approximately 75% of the taxpayers in the sample had no change in tax liability as a result of the denial of tax benefits contained in the bill. Because of the extreme variability in the effects of the bill on tax liability, and because presumably only a small number of taxpayers would be subject to denial of tax benefits as a result of violating the federal provision, the fiscal effect of the bill cannot be estimated.

There would be no state fiscal effect from the property tax provision of the bill. To the extent that a violation resulted in the denial of a property tax exemption, the bill would result in a local property tax shift from other taxpayers to the financial institution that was in violation. While most land and buildings owned in Wisconsin by financial institutions are taxable, computer equipment owned by financial institutions is generally exempt from property taxes under s. 70.11(39). A financial institution in violation of the federal provision would lose this exemption for seven years. Data does not exist to estimate the local fiscal effect of this provision.

Long-Range Fiscal Implications