

## Fiscal Estimate - 2023 Session

☒ Original      ☐ Updated      ☐ Corrected      ☐ Supplemental

<b>LRB Number</b> <b>23-0054/2</b>	<b>Introduction Number</b> <b>SB-0102</b>
<b>Description</b> reducing the eligibility threshold to claim the veterans and surviving spouses property tax credit	
<b>Fiscal Effect</b>  <b>State:</b> <div style="display: flex; justify-content: space-between;"><div style="width: 30%;"><input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate     <input checked="" type="checkbox"/> Increase Existing Appropriations     <input type="checkbox"/> Decrease Existing Appropriations     <input type="checkbox"/> Create New Appropriations</div><div style="width: 30%;"><input checked="" type="checkbox"/> Increase Existing Revenues <input 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     <input type="checkbox"/> Yes      <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs</div></div> <b>Local:</b> <div style="display: flex; justify-content: space-between;"><div style="width: 30%;"><input checked="" 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</div><div style="width: 30%;"></div><div style="width: 30%;"><b>5. Types of Local Government Units Affected</b> <div style="display: flex; justify-content: space-between;"><div><input type="checkbox"/> Towns    <input type="checkbox"/> Counties    <input type="checkbox"/> School Districts</div><div><input type="checkbox"/> Village    <input type="checkbox"/> Others    <input type="checkbox"/> WTCS Districts</div><div><input type="checkbox"/> Cities</div></div></div></div>	

## Fiscal Estimate Narratives

DOR 3/9/2023

LRB Number	23-0054/2	Introduction Number	SB-0102	Estimate Type	Original
<b>Description</b> reducing the eligibility threshold to claim the veterans and surviving spouses property tax credit					

### Assumptions Used in Arriving at Fiscal Estimate

This bill reduces the eligibility threshold for an eligible veteran, the spouse of an eligible veteran, and the unremarried surviving spouse of an eligible veteran to claim the veterans and surviving spouses property tax credit under the individual income tax system. Under the bill, a claimant may claim the credit if the claimant's service-connected disability rating is at least 70%. Currently, that rating must be 100% (or treated as 100% based on individual unemployability, or IU).

Under the bill, the maximum credit that a claimant may claim is multiplied by the percentage of the claimant's service-connected disability rating. The bill does not affect a claimant who claims the credit based on IU.

The Department of Veterans Affairs National Center for Veterans Analysis and Statistics reports that 10,182 veterans in Wisconsin had a 100% disability rating in 2020, and 17,561 more veterans had a rating in the 70% to 90% range. Using a report from the US Government Accountability Office, DOR estimates that about 6,650 veterans with disability ratings from 60% to 90% are eligible for the veterans and surviving spouses property tax credit based on IU. Allocating those veterans with IU status by disability rating suggests that 893 veterans with a 60% rating have IU status and 5,757 veterans with a 70% to 90% rating have IU status. Thus about 16,832 veterans are eligible for the credit under current law based on their 100% disability rating or IU (10,182 + 6,650). This bill extends the credit eligibility to about 11,804 veterans who do not have IU status but do have ratings of 70% to 90% (17,561 - 5,757).

The veterans and surviving spouses property tax credit has additional residency and property tax liability requirements, but also extends eligibility to surviving spouses of qualified veterans, and surviving spouses receiving dependency and indemnity compensation. In 2021 there were about 9,526 credit claims from veterans, 2,559 from surviving spouses of qualified veterans, and 776 from surviving spouses receiving dependency and indemnity compensation. Supposing the same percentage of newly eligible veterans claim the credit under this bill, that suggests the bill will add about 5,436 new veteran claimants and about 2,198 new surviving spouses claims (dependency and indemnity compensation is unaffected). Based on historical growth in claims, new claims will increase by approximately 6,343 veterans and 2,220 surviving spouses in tax year 2023.

The average credit claimant received \$3,364 in 2021, which is expected to grow to \$3,418 in tax year 2023. Assuming similar property tax amounts for newly eligible claimants, the bill would increase credit claims by approximately \$21.1 million in fiscal year 2024. Because veterans and surviving spouses property tax credit claimants cannot also claim the school property tax credit, the homestead credit, or the farmland preservation credit, the bill will also reduce those claims by about \$2.6 million. The net fiscal effect of the bill is approximately \$18.5 million annually beginning in fiscal year 2024.

Because this bill reduces 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> reducing the eligibility threshold to claim the veterans and surviving spouses property tax credit		
<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	21,100,000	
<b>TOTAL State Costs by Category</b>	<b>\$21,100,000</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR	21,100,000	
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	\$2,600,000	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$2,600,000</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$21,100,000	\$
NET CHANGE IN REVENUE	\$2,600,000	\$
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
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