

### Fiscal Estimate - 2023 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 23-0282/1	<b>Introduction Number</b> AB-0235	
<b>Description</b> a tax credit for certain property tax increases and making an appropriation		
<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 checked="" 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 type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input checked="" 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 <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
<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 20.835(2)(fm)		
<b>Agency/Prepared By</b> DOR/ Bradley Caruth (608) 261-8984	<b>Authorized Signature</b> Michael Oakleaf (608) 261-5173	<b>Date</b> 4/28/2023

5. Types of Local Government Units Affected  
 Towns     Village     Cities  
 Counties     Others 0  
 School Districts     WTCS Districts

## Fiscal Estimate Narratives

DOR 4/28/2023

LRB Number	<b>23-0282/1</b>	Introduction Number	<b>AB-0235</b>	Estimate Type	<b>Original</b>
<b>Description</b> a tax credit for certain property tax increases and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

This bill creates a refundable individual income tax credit for an increase in the property taxes that a person who has reached age 65 pays for a primary residence owned in this state. The elder property tax increase credit amount is calculated as the difference between the property taxes levied and paid on the claimant's primary residence in the year to which the claim relates and those property taxes in the base year.

Under the bill, the "base year" is the most recent of either of the following years:

1) if a claimant has not moved to a different primary residence after first claiming the credit, the year immediately before the year in which the claimant first claimed the credit or 2) if a claimant moves to a different primary residence after first claiming the credit, the first year for which property taxes are levied on that different primary residence for the claimant. The maximum credit for a taxable year allowed under the bill is \$500.

Individuals may not claim the credit under this bill and also claim the school property tax credit (SPTC), the homestead tax credit, or the veterans and surviving spouses property tax credit. Using the SPTC as an example, an eligible individual whose property tax rises from \$2,500 to \$2,600 would be eligible for either a \$300 SPTC or a \$100 elder property tax increase credit.

Based on an analysis of returns in recent years, DOR estimates that individuals will claim for \$31.1 million in elder credits under this bill fiscal year 2024. This will reduce their school property tax credit claims by \$13.3 million, for a net fiscal cost of \$17.9 million. Because the elder property tax increase credit is a refundable credit, the bill will create a new appropriation to pay for it from GPR. The SPTC is a nonrefundable credit, so decreased SPTC claims will appear as increased GPR revenue. DOR estimates that the net cost will increase as follows in subsequent years:

Fiscal year 2025: \$33.0 million (+\$59.5 million elder credit, -\$26.5 million SPTC)  
Fiscal year 2026: \$44.0 million (+\$80.3 million elder credit, -\$36.2 million SPTC)  
Fiscal year 2027: \$50.1 million (+\$92.6 million elder credit, -\$41.9 million SPTC)  
Fiscal year 2028: \$57.5 million (+\$105.2 million elder credit, -\$47.7 million SPTC)

The cost will continue to increase as more elderly claimants switch from the SPTC to the credit under this bill. Changes in property tax liabilities as well as changes to other individual income tax credits based on property taxes will affect these estimates.

Because this bill affects tax revenue, it may impact the state's maintenance of effort requirement under the American Rescue Plan Act. The Dept of Administration should review this bill for this specific purpose to provide further clarity on the matter.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Description</b> a tax credit for certain property tax increases and making an appropriation		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>		
<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	\$See Text	\$
NET CHANGE IN REVENUE	\$See Text	\$
<b>Agency/Prepared By</b>		
<b>Authorized Signature</b>		<b>Date</b>
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		4/28/2023