



## Fiscal Estimate Narratives

DOR 1/25/2008

LRB Number	<b>07-2664/1</b>	Introduction Number	<b>AB-0642</b>	Estimate Type	<b>Original</b>
<b>Description</b> An ineligible person claiming and receiving the lottery and gaming property tax credit and providing a penalty					

### Assumptions Used in Arriving at Fiscal Estimate

A portion of the net proceeds from the state lottery is used to fund the lottery and gaming credit on homeowner's property tax bills. The credit equals the school property tax (for K-8, Union High, and K-12 schools) on a certain amount of the value of a primary residence. The value on which the credit is paid varies from year-to-year, depending on the amount available for distribution and school tax rates. In 2006/07, the lottery and gaming credit reduced the property taxes owed by approximately 1,454,000 homeowners by an average of \$98, and reduced parking fees owed by approximately 32,500 mobile home owners subject to monthly parking fees in lieu of property taxes by an average of \$81.

Under current law, when the Department of Revenue (DOR) determines that a taxpayer has improperly claimed a lottery and gaming credit, the department can direct the municipality where the property is located to collect the improperly paid credit as a special charge on the next property tax bill. The DOR also permits taxpayers to repay improperly claimed credits directly to the DOR. All collections are deposited in the lottery fund.

Under the bill, any person who knows he or she is not entitled to a lottery and gaming credit, but who nevertheless claims and receives the credit, would be subject to a penalty equal to twice the improperly claimed and paid credit. Penalty collections are to be distributed as follows: 50% to the lottery fund, 25% to the municipality where the property is located, and 25% to the county where the property is located.

Current law collections for improperly claimed lottery and gaming credits are about \$300,000 per year. While about 10% of these improper claims apparently are due to administrative and taxpayer errors, the other 90% of improperly claimed credits are assumed to be caused by taxpayers knowingly filing false claims. As a result, total penalties under the bill would be about \$540,000 each year ( $\$300,000 \times 90\% \times 2$ ). Of this amount, \$270,000 would be paid to the lottery fund, which equals the amount collected under current law, and \$270,000 would be paid to local governments as follows: \$135,000 to municipalities and \$135,000 to counties.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 07-2664/1		<b>Introduction Number</b> AB-0642	
<b>Description</b> An ineligible person claiming and receiving the lottery and gaming property tax credit and providing a penalty			
<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		\$	\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance	270,000		
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$270,000</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR	270,000		
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	\$		\$
GPR Earned	270,000		
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$270,000</b>		<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State	Local	
NET CHANGE IN COSTS	\$270,000		\$
NET CHANGE IN REVENUE	\$270,000		\$+270,000
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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