



## Fiscal Estimate Narratives

DOR 2/24/2009

LRB Number	09-0846/2	Introduction Number	SB-028	Estimate Type	Original
<b>Description</b> Excluding from taxable income gains from a Wisconsin business					

### Assumptions Used in Arriving at Fiscal Estimate

Under current Wisconsin law, individuals may exclude 60% of net long-term capital gains. Under this bill, an individual; an individual partner or member of a partnership, limited liability company, or limited liability partnership; or an individual shareholder of a tax-option corporation may exclude the capital gain, not to exceed \$10 million, realized from the sale of any asset held more than one year if the claimant meets certain requirements. The requirements are: 1) immediately deposit the gain in a segregated account in a financial institution, 2) invest all of the proceeds in a Wisconsin business, as defined in the bill, within 180 days, and 3) notify the Department of Revenue (DOR) on a form prepared by DOR that the claimant will not declare the gain. The exemption is first applicable for tax year 2008. The basis of the replacement asset would be calculated by subtracting the excluded gain from the cost of the replacement asset.

There is inherent variability in capital gain income and investment decisions at the individual level. Additionally a number of interactions with other tax incentives may impact the fiscal effect. Some taxpayers with capital gains are otherwise able to plan their taxable income to the point that additional deductions may not be worthwhile. Additionally, federal tax rules will have a non-negligible effect on taxpayers' investment decisions.

The revenue loss has been estimated to be \$13.95 million annually under the bill.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>09-0846/2</b>	<b>Introduction Number</b> <b>SB-028</b>	
<b>Description</b> Excluding from taxable income gains from a Wisconsin business		
<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		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR		
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	\$	\$-13,950,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-13,950,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	State	Local
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-13,950,000	\$
<b>Agency/Prepared By</b>		
<b>Authorized Signature</b>		
<b>Date</b>		
DOR/ Bradley Caruth (608) 261-8984	Rebecca Boldt (608) 266-6785	2/24/2009