

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-5688/1	Introduction Number SB-818
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Description
 an income tax credit for the property taxes paid on agricultural buildings and improvements and making an appropriation

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate
 Increase Existing Appropriations
 Increase Existing Revenues
 Increase Costs - May be possible to absorb within agency's budget
 Decrease Existing Appropriations
 Decrease Existing Revenues
 Yes No
 Create New Appropriations
 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

<input type="checkbox"/> Towns	<input type="checkbox"/> Village	<input type="checkbox"/> Cities
<input type="checkbox"/> Counties	<input type="checkbox"/> Others	<u>0</u>
<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	20.835(2)(bh)

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Fiscal Estimate Narratives
DOR 2/13/2020

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Description an income tax credit for the property taxes paid on agricultural buildings and improvements and making an appropriation		

Assumptions Used in Arriving at Fiscal Estimate

For tax years 2020 through 2022, this bill creates a refundable income and franchise tax credit equal to the assessed value of buildings and other improvements on agricultural land, excluding residential property, multiplied by 0.01187. The improvements must be used exclusively for farming in order to qualify for the credit. The credit is limited to \$7,500 for an individual, entity, or married couple filing jointly. In addition, an eligible claimant must have at least \$35,000 in annual gross cash farm income.

The bill also allows a taxpayer to claim the credit for 2020 online in the manner determined by DOR rather than file a tax return to claim the credit. Claiming the credit online for 2020 does not relieve the taxpayer of their obligation to otherwise file a return for that year. The department anticipates that an online application will cost \$33,700 to develop.

Absent the credit cap, exclusive use, and farm income threshold requirements, total 'other improvements' would yield a credit of \$121.8 million under the formula. DOR estimates that personal residences of farmers account for about \$85.5 million under the formula. Thus, gross credits before limitations would be approximately \$36.3 million annually beginning in fiscal year 2021.

With respect to the farm income threshold, 35% of individual returns reporting farm income (federal schedule F), reported annual gross cash farm income of at least \$35,000. Those filers also reported approximately 75% of aggregate schedule F expenses for 'taxes', which includes property taxes. Using that as a proxy for the share of credit that is attributable to claimants who meet the farm income threshold would reduce the gross credit to about \$27.3 million annually beginning in fiscal year 2021 through fiscal year 2023.

With respect to the \$7,500 credit cap, the department does not capture parcel level information to accurately isolate or determine the impact of the limitation. While most farms are likely to be below the \$7,500 property tax, and thus unaffected by the cap, a percentage of large farms will be impacted. A sample of large dairy farms permitted by the DNR (CAFOs), had a median assessed value \$1.10 million, and a median farm property credit of \$19,400 before limitation. Those CAFOs would typically have credits reduced by about \$11,900 on average.

To the extent that personal residences of farmers are classified as residential property instead of other property, the fiscal effect of the bill would be larger. To the extent that not all other improvements satisfy the exclusive farm use qualification, the fiscal effect of the bill would be smaller.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): The bill provides a one-time provision for claimants to file a claim for tax year 2020 via an online application, as implemented by the department. The department anticipates that this will cost \$33,700 to develop.		
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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Date

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