

Fiscal Estimate Narratives

DOR 2/5/2018

LRB Number	17s0235/1	Introduction Number	ASA1-AB556	Estimate Type	Corrected
Description 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 substitute amendment creates an 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 five years, beginning 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 five 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 390 psychiatrists in Wisconsin, excluding self-employed psychiatrists. Moreover, the average annual wage is \$189,400. According to a survey by the American Medical Association, approximately 47.2% of psychiatrists are employees, implying a total count of Wisconsin psychiatrists of 826.

Based on simulation results, the deduction will reduce tax by approximately \$9,020 per claimant on average. If all 826 psychiatrists received the subtraction, the total tax reduction would be approximately \$7.5 million annually (826 x \$9,020). 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 it is available (tax year 2018). Additionally, 2.5% would become eligible each year for the next four years. Under these conditions the bill could reduce revenue by approximately \$370,000 in fiscal year 2019, \$560,000 in fiscal year 2020, \$750,000 in fiscal year 2021, \$930,000 in fiscal year 2022, and \$1.1 million in fiscal year 2023. Beginning in fiscal year 2024, the provision would reduce revenue by approximately \$930,000 annually thereafter.

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 - 2017 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description creating an individual income tax deduction for certain income earned by an individual from the practice of psychiatry		
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		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By		
Authorized Signature		Date
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