

Fiscal Estimate Narratives

DOR 4/25/2011

LRB Number	11-0938/1	Introduction Number	AB-0085	Estimate Type	Original
Description Restoring the treatment of the exclusion of capital gains for individuals and certain other persons that existed before the enactment of 2009 Wisconsin Act 28					

Assumptions Used in Arriving at Fiscal Estimate

Current Wisconsin law allows individuals, fiduciaries, members of LLCs and partnerships, and shareholders of tax-option corporations to exclude 30 percent of net long-term capital gains from income for income tax purposes. Long-term capital gains on the sale of farm assets are eligible for a 60 percent exclusion. In either case, long-term capital gains are gains realized from the sale of assets held for at least one year or assets acquired from a decedent.

This bill changes the current 30 percent long-term capital gains exclusion for non-farm assets to a 60 percent exclusion. The bill would first apply to tax year 2011 if enacted prior to July 31, 2011.

Based on simulations using the 2008 Individual Income Tax Model, the bill will reduce revenue by \$118 million in fiscal year 2012, \$113 million in fiscal year 2013, and \$127 million annually beginning in fiscal year 2014.

If the bill is enacted after July 31, 2011, it would first apply to tax year 2012 and the revenue loss in fiscal year 2012 would be \$44 million. Fiscal years 2013 and 2014 would be unchanged.

Capital gains realizations are more volatile than other income sources. Although the bill reflects Department of Revenue forecasts of long-term capital gains realizations, market conditions may dramatically affect the fiscal impact of the exclusion in any given year.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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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			
		<u>State</u>	<u>Local</u>
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$SeeText	\$
Agency/Prepared By		Authorized Signature	Date
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