

Fiscal Estimate Narratives

DOR 8/20/2015

LRB Number	15-2281/1	Introduction Number	SB-228	Estimate Type	Original
Description Amount of an academic excellence higher education scholarship, the number of those scholarships that may be awarded in an academic year, the eligibility criteria for those scholarships, and creating an individual income tax credit for certain academic scholarship recipients					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates a nonrefundable individual income tax credit for students who receive an Academic Excellence Higher Education Scholarship and graduate from an institution within the University of Wisconsin System, a technical college district school, or a private institution of higher education with a bachelor's degree, an associate degree, or vocational diploma. To be eligible for the credit, graduates must reside and work in Wisconsin.

The credit is equal to 50% of all tuition and fees, including segregated fees, that would have been charged to a single full-time student by the institution or school attended by an individual who received the scholarship for the years in which the individual received the scholarship (50% of U.W.-Madison undergraduate tuition if the individual attended a private institution).

One-fifth of the credit may be claimed in the taxable year which immediately follows the year in which the individual graduates and an additional one-fifth in each of the next four consecutive taxable years. The individual must be a full-year resident of Wisconsin for a year in which the credit is claimed.

Based on information from the State of Wisconsin Higher Education Aids Board (HEAB), 399 new scholarships could be awarded annually under the program. Using 2015-16 tuition rates and assuming recipients attend a four-year college, eligible graduates could claim approximately \$1.7 million in credits in tax year 2021. This amount would increase incrementally to \$8.3 million by tax year 2025, when there would be five years of graduates claiming credits.

Data compiled by the Federal Reserve Bank of Boston indicate that approximately 70% of Wisconsin baccalaureate degree recipients in 2008 remained in the state for at least a year after graduation. If scholarship recipients follow the same pattern, the total credit claim would be approximately \$1.2 million in 2021 and \$5.8 million in 2025.

The average credit amount under this bill will exceed the typical income tax paid by individuals who are in their mid to late twenties. Since the credit is nonrefundable, a \$1.2 million credit claim would reduce revenue by approximately \$250,000 in fiscal year 2022. The revenue loss would increase to approximately \$1.25 million by fiscal year 2026.

To the extent that some scholarship recipients will graduate in less than four years, minimal revenue losses will occur prior to fiscal year 2022. For example, a portion of scholarship recipients will likely receive two-year degrees rather than four-year degrees. As such, those individuals will typically claim credits beginning in fiscal year 2020.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2015 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	\$	\$
NET CHANGE IN REVENUE	\$See Text	\$

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