



Legislative Fiscal Bureau

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TO: Members
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: Revised Fiscal Effects of Adopting Federal Tax Provisions

On January 22, 2021, I distributed a memorandum to members of the Legislature entitled, "Federal Tax Law Changes in the Consolidated Appropriations Act of 2021." Page 8 of that memorandum included a discussion of the tax treatment of loan forgiveness and business financial assistance under the federal Act.

The four programs discussed under that section of the memorandum are as follows:

- Paycheck Protection Program (PPP)
- Economic Injury Disaster Loan (EIDL) Program
- Payment Assistance for Certain Loan Payments
- Grants to Shuttered Venue Operations

The January 22 memorandum indicated that the four-year, combined state fiscal effect of these programs, if the state were to adopt the federal tax treatment, would be a GPR tax reduction of \$457.0 million.

We have now reviewed the individual effect of those four programs and have determined that the state impact of adopting each of the four would be a four-year GPR tax reduction of \$484.9 million. These amounts are shown on the attached table, which replaces the table on page 10 of the January 22 document.

BL/lb
Attachment

ATTACHMENT

Estimated State Fiscal Effects of Adopting Federal Tax Provisions in the Consolidated Appropriations Act of 2021 (Millions)

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>Source</u>
Provisions Automatically Adopted					
Energy Efficient Building Deduction	Minimal	-\$0.4	-\$0.4	-\$0.4	GPR-Tax
Working Retirement Distribution	Minimal	Minimal	Minimal	Minimal	GPR-Tax
Partial Plan Termination	Minimal	Minimal	Minimal	Minimal	GPR-Tax
Educator Expense Deduction	Minimal	Minimal	Minimal	Minimal	GPR-Tax
Withdrawal from Money Purchase Plan	<u>-\$0.4</u>	<u>-0.1</u>	<u>Minimal</u>	<u>Minimal</u>	GPR-Tax
Total:	-\$0.4	-\$0.5	-\$0.4	-\$0.4	GPR-Tax
Provisions That Would Require Legislative Action					
Volunteer Firefighter/EMT	-\$0.2	-\$0.4	-\$0.5	-\$0.5	GPR-Tax
Employer Paid Student Loans	-1.9	-3.5	-4.0	-4.2	GPR-Tax
Health and Dependent Care FSA	Minimal	0.2	0.1	Minimal	GPR-Tax
Capitalizing Interest - Alcohol Production	-0.1	-0.1	-0.1	-0.1	GPR-Tax
Minimum Rate of Interest for Life Insurance	Minimal	-0.1	-0.4	-0.7	GPR-Tax
Increase Charitable Deduction Limit	-3.6	-13.5	3.8	5.1	GPR-Tax
Medical Expense Deduction	Minimal	-5.1	-5.1	-5.1	GPR-Tax
Disaster - Casualty Losses	-0.4	-0.2	-0.1	Minimal	GPR-Tax
Disaster - Charitable Contributions	-0.7	Minimal	0.2	0.1	GPR-Tax
Special Rules for Retirement Funds	-0.3	-0.2	Minimal	Minimal	GPR-Tax
Emergency Financial Aid Grants	-0.1	-0.1	Minimal	Minimal	GPR-Tax
Terminate Transfers from Pension Plan	0.3	0.3	0.2	0.2	GPR-Tax
Rental Property Depreciation	-6.0	-4.9	-1.9	-1.2	GPR-Tax
EITC for Tax Year 2020	30.6	Minimal	Minimal	Minimal	GPR
PPP Loans and Other Business Assistance					
PPP Loan Forgiveness	-221.0	-152.0	-46.0	-12.0	GPR-Tax
EIDL Loan Program	-11.0	-12.0	-2.0	-1.0	GPR-Tax
Payment Assistance for Loans	-5.4	-8.3	-1.3	-0.5	GPR-Tax
Shuttered Venue Grant Program	<u>-3.5</u>	<u>-3.9</u>	<u>-2.8</u>	<u>-2.2</u>	GPR-Tax
Total GPR-Tax:	-\$253.9	-\$203.8	-\$59.9	-\$22.1	GPR-Tax
Total GPR:	\$30.6	Minimal	Minimal	Minimal	GPR
Total Impact to the State General Fund:	-\$284.9	-\$204.3	-\$60.3	-\$22.5	
Total Less Automatically Adopted:	-\$284.5	-\$203.8	-\$59.9	-\$22.1	