

Fiscal Estimate Narratives

DOR 4/28/2009

LRB Number	09-1967/1	Introduction Number	SB-166	Estimate Type	Original
Description Creating an individual income tax deduction for any amount of interest paid on certain loans that are used for 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 (\$115,000 and \$145,000 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 subtraction 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 of the claimant or claimant's spouse at certain accredited, nonprofit, postsecondary educational institutions. The Wisconsin subtraction does not have the amount or income limits that are included in the federal deduction.

Using the 2005 Individual Income Tax Model, adjusted for 2009 income levels and law, the bill is estimated to reduce revenue by \$6.2 million annually beginning in fiscal year 2010.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 09-1967/1		Introduction Number SB-166	
Description Creating an individual income tax deduction for any amount of interest paid on certain loans that are used for 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, ets.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$-6,200,000	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$	\$-6,200,000	
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$	\$	
NET CHANGE IN REVENUE	\$-6,200,000	\$	
Agency/Prepared By		Authorized Signature	Date
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