

Fiscal Estimate - 2017 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number **17s0235/1**
 Introduction Number **ASA1-AB556**

Description
 creating an individual income tax deduction for certain income earned by an individual from the practice of psychiatry

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 3. Increase Revenue
 - Permissive Mandatory Permissive Mandatory
- 2. Decrease Costs 4. Decrease Revenue
 - Permissive Mandatory Permissive Mandatory
- 5. Types of Local Government Units Affected
 - Towns Village Cities
 - Counties Others
 - School Districts WTCS Districts

Fund Sources Affected
 Affected Ch. 20 Appropriations
 GPR FED PRO PRS SEG SEGS

Agency/Prepared By	Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984	Jamie Adams (608) 266-6785	2/2/2018

Fiscal Estimate Narratives

DOR 2/2/2018

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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 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 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

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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, 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	\$
Agency/Prepared By		Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984		Jamie Adams (608) 266-6785	2/2/2018