

### Fiscal Estimate - 2007 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>07-0698//1</b>	<b>Introduction Number</b> <b>AB-0064</b>
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**Description**  
 Creating a nonrefundable individual income tax credit for contributions to candidates for elective public office

**Fiscal Effect**

**State:**

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

**Local:**

<input type="checkbox"/> No Local Government Costs	5. Types of Local Government Units Affected	
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Towns	<input type="checkbox"/> Village <input type="checkbox"/> Cities
1. <input type="checkbox"/> Increase Costs	<input type="checkbox"/> Counties	<input type="checkbox"/> Others
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> School Districts	<input type="checkbox"/> WTCS Districts
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		

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<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	

<b>Agency/Prepared By</b> DOR/ Bradley Caruth (608) 261-8984	<b>Authorized Signature</b> Rebecca Boldt (608) 266-6785	<b>Date</b> 12/8/2006
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**Fiscal Estimate Narratives**  
**DOR 2/12/2007**

LRB Number	<b>07-0698/1</b>	Introduction Number	<b>AB-0064</b>	Estimate Type	<b>Original</b>
<b>Description</b> Creating a nonrefundable individual income tax credit for contributions to candidates for elective public office					

**Assumptions Used in Arriving at Fiscal Estimate**

This bill allows taxpayers to claim a nonrefundable individual income tax credit for political campaign contributions of up to \$100 to Wisconsin candidates for elective public office. The credit is calculated by multiplying up to \$100 in contributions by the taxpayer's marginal tax rate. The maximum allowable credit would be \$6.75 ( $100 \times 0.0675$ ) for single taxpayers in the highest bracket and \$13.50 ( $100 \times 0.0675 \times 2$ ) for married taxpayers in the highest bracket.

The Federal Election Commission (FEC) lists total contributions to Wisconsin candidates for federal office. Additionally, for individuals who donate at least \$200, the FEC lists information about the individual donors. For the 2001-2002 and 2003-2004 election cycles Wisconsin candidates for the Senate and the House of Representatives accepted \$25.7 million in donations from individuals. Of the total donations from individuals, \$14.7 million came from individuals donating more than \$200, implying that \$11.0 million were from small donations (i.e., less than \$200). According to the FEC, \$10.4 million of the large donations came from Wisconsin residents. That is, 57% of all contributions were from large donations and 71% of large donations came from Wisconsin residents.

Assuming that 71% of the small donations were also from Wisconsin residents, the total contributions from Wisconsin residents to Wisconsin candidates for the Senate and the House of Representatives was \$18.2 million [ $\$10.4 \text{ million} + (0.71 \times \$11 \text{ million})$ ]. Over the same four year period, Wisconsin residents made \$3.6 million in large donations to presidential candidates. Assuming that 57% of all contributions from Wisconsin residents to presidential candidates came from large donations, Wisconsin residents gave a total of approximately \$6.3 million to presidential candidates.

At the state level, the Wisconsin state election board reports that individuals in Wisconsin gave approximately \$8.1 million in contributions to individual candidates for state office for 2004 elections and \$17.3 million for 2002 elections. It is assumed that 57% of these donations were also from large donations.

The total amount of state and federal level contributions from Wisconsin residents to Wisconsin candidates is estimated to be \$49.9 million over the four-year period [ $\$18.2 \text{ million} + \$6.3 \text{ million} + \$8.1 \text{ million} + \$17.3 \text{ million}$ ]. Information on contributions for local offices is not available, but it is assumed that those races increase the total by 10% to \$54.9 million.

If 57% of all contributions from Wisconsin residents to individual candidates for local, state, and national office come from large donations and the average large donation is assumed to average \$1,000, approximately 31,000 individuals donated large amounts to Wisconsin candidates over the four-year period. Those individuals will be able to claim the full credit. Assuming an average marginal tax rate of 5.52%, the 31,000 qualifying taxpayers would be able to claim \$171,000 over the four year period [ $31,000 \times \$100 \times 0.0552$ ].

If 43% of all contributions come from small donations and the average small donation is assumed to average \$100, approximately 236,000 individuals donated small amounts. Assuming those donations are uniformly distributed between \$0 and \$200, the average donation amount that an individual will be able to use for the credit is \$75. At an average marginal tax rate of 5.52%, the 236,000 qualifying taxpayers would be able to claim \$975,000 over the four-year period [ $236,000 \times \$75 \times 0.0552$ ]. Consequently, the average annual fiscal effect of the credit is estimated to be \$287,000 [ $(\$975,000 + \$171,000) / 4 \text{ years}$ ]. If average donations are lower than the estimated values, more individuals will be eligible for the credit and the fiscal effect will be larger. Similarly, if average donations are larger, the fiscal effect will be smaller.

The department will incur \$13,100 in annual costs related to data capture, review of claims, printing, and postage.

**Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Description</b> Creating a nonrefundable individual income tax credit for contributions to candidates for elective public office			
<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	\$12,100		\$
(FTE Position Changes)			
State Operations - Other Costs	1,000		
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$13,100</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR	13,100		
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	\$	\$-287,000	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-287,000</b>	
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State	Local	
NET CHANGE IN COSTS	\$13,100	\$	
NET CHANGE IN REVENUE	\$-287,000	\$	
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Bradley Caruth (608) 261-8984		Rebecca Boldt (608) 266-6785	12/8/2006