

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-2699/1	Introduction Number AB-0318
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Description
 creating tax-advantaged first-time home buyer accounts

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 type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

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

Fund Sources Affected	Affected Ch. 20 Appropriations
<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	

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Fiscal Estimate Narratives

DOR 6/14/2019

LRB Number	19-2699/1	Introduction Number	AB-0318	Estimate Type	Original
Description creating tax-advantaged first-time home buyer accounts					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates a tax-advantaged first-time home buyers savings account. Under the bill, an individual may create the account and must designate a beneficiary of the account, which may be the account holder. The beneficiary must be a first-time home buyer, defined as someone who resides in this state and has not owned or purchased a single-family residence during the last 36 months. An account holder may withdraw funds from the account to pay the down payment and eligible closing costs for the purchase of a single-family residence in Wisconsin. The account holder may not use funds from the account to pay any expenses he or she incurs in administering the account, although the financial institution may deduct a service fee from the account.

Beginning in tax year 2020, annually, an account holder may subtract from his or her federal adjusted gross income (FAGI) up to \$5,000 of the amount he or she contributes to an account, as well as any gain that is redeposited into the account (\$10,000 for married couples filing jointly). An account holder may not claim a subtraction for more than a total of \$50,000 of deposits into an account for each beneficiary.

The number of potential accounts and amount deducted per year under the bill is unknown. However, according to the Wisconsin Realtors Association, there were about 83,500 home sales in Wisconsin in 2018. The National Association of Realtors recent home buyer profile reports that about 34% of buyers are first-time buyers (83,500 x 34% = 28,400 sales). Moreover, about 57% of those buyers are married and 43% are unmarried, implying an average maximum subtraction of \$7,850 (57% x 10,000 + 43% x 5,000). Not all first-time home buyers will participate in the program. As an approximate measure of potential participation, a survey by CNBC suggested that about 29% of people knew about the tax benefits of tax-advantaged college savings accounts. Using the 6.27% income tax bracket, if a similar share of first-time buyers claim the deduction, averaging \$7,850, it would imply a revenue reduction of about \$4.1 million (29% x 28,400 x \$7,850 x 6.27%) in fiscal year 2021.

The number of accounts and the amount of redeposited gains are likely to increase over time, though it is not clear how quickly the subtraction will grow. If it grows by 50% in year the second year it will decrease revenue by \$6.2 million in fiscal year 2022.

To the extent that a larger (or smaller) share of first-time home buyers participate in the program the fiscal effect of the subtraction will be commensurately higher (or lower).

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

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Description creating tax-advantaged first-time home buyer accounts			
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
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