

Fiscal Estimate - 2009 Session

Original Updated Corrected Supplemental

LRB Number 09-4232/1		Introduction Number AB-0726	
Description Creating a nonrefundable individual income and corporate income and franchise tax credit for contributions to certain public school programs and to private school scholarship funds			
Fiscal Effect			
State:			
<input type="checkbox"/> No State Fiscal Effect			
<input type="checkbox"/> Indeterminate			
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Increase Existing Revenues	
<input type="checkbox"/> Decrease Existing Appropriations		<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriations		<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 type="checkbox"/> No Local Government Costs			
<input type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs		3. <input checked="" type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs		4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<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"/> Counties		<input type="checkbox"/> Others	
<input checked="" type="checkbox"/> School Districts		<input type="checkbox"/> WTCS Districts	
<input type="checkbox"/> Cities			
Fund Sources Affected		Affected Ch. 20 Appropriations	
<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			
Agency/Prepared By		Authorized Signature	
DOR/ Michael Oakleaf (608) 261-5173		Rebecca Boldt (608) 266-6785	
		Date	
		2/26/2010	

Fiscal Estimate Narratives
DOR 2/26/2010

LRB Number 09-4232/1	Introduction Number AB-0726	Estimate Type Original
Description Creating a nonrefundable individual income and corporate income and franchise tax credit for contributions to certain public school programs and to private school scholarship funds		

Assumptions Used in Arriving at Fiscal Estimate

This bill creates a nonrefundable individual income and corporate income and franchise tax credit for contributions to academic and curricular physical education programs in public elementary and secondary schools (public contribution), and to scholarship funds that are operated and controlled by private schools, kindergarten or grades 1 to 12 and that are used to pay for the tuition and fees of individuals who are enrolled in the private school (private contribution).

The maximum credit that may be claimed for an annual contribution by a single individual or a head of household is \$1,000 for a public contribution and \$1,000 for a private contribution. The maximum credit that may be claimed for an annual contribution by a married couple who files a joint return is \$1,500 for a public contribution and \$1,500 for a private contribution. The maximum credit that may be claimed for an annual contribution by each spouse of a married couple who files a separate return is \$750 for a public contribution and \$750 for a private contribution. Finally, the maximum credit that may be claimed for an annual contribution by a business entity is \$150,000 for a public contribution and \$150,000 for a private contribution. The credit may not be claimed by nonresidents or part-year residents of this state. Unused credit amounts may be carried forward for five years.

Under current federal law, contributions for which a credit may be claimed under this bill may be deductible on an individual claimant's federal tax return and, if so claimed, may also be claimed under the state's nonrefundable itemized deductions credit. Also, under current federal law, contributions for which a credit may be claimed under this bill may be deductible on a business entity's federal tax return and, if so claimed, may also be claimed as a deduction for state income and franchise tax purposes. However, contributions made for the direct benefit of a dependent child of the claimant would not, under current federal law, be allowed as a charitable deduction.

This bill first applies to taxable years beginning on January 1, 2011, except that, if the bill takes effect after July 31, 2011, it first applies to taxable years beginning on January 1, 2012.

Fiscal Estimate

Data are not available on contributions made by individuals or corporations to private or public elementary and secondary schools in Wisconsin. Therefore, a definitive estimate of the cost providing the individual income tax credit for contributions to public and private schools under the bill cannot be given.

As an illustration of the potential fiscal effect of providing the credit under the bill for private school contributions, Arizona has a similar credit. In 2008, there were 78,407 eligible donations made to Arizona school tuition organizations totaling \$55.3 million, for an average \$705 per donation. The fiscal effect in Wisconsin could be higher than in Arizona because of two key differences between Arizona's law and the provisions of this bill:

1) The bill allows a contribution limits that are 1.5 times higher relative to Arizona. The Arizona credit is limited to \$500 for an individual taxpayer and \$1,000 for a married couple filing jointly, as compared to \$750 for an individual and \$1,500 for a married couple filing jointly under this bill;

2) Wisconsin has approximately twice as many students enrolled in private elementary and secondary schools compared to Arizona, and has approximately three times as many private schools as Arizona; and

Based on Arizona's experience, and on the differences between Arizona's law and this bill, the potential revenue loss from the private contribution under the bill would be \$165.9 million (\$55.3 million x 2 (number of students) x 1.5 (higher limits)).

According to the National Center for Education Statistics' Digest of Educational Statistics, in 2007 public schools in Wisconsin received \$239.4 million in private funding. However, it is unknown how much of that amount would be eligible for the credit under the bill. It is assumed that the public school and corporate contribution provisions of the bill would result in a reduction of income and franchise tax revenue of an unknown amount.

It is anticipated that the credit for public school contributions under the bill will create an incentive for increased donations to public schools, which will lead to an increase in revenue for public school districts of an unknown amount.

Administrative costs resulting from the bill can be absorbed within existing resources of the Department.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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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	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	State	Local
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By		
Authorized Signature		Date
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		2/26/2010