

Fiscal Estimate - 2021 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 21-0127/1	Introduction Number SB-243
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Description
 reducing the eligibility threshold to claim the veterans and surviving spouses property tax credit

Fiscal Effect

State:

<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	<input checked="" type="checkbox"/> Increase Existing Revenues	<input type="checkbox"/> Decrease Existing Revenues	<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
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Local:

<input checked="" type="checkbox"/> No Local Government Costs	<input type="checkbox"/> Indeterminate	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		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		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
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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)(em)

Agency/Prepared By	Authorized Signature	Date
DOR/ Robert Schmidt (608) 266-5773	Jamie Adams (608) 266-6785	3/31/2021

Fiscal Estimate Narratives

DOR 3/31/2021

LRB Number	21-0127/1	Introduction Number	SB-243	Estimate Type	Original
Description 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 unemployment, 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 9,457 veterans in Wisconsin had a 100% disability rating in 2019, and 16,254 more veterans had a rating in the 70% to 90% range. Using a report from the US Government Accountability Office, DOR estimates that about 6,431 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 896 veterans with a 60% rating have IU status and 5,535 veterans with a 70% to 90% rating have IU status. Thus about 15,888 veterans are eligible for the credit under current law based on their 100% disability rating or IU (9,457 + 6,431). This bill extends the credit eligibility to about 10,719 veterans who do not have IU status, but do have ratings of 70% to 90% (16,254 - 5,535).

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 2019 there were about 8,574 credit claims from veterans, 2,145 from surviving spouses of qualified veterans, and 688 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 1,796 new surviving spouses claims (dependency and indemnity compensation is unaffected). Based on historical growth in claims, new claims will increase by approximately 5,771 veterans and 1,907 surviving spouses in tax year 2021.

The average credit claimant received \$3,141 in 2019, which is expected to grow to \$3,242 in tax year 2021. Assuming similar property tax amounts for newly eligible claimants, the bill would increase credit claims by approximately \$17.6 million in fiscal year 2022. 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 \$2.3 million. The net fiscal effect of the bill is approximately \$15.3 million annually beginning in fiscal year 2022.

DOR anticipates incurring \$2,140 in one-time administrative costs related to drafting and modifying tax forms, instructions, and other published guidance. The department cannot absorb these costs with existing resources.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

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LRB Number 21-0127/1	Introduction Number SB-243
Description reducing the eligibility threshold to claim the veterans and surviving spouses property tax credit	
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):	
DOR anticipates incurring \$2,140 in one-time administrative costs related to drafting and modifying tax forms, instructions, and other published guidance.	
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	17,600,000
TOTAL State Costs by Category	\$17,600,000
B. State Costs by Source of Funds	
GPR	17,600,000
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	\$2,300,000
GPR Earned	
FED	
PRO/PRS	
SEG/SEG-S	
TOTAL State Revenues	\$2,300,000
NET ANNUALIZED FISCAL IMPACT	
	<u>State</u>
	<u>Local</u>
NET CHANGE IN COSTS	\$17,600,000
NET CHANGE IN REVENUE	\$2,300,000
Agency/Prepared By	Authorized Signature
DOR/ Robert Schmidt (608) 266-5773	Jamie Adams (608) 266-6785
	Date
	3/31/2021