

### Fiscal Estimate - 2015 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>15-2028/1</b>	<b>Introduction Number</b> <b>AB-0709</b>
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**Description**  
 Creating an individual income tax deduction for certain income earned by an individual from the practice of psychiatry

**Fiscal Effect**

**State:**

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

**Local:**

<input type="checkbox"/> No Local Government Costs		<b>5. Types of Local Government Units Affected</b> <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

<b>Agency/Prepared By</b> DOR/ Bradley Caruth (608) 261-8984	<b>Authorized Signature</b> Michael Wagner (608) 266-6785	<b>Date</b> 1/20/2016
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## Fiscal Estimate Narratives

DOR 1/20/2016

LRB Number	15-2028/1	Introduction Number	AB-0709	Estimate Type	Original
<b>Description</b> Creating an individual income tax deduction for certain income earned by an individual from the practice of psychiatry					

### Assumptions Used in Arriving at Fiscal Estimate

The bill creates a new individual income tax subtraction for income earned in Wisconsin by a psychiatrist from the practice of psychiatry. The deduction may not be claimed for more than ten years, which must be consecutive once the claimant first claims the credit. In addition, the deduction must be claimed initially within the first two years that a psychiatrist begins to practice in this state, or within the first two years that a psychiatrist returns to this state after practicing in another state for at least one year.

If an individual begins to claim the deduction but is unable to claim it for ten consecutive years because he or she leaves the state, the individual must add to his or her tax that is due for the year in which he or she leaves the state the sum of all gross tax due, based on a recalculation of taxable income that assumes the individual did not claim the deduction, for the years in which he or she claimed the deduction.

The federal Bureau of Labor Statistics estimates that there are 310 psychiatrists in Wisconsin, excluding self-employed psychiatrists. Moreover, the average annual wage is \$210,480. According to a survey by the American Medical Association, approximately 58.9% of psychiatrists are employees, implying a total count of Wisconsin psychiatrists of 526.

Based on simulation results, the deduction will reduce tax by approximately \$12,400 per claimant on average. If all 526 psychiatrists received the subtraction, the total tax reduction would be approximately \$6.5 million annually (526 x \$12,400). However, the bill limits the subtraction to new and returning practitioners.

Focusing on the new practitioners, if psychiatrists are roughly equally allocated across forty-year careers, approximately 5% (2 out of 40) of psychiatrists would be eligible for the subtraction in the first year. Additionally, 2.5% would become eligible each year for the next nine years. Under these conditions the bill could reduce revenue by approximately \$150,000 in fiscal year 2016, \$400,000 in fiscal year 2017, \$560,000 in fiscal year 2018, and ultimately increasing to \$1.7 million by fiscal year 2026.

To the extent that the deduction encourages additional psychiatrists to practice in Wisconsin, the fiscal effect of the bill would increase. To the extent that psychiatrists leave the state, the additional tax add back would reduce the fiscal effect of the bill.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Description</b> Creating an individual income tax deduction for certain income earned by an individual from the practice of psychiatry		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>		
<b>II. Annualized Costs:</b>		
	<b>Annualized Fiscal Impact on funds from:</b>	
	Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$See Text	\$
<b>Agency/Prepared By</b>		
<b>Authorized Signature</b>		<b>Date</b>
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		1/20/2016