Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2021 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **21-0745/1**	Introduction Number **SB-001**

Description
modifications to the tax treatment of tax-option corporations that elect to pay tax at the entity level

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

Fund Sources Affected

☒ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
DOR/ Zach Petersen (608) 267-2428	Ann DeGarmo (608) 266-7179	1/18/2021

Fiscal Estimate Narratives

DOR 1/18/2021

LRB Number **21-0745/1**	Introduction Number **SB-001**	Estimate Type **Original**
Description modifications to the tax treatment of tax-option corporations that elect to pay tax at the entity level		

Assumptions Used in Arriving at Fiscal Estimate

The bill makes several changes for tax option corporations. Under the bill, these corporations can exclude 30% of the gains realized from the sale of assets held for more than a year and the sale of all assets acquired from a decedent, and 60% of the gains realized from the sale of farm assets held for more than one year and the sale of all farm assets acquired from a decedent. The bill also limits the excess capital loss deduction from $3,000 to $500, requires tax payers with less than $250,000 in net income to pay interest on the underpayment of taxes, and requires tax payers to make quarterly estimated payments according to the standards applicable to tax payers with net income of less than $250,000.

Fiscal Estimate

After a review of tax year 2019 returns that made the election to pay at the entity level, the bill will decrease income and franchise tax revenues by an estimated $580,000 in FY2021, $810,000 in FY2022, and $860,000 in FY2023.

In addition to the above fiscal effect, there will be a minimal decrease to Economic Development Surcharge revenue.

Additionally, the bill will result in a one-time cost of $44,900 due to programming and forms changes.

Long-Range Fiscal Implications

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Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

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Description
modifications to the tax treatment of tax-option corporations that elect to pay tax at the entity level

I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

$44,900 cost for programming.

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	$	$-860,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	**$**	**$-860,000**

NET ANNUALIZED FISCAL IMPACT

	State	Local
NET CHANGE IN COSTS	$	$
NET CHANGE IN REVENUE	$-860,000	$

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