Fiscal Estimate - 2015 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **15-3821/1**	Introduction Number **SB-529**

Description
Creating a refundable income tax credit for certain individuals who are making student loan payments and making an appropriation

Fiscal Effect

State:
- ☐ No State Fiscal Effect
- ☐ Indeterminate
  - ☐ Increase Existing Appropriations
  - ☐ Decrease Existing Appropriations
  - ☒ Create New Appropriations
  - ☐ Increase Existing Revenues
  - ☐ Decrease Existing Revenues
  - ☒ Increase Costs - May be possible to absorb within agency's budget
    - ☒ Yes ☐ No
  - ☐ Decrease Costs

Local:
- ☐ No Local Government Costs
- ☐ Indeterminate
  1. ☐ Increase Costs
     ☐ Permissive ☐ Mandatory
  2. ☐ Decrease Costs
     ☐ Permissive ☐ Mandatory
  3. ☐ Increase Revenue
     ☐ Permissive ☐ Mandatory
  4. ☐ Decrease Revenue
     ☐ Permissive ☐ Mandatory
  5. Types of Local Government Units Affected
     ☐ Towns ☐ Village ☐ Cities
     ☐ Counties ☐ Others
     ☐ School Districts ☐ WTCS Districts

Fund Sources Affected
☒ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations
20.835(2)(cb)

Agency/Prepared By	**Authorized Signature**	**Date**
DOR/ Bradley Caruth (608) 261-8984	Michael Wagner (608) 266-6785	1/19/2016

Fiscal Estimate Narratives

DOR 1/19/2016

LRB Number **15-3821/1**	Introduction Number **SB-529**	Estimate Type **Original**
Description Creating a refundable income tax credit for certain individuals who are making student loan payments and making an appropriation		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, an individual may claim an income tax deduction for certain amounts paid during the year for tuition and mandatory student fees at qualified Wisconsin and Minnesota post-secondary schools. Wisconsin also allows a student loan interest deduction of up to $2,500 for individuals who have taken out loans on behalf of themselves, their spouse, or their dependents to pay for the cost of attending an eligible educational institution, consistent with the federal student loan interest deduction.

This bill creates a refundable individual income tax credit for student loan payments (interest and principal) made by certain graduates of regionally accredited, nonprofit, post–secondary institutions. In order to qualify for the credit, individuals must work full-time in a high-demand field as defined by the Department of Workforce Development (DWD). The credit is equal to the smaller of $2,000 or 25% of student loan payments (35% if the claimant owns a home in Wisconsin). Individuals may claim the credit for a maximum of five years.

Based on a simulation using the 2012 individual income tax sample, a credit for the smaller of $2,000 or 25% of student loan payments (35% for homeowners) would equal approximately $277 million. It is not clear exactly how DWD will define full-time work in a high-demand field, however as an approximation, if 80% of graduates obtain full-time work and 33% of employed graduates are defined to work in high-demand fields, the fiscal impact of the credit would be $73 million ($277 million x 80% x 33%). To the extent that DWD definitions allow for more (fewer) graduates to claim the credit, the fiscal impact of the credit will be higher (lower).

Long-Range Fiscal Implications

Because the bill limits the credit claims to five years and the typical student loan repayment period is ten years, approximately half of otherwise qualifying student loan payments will not occur in a year in which graduates may claim the credit. As a result, the first five years of claims cost approximately $73 million annually, and after the first five years, the cost of the credit is likely to transition to approximately $37 million annually.

Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

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Description
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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	73,000,000	
TOTAL State Costs by Category	**$73,000,000**	**$**
B. State Costs by Source of Funds		
GPR	73,000,000	
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, ets.)

	Increased Rev	Decreased Rev
GPR Taxes	$	$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	**$**	**$**

NET ANNUALIZED FISCAL IMPACT

	State	Local
NET CHANGE IN COSTS	$73,000,000	$
NET CHANGE IN REVENUE	$	$

Agency/Prepared By	**Authorized Signature**	**Date**
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