

Fiscal Estimate - 2009 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 09-3420/1	Introduction Number AB-0908	
Description Creating a nonrefundable individual income tax credit for interest paid on certain student loans		
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 checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <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 type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
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 DOR/ Rebecca Boldt (608) 266-6785	Authorized Signature Rebecca Boldt (608) 266-6785	Date 4/8/2010

Fiscal Estimate Narratives
DOR 4/8/2010

LRB Number 09-3420/1	Introduction Number AB-0908	Estimate Type Original
Description Creating a nonrefundable individual income tax credit for interest paid on certain student loans		

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 50 percent of the 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 2007 Individual Income Tax Model, adjusted for 2010 income levels and law, it is estimated that individuals could claim \$91 million of the proposed Wisconsin credit in tax year 2010 if the 2007 federal student loan deduction limitations were in place. 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 \$75 million in tax year 2010. Removing the federal \$2,500 limit and the federal income limits, it is estimated that the total claimed credit would be \$102 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 \$84 million in tax year 2010.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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Description Creating a nonrefundable individual income tax credit for interest paid on certain student loans			
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	\$See text		\$
Agency/Prepared By		Authorized Signature	Date
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