

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-5580/1	Introduction Number AB-0958	
Description distributions from a federal college savings plan to pay principal and interest on qualified education loans and for materials and equipment used in an apprenticeship program		
Fiscal Effect		
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 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 <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <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		
Agency/Prepared By DOR/ Bradley Caruth (608) 261-8984	Authorized Signature Michael Oakleaf (608) 261-5173	Date 2/27/2020

Fiscal Estimate Narratives

DOR 2/27/2020

LRB Number	19-5580/1	Introduction Number	AB-0958	Estimate Type	Original
Description distributions from a federal college savings plan to pay principal and interest on qualified education loans and for materials and equipment used in an apprenticeship program					

Assumptions Used in Arriving at Fiscal Estimate

This bill conforms state law to a provision of the federal Internal Revenue Code (IRC). The IRC provision allows a person to exclude from income distributions from a college savings plan to pay principal and interest on qualified education loans or to pay for materials and equipment used to participate in an apprenticeship program registered with and certified by the federal secretary of labor.

The federal Joint Committee on Taxation was responsible for estimating the federal revenue impact of the IRC provision. Adjusting that estimate for Wisconsin's share of national income as well as the relative effective state and federal tax rates, suggests that allowing the exclusion for state purposes would reduce revenue by approximately \$130,000 annually.

In addition to conforming to the federal exclusion for income distributions from a college savings plan, Wisconsin also allows a deduction for contributions to Wisconsin college savings plans. In the 2019 Summary of Tax Exemption Devices, DOR estimated that the fiscal effect of the existing deduction for contributions was \$15.6 million compared to \$13.0 million for the exclusion for distributions. That suggests that the increase in excluded distributions corresponds to as much as an additional \$156,000 fiscal effect for additional deductions for contributions.

Combined, the additional deduction for contributions to an account and the additional exclusion for earnings distributed from an account under this bill will reduce general purpose revenue by approximately \$286,000 annually, beginning in fiscal year 2020.

Administrative costs are minimal and can be absorbed by the Department.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

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Description distributions from a federal college savings plan to pay principal and interest on qualified education loans and for materials and equipment used in an apprenticeship program			
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	\$	\$-286,000
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$-286,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$-286,000	\$
Agency/Prepared By		Authorized Signature	Date
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