

Fiscal Estimate Narratives

DOR 2/18/2014

LRB Number	13-3781/2	Introduction Number	AB-0757	Estimate Type	Original
Description Creating a nonrefundable individual income tax credit based on the federal tax credit for certain expenses for household and dependent care services					

Assumptions Used in Arriving at Fiscal Estimate

Under current federal law, individuals may claim a nonrefundable income tax credit for child and dependent care expenses. Allowable child and dependent care expenses generally include costs for in-home care or daycare, nursery school or preschool programs, and before-school and after-school care for school-age children.

A claimant's allowable expenses generally may not exceed the earned income of the claimant or the claimant's spouse. Depending on the claimant's adjusted gross income, the credit may be worth between 20 percent and 35 percent of the claimant's allowable expenses, up to a maximum annual amount of \$3,000 if there is one qualifying dependent and up to \$6,000 if there are two or more qualifying dependents.

Under current Wisconsin law, individuals may claim an income tax deduction based on their qualifying child and dependent care expenses. In 2014, the state deduction has the same \$3,000 or \$6,000 qualifying expenses limitation that applies federally.

This bill creates a nonrefundable individual income tax credit based on the federal tax credit for expenses for household and dependent care services. Under the bill, an individual who is eligible for and claims the federal tax credit for expenses for household and dependent care services may claim the same amount as a nonrefundable credit on his or her Wisconsin income tax return. Under the bill, the Wisconsin credit may not be claimed by a part-year or nonresident of this state.

Based on simulations using 2011 individual income tax returns, inflated for income levels and law, the new credit will reduce revenue by approximately \$44.5 million in fiscal year 2015, \$45.4 million in fiscal year 2016, \$46.3 million in fiscal year 2017, and similar amounts annually thereafter.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 13-3781/2		Introduction Number AB-0757	
Description Creating a nonrefundable individual income tax credit based on the federal tax credit for certain expenses for household and dependent care services			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
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	\$		\$-44,500,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$-44,500,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE		\$-44,500,000	\$
Agency/Prepared By		Authorized Signature	
DOR/ Bradley Caruth (608) 261-8984		Michael Wagner (608) 266-6785	
		Date	
		2/18/2014	