

Fiscal Estimate - 2021 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 21-0091/1	Introduction Number AB-0688	
Description increasing the maximum income threshold for the homestead tax credit and indexing the credit's thresholds		
Fiscal Effect		
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" 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 type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 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"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
Fund Sources Affected Affected Ch. 20 Appropriations <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)(c)		
Agency/Prepared By DOR/ Bradley Caruth (608) 261-8984	Authorized Signature Ann DeGarmo (608) 266-7179	Date 11/19/2021

Fiscal Estimate Narratives

DOR 11/19/2021

LRB Number	21-0091/1	Introduction Number	AB-0688	Estimate Type	Original
Description increasing the maximum income threshold for the homestead tax credit and indexing the credit's thresholds					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, low-income homeowners and renters may qualify for the refundable homestead credit, an individual income tax credit based on household income and property tax or rent constituting property tax. If household income is \$8,060 or less, the credit is 80% of property tax up to \$1,460; thus, the maximum credit is \$1,168. If household income exceeds \$8,060 but is no more than \$24,680, the credit is 80% of the amount by which property tax exceeds 8.785% of household income in excess of \$8,060.

Effective for claims filed for tax year 2021, this bill increases the maximum eligible income from \$24,680 to \$30,000. Moreover, the bill indexes the homestead tax credit parameters for inflation beginning with claims filed for 2023.

Based on a simulation using tax year 2018 credit claims, DOR expects the bill to increase costs by approximately \$32.8 million in fiscal year 2022, \$33.2 million in fiscal year 2023, \$45.6 million in fiscal year 2024, and increasing amounts annually thereafter. Annual increases in the fiscal effect will depend on the consumer price index (CPI). To the extent that the CPI increases rapidly/slowly indexing will have a greater/smaller fiscal impact.

The Department anticipates absorbing \$1,720 in one-time costs to administer the credit changes in this bill. These costs are associated with updating publications and training staff.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

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Description increasing the maximum income threshold for the homestead tax credit and indexing the credit's thresholds		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): The Department anticipates absorbing \$1,720 in one-time costs to administer the credit changes in this bill. These costs are associated with updating publications and training staff.		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$See Text	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By	Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984	Ann DeGarmo (608) 266-7179	11/19/2021