

Fiscal Estimate Narratives

DOR 3/31/2014

LRB Number	13-3475/1	Introduction Number	SB-693	Estimate Type	Original
Description Creating a refundable individual income tax credit for tuition expenses paid for dependents who attend certain private elementary and secondary schools					

Assumptions Used in Arriving at Fiscal Estimate

This bill repeals a current law deduction for amounts spent by a claimant on tuition for educational expense for the claimant's dependent children to attend private elementary or secondary school. The current law maximum deduction for each elementary pupil is \$4,000 each year, and the maximum deduction for each secondary pupil is \$10,000 each year.

This bill also 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 private elementary or secondary school. Under the bill, single filers, head of household filers, and married joint filers may claim a credit for up to \$250 per child in elementary school and \$500 per child in secondary school. Married individuals filing separately may claim half of the credit available to married joint filers. The credit may not be claimed by a nonresident or part-year residents.

Based on data from the Wisconsin Department of Public Instruction, there are approximately 120,000 students attending private elementary and secondary schools in Wisconsin in the 2013-2014 school year. Excluding 49,000 students who attend under the Milwaukee Parental Choice Program, the Racine Parental Private School Choice Program, and the Wisconsin Parental Choice Program, there are approximately 71,000 eligible private elementary and secondary school students (9,100 secondary students and 61,900 elementary students) who would have been eligible pupils in 2013. Based on the overlap of school years and taxable years, it is estimated that approximately 3,000 additional elementary students would have been eligible 2013 pupils based on a Spring 2013 enrollment, but not Fall 2013 enrollment. Similarly, it is estimated that approximately 2,200 additional secondary students would have been eligible 2013 pupils based on a Spring 2013 enrollment, but not Fall 2013 enrollment.

According to the National Center for Education Statistics, the average tuition for private elementary schools during the 2007-2008 school year was \$6,733 and the average tuition for private secondary schools was \$10,549, so it is assumed that most claimants will qualify for the maximum available credit or deduction described above.

Applying the deduction amounts to the eligible student population results in an aggregate deduction of approximately \$349 million. Assuming the middle income statutory marginal rate of 6.27%, the deduction is expected to result in a revenue decrease of approximately \$21.9 million annually, beginning in fiscal year 2015. The repeal of this deduction would therefore result in a revenue increase of approximately \$21.9 million annually, beginning in fiscal year 2015. To the extent that less than the full amount of the deduction is claimed, the fiscal effect will be smaller.

Applying the credit amounts to the eligible student population results in an aggregate credit of approximately \$21.9 million annually, beginning in fiscal year 2015. Because the credit is refundable, it will be recorded as increase costs of approximately \$21.9 million annually.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 13-3475/1		Introduction Number SB-693	
Description Creating a refundable individual income tax credit for tuition expenses paid for dependents who attend certain private elementary and secondary schools			
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	21,900,000		
TOTAL State Costs by Category	\$21,900,000	\$	
B. State Costs by Source of Funds			
GPR	21,900,000		
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	\$21,900,000	\$	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$21,900,000	\$	
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$21,900,000	\$	
NET CHANGE IN REVENUE	\$21,900,000	\$	
Agency/Prepared By			
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		Date	
		3/31/2014	