

Fiscal Estimate Narratives

DOR 2/4/2011

LRB Number	11-0936/1	Introduction Number	SB-010	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, and phasing out the taxation of capital gains					

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 to a 60 percent exclusion beginning in tax year 2012. It also eliminates the distinction between farm and non-farm assets in 2012. The exclusion is subsequently increased to 80 percent of net long-term capital gains in tax year 2013 and 100 percent in 2014 and thereafter.

The increased exclusion is projected to reduce revenue annually. Based on simulations using the 2007 Individual Income Tax Model, the bill will reduce revenue by \$40.1 million in fiscal year 2012, \$139.5 million in fiscal year 2013, and \$223.8 million annually beginning in fiscal year 2014.

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

LRB Number 11-0936/1		Introduction Number SB-010	
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, and phasing out the taxation of capital gains			
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
DOR/ Bradley Caruth (608) 261-8984		Rebecca Boldt (608) 266-6785	2/4/2011