Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2015 Session

[X] Original [ ] Updated [ ] Corrected [ ] Supplemental

LRB Number	15-1623/1	Introduction Number	AB-0048

Description
Treatment of depreciation, depletion, and amortization for income and franchise tax purposes

Fiscal Effect

State:

- [ ] No State Fiscal Effect
- [ ] Indeterminate
  - [ ] Increase Existing Appropriations
  - [ ] Decrease Existing Appropriations
  - [ ] Create New Appropriations
  - [X] Increase Existing Revenues
  - [X] 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

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 2/18/2015

LRB Number **15-1623/1**	Introduction Number **AB-0048**	Estimate Type **Original**
Description Treatment of depreciation, depletion, and amortization for income and franchise tax purposes		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, for taxable years beginning after December 31, 2013, depreciation and amortization are calculated using the Internal Revenue Code (IRC) in effect on January 1, 2014. For the purposes of calculating depletion and deductions under Section 179, 179A, 179B, 179C, 179D, and 179E of the IRC, the IRC in effect for the year the assets are placed in service would be used.

The bill provides that for taxable years beginning on or after January 1, 2014, for purposes of computing depreciation, depletion, amortization, and deductions under Section 179 of the IRC, a taxpayer may use the law in effect on January 1, 2013.

Fiscal Effect

Under the assumption that the phrase "the law in effect on January 1, 2013" refers to only the IRC, the fiscal effect of the bill would be minimal, as the two major pieces of federal legislation affecting laws on depreciation, depletion, amortization, and Section 179 deductions for tax years 2013 (the American Taxpayer Relief Act of 2012, enacted January 2, 2013) and 2014 (the Tax Increase Prevention Act of 2014, enacted December 19, 2014) were not in effect on January 1 of 2013 and 2014, respectively.

If the phrase refers to state law, or to both the federal IRC and state law, and the bill is enacted before the June 15, 2015 estimated payment due date, the fiscal effect would be a reduction in revenue of an estimated $7.9 million in fiscal year 2015, and revenue increases of an estimated $2.23 million in fiscal years 2016 through 2018, and a revenue increase of an estimated $1.21 million in fiscal year 2019. If the bill is enacted after the June 15, 2015 estimated payment due date, the fiscal effect would be a reduction in revenue of an estimated $5.83 million in fiscal year 2016, and revenue increases of an estimated $2.08 million in fiscal years 2017 and 2018, and a revenue increase of an estimated $1.67 million in fiscal year 2019.

In general, because of the time value of money, taxpayers will choose the method that results in the lowest tax liability in the nearest term. The above estimates assume that taxpayers will generally choose to use the more beneficial provisions regarding depletion and Section 179 deductions in current state law, and therefore those provisions of the bill will have no fiscal effect. In addition, the assumptions above assume that taxpayers will largely choose the method for depreciation and amortization that results in the lowest tax year 2014 tax liability, and the fiscal effect derives from taxpayers choosing to use depreciation and amortization methods in effect on January 1, 2013 rather than those in current law. This estimate further assumes that some taxpayers will take the election to use prior law to relieve administrative burdens, even if it is to their detriment in terms of their tax year 2014 liability.

Long-Range Fiscal Implications

Since an election on depreciation only results in an acceleration of revenue loss; not a new source of loss; there is no long-range fiscal effect of this bill for tax years 2020 and thereafter.

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Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

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Description
Treatment of depreciation, depletion, and amortization for income and franchise tax purposes

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, 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	$	$
NET CHANGE IN REVENUE	$	$

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