



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-1193/P2
MES:kjf&ahe

DOA:.....Quinn, BB0160 - Child and dependent care tax credit for individuals

FOR 2019-2021 BUDGET -- NOT READY FOR INTRODUCTION

AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

1. Child and dependent care tax credit

This bill creates a nonrefundable individual income tax credit based on the federal tax credit for expenses for household and dependent care services necessary for gainful employment. 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 50 percent of 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 resident or nonresident of this state.

This bill also sunsets the current law individual income tax subtract modification that allows a taxpayer a deduction for the same expenses for which the credit may be claimed.

Generally, the federal credit is a nonrefundable individual income tax credit that may be claimed by an individual for employment-related expenses for household services and dependent care services for a qualifying individual. Because the credit is nonrefundable, it may be claimed only up to the amount of a taxpayer's tax liability. Under federal law, a qualifying individual is someone who has the same

principal place of abode as the claimant for more than one-half the year, is the claimant's dependent, and is 1) a child 12 or under; 2) a child 13 or older who is incapable of self-care; or 3) the claimant's spouse who is incapable of self-care.

The federal credit may be claimed for expenses to enable the claimant to be gainfully employed or actively search for gainful employment. Generally, allowable expenses for a qualifying individual under federal law include costs for in-home care or daycare, nursery school or preschool programs, and before-school and after-school care for school-age children. 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 individual and up to \$6,000 if there are two or more qualifying individuals.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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

SECTION 1. 71.05 (6) (b) 43. d. of the statutes is amended to read:

71.05 (6) (b) 43. d. For taxable years beginning after December 31, 2013, and before January 1, 2020, up to \$3,000 if the claimant has one qualified individual and up to \$6,000 if the claimant has more than one qualified individual.

SECTION 2. 71.07 (8m) of the statutes is created to read:

71.07 (8m) ADDITIONAL HOUSEHOLD AND DEPENDENT CARE EXPENSES TAX CREDIT.

(a) *Definitions.* In this subsection:

1. "Claimant" means an individual who is eligible for and claims the household and dependent care expenses tax credit for the taxable year to which the claim under this subsection relates.

2. "Household and dependent care expenses tax credit" means the tax credit under section 21 of the Internal Revenue Code.

(b) *Filing claims.* Subject to the limitations provided in this subsection, a claimant may claim as a credit against the tax imposed under s. 71.02, up to the

amount of those taxes, an amount equal to 50 percent of the amount of the household and dependent care expenses tax credit that the claimant claimed on his or her federal income tax return for the taxable year to which the claim under this subsection relates.

(c) *Limitations.* 1. No credit may be allowed under this subsection unless it is claimed within the time period under s. 71.75 (2).

2. No credit may be allowed under this subsection for a taxable year covering a period of less than 12 months, except for a taxable year closed by reason of the death of the taxpayer.

3. The credit under this subsection may not be claimed by either a part-year resident or a nonresident of this state.

4. The credit under this subsection may be claimed for taxable years beginning after December 31, 2019.

5. A claimant who claims the credit under this subsection is subject to the special rules in [26 USC 21](#) (e) (2) and (4).

(d) *Administration.* Subsection (9e) (d), to the extent that it applies to the credit under that subsection, applies to the credit under this subsection.

SECTION 3. 71.10 (4) (cs) of the statutes is created to read:

71.10 (4) (cs) Additional household and dependent care expenses tax credit under s. 71.07 (8m).

(END)