



State of Wisconsin  
2017 - 2018 LEGISLATURE

January 2018 Special Session

LRBs0340/1  
MES:wlj/amn/emw

**ASSEMBLY SUBSTITUTE AMENDMENT 1,  
TO ASSEMBLY BILL 5**

February 15, 2018 - Offered by Representatives RIEMER, HEBL, KOLSTE, BARCA,  
GENRICH, VRUWINK, MEYERS, KESSLER, BROSTOFF, CROWLEY and SPREITZER.

1     **AN ACT** *to amend* 71.07 (9e) (aj) (intro.); and *to create* 20.835 (2) (ff), 71.07 (9e)  
2           (ak) and 73.03 (73) of the statutes; **relating to:** creating a pilot program, and  
3           authorizing a permanent program, for making periodic payments to eligible  
4           recipients of the earned income tax credit, changing the rate of that credit,  
5           granting rule-making authority, and making an appropriation.

***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

6           **SECTION 1.** 20.835 (2) (ff) of the statutes is created to read:  
7           20.835 (2) (ff) *Earned income tax credit; periodic payments.* A sum sufficient  
8           to make the payments described under s. 73.03 (73) (c) 2. and 3.

9           **SECTION 2.** 71.07 (9e) (aj) (intro.) of the statutes is amended to read:  
10           71.07 (9e) (aj) (intro.) For taxable years beginning after December 31, 2010,  
11           and before January 1, 2018, an individual may credit against the tax imposed under

1 s. 71.02 an amount equal to one of the following percentages of the federal basic  
2 earned income credit for which the person is eligible for the taxable year under  
3 section 32 (b) (1) (A) to (C) of the Internal Revenue Code:

4 **SECTION 3.** 71.07 (9e) (ak) of the statutes is created to read:

5 71.07 **(9e)** (ak) For taxable years beginning after December 31, 2017, an  
6 individual may credit against the tax imposed under s. 71.02 an amount equal to 34  
7 percent of the federal basic earned income credit for which the person is eligible for  
8 the taxable year under section 32 (b) (1) of the Internal Revenue Code.

9 **SECTION 4.** 73.03 (73) of the statutes is created to read:

10 73.03 **(73)** To work with the Internal Revenue Service to undertake a pilot  
11 program that accomplishes all of the following:

12 (a) Assists the department in a 2-year pilot program to study the effect, on the  
13 financial stability of earned income tax credit recipients, of making monthly or  
14 quarterly payments to eligible claimants of the amounts such claimants would  
15 otherwise be eligible to claim under the federal earned income tax credit under  
16 section 32 of the Internal Revenue Code. The pilot program shall be for taxable years  
17 beginning after December 31, 2018, and before January 1, 2021. If the Internal  
18 Revenue Service agrees to assist with the pilot program, the Internal Revenue  
19 Service and the department shall enter into an agreement describing the  
20 responsibilities and duties of each party. If the Internal Revenue Service and the  
21 department are unable to reach an agreement on how the pilot program will operate,  
22 this subsection does not apply and may not be enforced.

23 (b) Under the pilot program, the Internal Revenue Service would determine the  
24 amount of earned income tax credit that could likely be claimed by between 400 and  
25 1,200 randomly selected residents of Wisconsin for taxable year 2019 and taxable

1 year 2020, based on criteria selected by the Internal Revenue Service. The  
2 department and the Internal Revenue Service shall make every effort to ensure that  
3 each individual or married couple selected will be eligible to claim the credit for those  
4 taxable years, and that the credit amount for which he or she will likely be eligible  
5 will be in excess of \$600 each year. Each individual or married couple selected may  
6 decline to participate in the pilot program. At the beginning of each taxable year, the  
7 Internal Revenue Service would forward to the department 50 percent of the total  
8 amount of payments those 400 to 1,200 claimants would likely be eligible to claim  
9 for that taxable year, specifying the amounts allotted to each claimant. The  
10 department shall deposit such amounts in the general fund.

11 (c) 1. Under the pilot program, the department would develop a method to  
12 divide the 400 to 1,200 likely claimants into 2 test groups of 200 to 600 claimants  
13 each, a method to disperse the federal credit amount to each claimant on a periodic  
14 basis, and a method to evaluate the financial and other effects on claimants of  
15 receiving periodic payments. The methods developed by the department under this  
16 subdivision shall be created in consultation with a time-limited advisory panel  
17 appointed by the secretary of revenue.

