

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-5252/1	Introduction Number SB-840
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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

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**
- 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	Michael Oakleaf (608) 261-5173	2/27/2020

Fiscal Estimate Narratives

DOR 2/27/2020

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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.

Costs to administer this bill 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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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	\$	\$-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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