

### Fiscal Estimate - 2021 Session

Original             Updated             Corrected             Supplemental

<b>LRB Number</b> <b>21-2519/1</b>	<b>Introduction Number</b> <b>SB-290</b>
<b>Description</b> creating an individual income tax deduction for certain income earned by an individual from the practice of psychiatry	
<b>Fiscal Effect</b>	
<b>State:</b>	
<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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs	
<b>Local:</b>	
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs            3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 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 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 <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
<b>Fund Sources Affected</b>	
<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	
<b>Affected Ch. 20 Appropriations</b>	
<b>Agency/Prepared By</b> DOR/ Bradley Caruth (608) 261-8984	<b>Authorized Signature</b> Ann DeGarmo (608) 266-7179
<b>Date</b> 4/19/2021	

## Fiscal Estimate Narratives

DOR 4/19/2021

LRB Number	21-2519/1	Introduction Number	SB-290	Estimate Type	Original
<b>Description</b> creating an individual income tax deduction for certain income earned by an individual from the practice of psychiatry					

### Assumptions Used in Arriving at Fiscal Estimate

The bill creates an individual income tax subtraction for income earned in Wisconsin by a psychiatrist from the practice of psychiatry. The deduction is limited to \$100,000 for psychiatrists who do not practice in a medically underserved area or \$200,000 for individuals who do practice in a medically underserved area. The deduction may not be claimed for more than five years, beginning once the claimant first claims the deduction. In addition, the deduction must be claimed initially within the first two years that a psychiatrist begins to practice in this state, or within the first two years that a psychiatrist returns to this state after practicing in another state for at least one year.

If an individual begins to claim the deduction but is unable to claim it for five consecutive years because he or she leaves the state, the individual must add to his or her tax that is due for the year in which he or she leaves the state the total gross tax that would have been due if the subtraction was not claimed for any year minus the amount of gross tax actually due for those years.

The federal Bureau of Labor Statistics estimates that there are 420 psychiatrists in Wisconsin, excluding self-employed psychiatrists. Moreover, the average annual wage is \$189,020. According to a survey by the American Medical Association, approximately 48.9% of psychiatrists are employees, implying a total count of Wisconsin psychiatrists of 859.

Based on simulation results using a \$200,000 subtraction maximum, the deduction would reduce tax by approximately \$8,870 per claimant on average. Using a \$100,000 subtraction maximum implies an average tax reduction of \$5,170 per claimant. It is not clear how many of the psychiatrists would qualify at each subtraction level. For illustration purposes, if psychiatrists are equally split between the two categories, the average tax reduction would be approximately, \$7,020 per claimant.

The bill limits the subtraction to new and returning practitioners. If psychiatrists are roughly equally allocated across forty-year careers, approximately 5% (2 out of 40) of psychiatrists would be eligible for the subtraction in the first year it is available (tax year 2021). Additionally, 2.5% would become eligible each year for the next four years. Under these conditions the bill could reduce revenue by approximately \$300,000 in fiscal year 2022, \$450,000 in fiscal year 2023, \$600,000 in fiscal year 2024, \$750,000 in fiscal year 2025, and \$900,000 in fiscal year 2026. Beginning in fiscal year 2026, the provision would reduce revenue by approximately \$750,000 annually thereafter.

If a larger (smaller) share of psychiatrists are eligible for the \$200,000 subtraction maximum, the fiscal effect of the bill would be larger (smaller). To the extent that the deduction encourages additional psychiatrists to practice in Wisconsin, the fiscal effect of the bill would increase. To the extent that psychiatrists leave the state, the additional tax add back would reduce the fiscal effect of the bill.

DOR anticipates incurring \$7,550 in one-time administrative costs related to training staff as well as drafting and modifying tax forms, instructions, and other published guidance. The department cannot absorb these costs with existing resources.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> creating an individual income tax deduction for certain income earned by an individual from the practice of psychiatry		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  DOR anticipates incurring \$7,550 in one-time administrative costs related to training staff as well as drafting and modifying tax forms, instructions, and other published guidance.		
<b>II. Annualized Costs:</b>	<b>Annualized Fiscal Impact on funds from:</b>	
	Increased Costs      Decreased Costs	
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$See Text	\$
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DOR/ Bradley Caruth (608) 261-8984	Ann DeGarmo (608) 266-7179	4/19/2021