

Fiscal Estimate Narratives

DOR 5/23/2013

LRB Number	13-2039/1	Introduction Number	AB-0195	Estimate Type	Original
Description Creating a refundable individual income tax credit for tuition expenses paid for dependents who attend certain public and private elementary and secondary schools					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates a refundable individual income tax credit for amounts spent by a claimant on tuition for educational expense for the claimant's dependent children to attend elementary or secondary school. Individuals may claim the credit only if the pupil's school does not receive more than \$3,000 in state aid or property tax revenue, per pupil, for the school year that ends in the taxable year to which the claim relates.

When fully phased in, single filers, head of household filers, and married joint filers may claim a credit for up to \$1,500 per child in elementary school and \$2,500 per child in secondary school. Married individuals filing separately may claim half of the credit available to other filers. Nonresident and part-year residents may claim a prorated credit.

The credit phases in from 2014 to 2019. In tax year 2014, the maximum credit is \$1,000 for an elementary pupil and \$1,500 for a secondary pupil; in 2015, \$1,100 for an elementary pupil and \$1,700 for a secondary pupil; in 2016, \$1,200 for elementary and \$1,900 for secondary; in 2017, \$1,300 for elementary and \$2,100 for secondary; in 2018, \$1,400 for elementary and \$2,300 for secondary; in 2019 and thereafter, \$1,500 for elementary and \$2,500 for secondary.

Based on data from the Wisconsin Department of Public Instruction, there are approximately 123,000 students attending private elementary and secondary schools in Wisconsin in the 2012-2013 school year. Excluding 34,000 students who attend under the Milwaukee Parental Choice Program, there are approximately 89,000 eligible private elementary and secondary school students (13,800 secondary students and 75,200 elementary students). According to the National Center for Education Statistics, the average tuition for private elementary and secondary schools during the 2007-2008 school year was \$8,549, so it is assumed that most claimants will qualify for the maximum available credit under this bill.

Given the estimated number of eligible students, and assuming an average credit amount of 95% of maximum allowable credit in each year, the total credit amount is expected to be \$91 million in fiscal year 2015. The credit is expected to increase to \$101 million in fiscal year 2016, \$111 million in fiscal year 2017, \$120 million in fiscal year 2018, \$130 million in fiscal year 2019, and \$140 million in fiscal year 2020 and annually thereafter.

The Department of Revenue anticipates increased annual costs of \$270,000 associated with administration of this credit.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2013 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	\$See Text		\$
NET CHANGE IN REVENUE	\$		\$
Agency/Prepared By		Authorized Signature	Date
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