

### Fiscal Estimate - 2021 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 21-3008/1	<b>Introduction Number</b> SB-339
<b>Description</b> increasing the net capital loss deduction	
<b>Fiscal Effect</b>	
<b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Appropriations  <input type="checkbox"/> Decrease Existing Appropriations  <input type="checkbox"/> Create New Appropriations                 </div> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Revenues  <input checked="" type="checkbox"/> Decrease Existing Revenues                 </div> <div style="width: 30%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget  <div style="display: flex; justify-content: space-around; font-size: small;"> <span><input type="checkbox"/> Yes</span> <span><input checked="" type="checkbox"/> No</span> </div> <input type="checkbox"/> Decrease Costs                 </div> </div>	
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;">                 1. <input type="checkbox"/> Increase Costs  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                  2. <input type="checkbox"/> Decrease Costs  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory             </div> <div style="width: 30%;">                 3. <input type="checkbox"/> Increase Revenue  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                  4. <input type="checkbox"/> Decrease Revenue  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory             </div> <div style="width: 30%;">                 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             </div> </div>	
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</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>Agency/Prepared By</b> DOR/ Bradley Caruth (608) 261-8984	<b>Authorized Signature</b> Michael Oakleaf (608) 261-5173
<b>Date</b> 5/20/2021	

## Fiscal Estimate Narratives

DOR 5/20/2021

LRB Number	21-3008/1	Introduction Number	SB-339	Estimate Type	Original
<b>Description</b> increasing the net capital loss deduction					

### Assumptions Used in Arriving at Fiscal Estimate

Under current Wisconsin and federal law, individuals net their capital gains and losses when reporting income. Capital losses can fully offset capital gains, but cannot fully offset other income. In Wisconsin an annual maximum of \$500 of capital losses can be deducted from ordinary income, while at the federal level an annual maximum of \$3,000 of capital losses can be deducted from ordinary income (\$1,500 for married individuals filing separately).

Effective for taxable years beginning after December 31, 2022, this bill increases the \$500 annual limit on capital loss deductions to the \$3,000 federal level (or \$1,500 for married individuals filing separately).

Using 2018 individual income tax returns and adjusting for 2023 income levels and law, DOR simulated the impact of increasing the allowable capital loss offset against ordinary income. Based on that simulation, this bill would reduce revenue by \$4.3 million in fiscal year 2023 and \$17.1 million annually beginning in fiscal year 2024.

Because unused capital losses can be carried forward to offset capital gains and ordinary income in future years, the revenue loss from the bill will decline over time. In future years, individuals who would have offset ordinary income with a carryover loss may instead report higher taxable income if those losses had already offset ordinary income in an earlier year.

The Department would have one-time costs of \$11,130 to implement the provisions of the bill. These costs cannot be absorbed in existing resources.

### Long-Range Fiscal Implications

Capital gain and loss realizations are subject to greater variability than other sources of income. As a result, the fiscal effect of the bill could vary substantially from year to year.

## Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

Original
  Updated
  Corrected
  Supplemental

<b>LRB Number</b> 21-3008/1	<b>Introduction Number</b> SB-339	
<b>Description</b> increasing the net capital loss deduction		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>		
The Department would have one-time costs of \$11,130 to implement the provisions of the bill. These costs cannot be absorbed in existing resources.		
<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	\$	\$-17,100,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-17,100,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-17,100,000	\$
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DOR/ Bradley Caruth (608) 261-8984	Michael Oakleaf (608) 261-5173	5/20/2021