18 2. For the first test group, based on the amount of federal and state earned  
19 income tax credit that each claimant would likely be eligible to receive based on his  
20 or her estimated taxable year 2019 and 2020 income tax returns, each claimant  
21 would receive one-eleventh of 50 percent of his or her likely total federal credit  
22 amount each month except for the month following the month in which the claimant  
23 receives the credit claimed on his or her tax return, from the department, from the  
24 general fund, except that the maximum total amount that each claimant could  
25 receive under this subdivision, annually, would be one-half of his or her likely total

1 credit amount. Any excess amount of federal and state credit for which the claimant  
2 is eligible could be claimed for that taxable year on his or her federal income tax  
3 return, under s. 71.07 (9e), or under the terms of the agreement under par. (a).

4 3. For the 2nd test group, based on the amount of federal and state earned  
5 income tax credit that each claimant would likely be eligible to receive based on his  
6 or her estimated taxable year 2019 and 2020 income tax returns, each claimant  
7 would receive one-third of 50 percent of his or her likely total federal credit amount  
8 for 3 calendar quarters except for the calendar quarter following the quarter in which  
9 the claimant receives the credit claimed on his or her tax return, from the  
10 department, from the general fund, except that the maximum total amount that each  
11 claimant could receive under this subdivision, annually, would be one-half of his or  
12 her likely credit amount. Any excess amount of federal and state credit for which the  
13 claimant is eligible could be claimed for that taxable year on his or her federal income  
14 tax return, under s. 71.07 (9e), or under the terms of the agreement under par. (a).

15 4. The department would also establish a 3rd test group of 200 to 600 claimants  
16 who are likely to be eligible to claim the earned income tax credit for taxable years  
17 2019 and 2020, who will receive their earned income tax credit after filing their  
18 individual income tax returns, and compare their financial stability to that of the  
19 other test groups, as described under par. (f).

20 (d) For taxable years 2019 and 2020, the participants in each of the 3 test  
21 groups would remain the same, to the greatest extent possible.

22 (e) The department may develop policies and promulgate rules to ensure that  
23 members of each test group are able to continue to claim the credit under s. 71.07 (9e)  
24 to the extent that they are eligible to do so.

1 (f) The department shall develop and implement a method to study the effect  
2 of receiving earned income tax credits, through periodic payments, on the financial  
3 stability and non-economic circumstances of the members of each test group,  
4 compared to members of their own test group and the other test groups, and shall  
5 prepare a written report of its findings. The study shall be based on criteria selected  
6 by the department, in consultation with the advisory panel appointed by the  
7 secretary of revenue under par. (c) 1., and shall include data from official government  
8 sources and survey information regarding employment, earnings, income, child  
9 support payments, and other financial measures and non-financial indicators of the  
10 participating individuals and families. The department may determine the effect of  
11 this pilot program on the financial stability of the participants by whatever metrics  
12 the department considers appropriate, including interviews with participants,  
13 analysis of changes in income, credit scores, and surveys. The department may also  
14 provide a method for participants to report to the department changes in their  
15 income throughout the year, in an effort to prevent overpayments.

16 (g) No later than January 1, 2022, and the filing of income tax returns by the  
17 3rd test group described under par. (c) 4., the department shall submit the report  
18 described under par. (f) to the appropriate standing committees of the legislature  
19 under s. 13.172 (3) and to the governor. The report shall also make recommendations  
20 to the legislature on suggested changes to the earned income tax credit, based on the  
21 study conducted by the department under par. (f).

22 (h) 1. Subject to subd. 2., for taxable years beginning after December 31, 2022,  
23 and based on the report described under par. (f) finding that the pilot program was  
24 beneficial to a majority of claimants who were in the periodic payment test groups,  
25 the department shall make the pilot program described under par. (b) permanent

1 and applicable, on a voluntary basis, to all eligible claimants of the earned income  
2 tax credit under s. 71.07 (9e) (aj), based on the specifications described under pars.  
3 (b) and (c) 2. and 3.

4 2. Subdivision 1. does not apply unless the Internal Revenue Service and the  
5 department enter into an agreement describing the responsibilities and duties of  
6 each party and an agreement on how the permanent program will operate. If the  
7 Internal Revenue Service and the department are unable to reach an agreement on  
8 how the permanent program will operate, subd. 1. does not apply and may not be  
9 enforced.

10 (END)