

Fiscal Estimate - 2007 Session

Original Updated Corrected Supplemental

LRB Number **07-3119/1** **Introduction Number** **AB-0714**

Description
This bill creates a nonrefundable individual income tax credit for interest payments paid by a claimant on a loan that is used for the claimant's educational expenses.

Fiscal Effect

State:

- No State Fiscal Effect
- Indeterminate
 - Increase Existing Appropriations
 - Decrease Existing Appropriations
 - Create New Appropriations
- Increase Existing Revenues
- Decrease Existing Revenues
- Increase Costs - May be possible to absorb within agency's budget
 - Yes No
- Decrease Costs

Local:

- No Local Government Costs
- Indeterminate
- 1. Increase Costs 3. Increase Revenue
- Permissive Mandatory Permissive Mandatory
- 2. Decrease Costs 4. Decrease Revenue
- Permissive Mandatory Permissive Mandatory
- 5. Types of Local Government Units Affected
- Towns Village Cities
- Counties Others
- School Districts WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**

GPR FED PRO PRS SEG SEGS

Agency/Prepared By	Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984	Rebecca Boldt (608) 266-6785	2/15/2008

Fiscal Estimate Narratives

DOR 2/15/2008

LRB Number	07-3119/1	Introduction Number	AB-0714	Estimate Type	Original
Description This bill creates a nonrefundable individual income tax credit for interest payments paid by a claimant on a loan that is used for the claimant's educational expenses.					

Assumptions Used in Arriving at Fiscal Estimate

Under current federal law, up to \$2,500 of interest paid on loans for qualified postsecondary educational expenses may be deducted from federal gross income. The deduction is phased out when modified adjusted gross income is between \$55,000 and \$70,000 (\$110,000 and \$140,000 for joint filers). Since the starting point for calculating Wisconsin income tax is federal adjusted gross income, any federal student loan interest deduction is also excluded from Wisconsin income for tax purposes.

This bill creates an individual income tax credit for any amount of interest that is paid on certain educational expenses loans. These loans must be used to pay for tuition, fees, books, room and board, and educational supplies that are directly related to attendance at certain regionally accredited, nonprofit, postsecondary educational institutions. The Wisconsin credit does not have the amount or income limits that are included in the federal deduction.

Using the 2005 Individual Income Tax Model, adjusted for 2008 income levels and law, it is estimated that individuals could claim \$116 million of the proposed Wisconsin credit in tax year 2008 if the 2005 federal student loan deduction limitations were in place. Removing the federal \$2,500 limit and the federal income limits, it is estimated that the total claimed credit would be \$133 million. Since the credit is non-refundable, the credit could only be used to the extent that individuals owe income tax. As a result, the bill is estimated to reduce revenue by \$112 million in tax year 2008.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description This bill creates a nonrefundable individual income tax credit for interest payments paid by a claimant on a loan that is used for the claimant's educational expenses.			
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	\$		\$-112,000,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$-112,000,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-112,000,000	\$
Agency/Prepared By		Authorized Signature	Date
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