

## Fiscal Estimate - 2009 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>09-4710/2</b>	<b>Introduction Number</b> <b>SB-708</b>	
<b>Description</b> Authorized foods under the food stamp program; a deductible and coinsurance under BadgerCare Plus; a minimum copayment and maximum child care hours under Wisconsin Shares; drug testing for eligibility for public assistance; eliminating income eligibility requirements for enrollment in a private school participating in the Milwaukee Parental Choice Program; changing eligibility requirements for persons or families of low and moderate income to receive, directly or indirectly, certain housing, housing assistance, grants, loans, or benefits from the Wisconsin Housing and Economic Development Authority, the Department of Commerce, and local housing authorities; consideration of the income and assets of a person for purposes of receiving low-income energy assistance; consideration of the income and assets of both parents of a student under 22 years of age for purposes of awarding a grant or scholarship to such a student; prohibiting new claims under the earned income tax credit; increasing the individual income tax personal exemption for dependents; granting rule-making authority; and providing a penalty		
<b>Fiscal Effect</b>  <b>State:</b> <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 checked="" 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		
<b>Local:</b> <input checked="" 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		
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.835(2)(f), 20.835(2)(kf)		
<b>Agency/Prepared By</b> DOR/ Bradley Caruth (608) 261-8984	<b>Authorized Signature</b> Rebecca Boldt (608) 266-6785	<b>Date</b> 5/6/2010

## Fiscal Estimate Narratives

DOR 5/6/2010

LRB Number	<b>09-4710/2</b>	Introduction Number	<b>SB-708</b>	Estimate Type	<b>Original</b>
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### Assumptions Used in Arriving at Fiscal Estimate

Under current federal law, the earned income tax credit (EITC) is a refundable tax credit for low-income workers. The credit is based on a combination of earned income and the number of qualifying children in the claimant's household. Under current Wisconsin law, individuals may claim a refundable state EITC equal to a percentage of the federal credit. The Wisconsin EITC is equal to 4% of the federal credit if the claimant has one qualifying child, 14% of the federal credit if the claimant has two qualifying children, and 43% of the federal credit if the claimant has three or more qualifying children.

Additionally, under current Wisconsin law, all individual income tax filers are able to claim personal exemptions equal to \$700 each for themselves, their spouses, and their dependents. The exemptions reduce the amount of taxable income for the individual filer.

Under this bill, the Wisconsin EITC is eliminated beginning in tax year 2011. At the same time, the personal exemption amount for dependents is increased from \$700 to \$2,200.

Since the Wisconsin EITC is funded partly from general purpose revenue (GPR) and partly from the federal Temporary Assistance for Needy Families (TANF) program, eliminating the credit will eliminate the GPR appropriation and the use of federal TANF money for the EITC. Based on forecasted EITC estimates, it is expected that eliminating the Wisconsin EITC beginning in tax year 2011 would result in appropriation reduction from GPR of \$121.4 million annually beginning in fiscal year 2012 and a reduction in the use of TANF funds for the EITC of \$6.7 million annually beginning in fiscal year 2012. However, the \$6.7 million TANF funds may be reallocated to other TANF-eligible activities.

Using the 2007 Individual Income Tax Model, adjusted for 2011 income levels and law, it is estimated that increasing the personal exemption for dependents will reduce revenue by approximately \$121.1 million annually beginning in fiscal year 2012.

The net fiscal effect of these proposals will be an increase in the general fund balance of approximately \$260,000 annually beginning in fiscal year 2012.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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<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		-128,100,000
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$-128,100,000</b>
<b>B. State Costs by Source of Funds</b>		
GPR		-121,400,000
FED		-6,700,000
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	\$	\$-121,100,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-121,100,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	State	Local
<b>NET CHANGE IN COSTS</b>	<b>\$-128,100,000</b>	<b>\$</b>

NET CHANGE IN REVENUE	\$-121,100,000	\$
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Agency/Prepared By	Authorized Signature	Date
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