



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #313

Earned Income Tax Credit (EITC) (General Fund Taxes)

[LFB 2015-17 Budget Summary: Page 173, #1]

CURRENT LAW

The EITC is offered at both the federal and state levels as a means of providing assistance to lower-income workers. The state EITC is calculated as a percentage of the federal credit. The state, therefore, uses federal definitions and eligibility requirements for purposes of the EITC, except that the state does not provide a credit to individuals without children. Both the federal and state credits are refundable -- if the credit exceeds the amount of tax due, a check is issued for the difference.

The credit is calculated based on family size, filing status, and the amount of earned income (although the credit can also be affected by adjusted gross income). Individuals without earned income are not eligible for the credit. The income limits and maximum federal credit amounts are adjusted annually for changes in inflation.

The state EITC is funded with a combination of GPR and federal temporary assistance for needy families (TANF) funding transferred from the Department of Children and Families. The GPR portion is provided through a sum sufficient appropriation and covers the balance of the cost of the credit.

Base funding for the credit is \$106,600,000 (\$44,100,000 GPR and \$62,500,000 TANF).

GOVERNOR

Decrease GPR funding for the EITC by \$320,000 in 2015-16 and increase GPR funding by \$2,430,000 in 2016-17. With these adjustments, base level GPR funding of \$44,100,000 would decrease to \$43,780,000 in 2015-16 and increase to \$46,530,000 in 2016-17. Base level TANF funding would remain unchanged at \$62,500,000 annually. Under the bill, total funding for the

EITC would decrease to \$106,280,000 in 2015-16 and increase to \$109,030,000 in 2016-17.

MODIFICATION

Reestimate the total amount of credit payments at \$104,000,000 in 2015-16 and \$107,300,000 in 2016-17, decreases of \$2,280,000 in 2015-16 and \$1,730,000 in 2016-17 relative to the amounts in the bill. These decreases equate to GPR expenditure reductions. Estimate the amount of the GPR appropriation at \$36,400,000 in 2015-16 and \$37,600,000 in 2016-17 to reflect this reestimate, as well as the Committee's action on an earlier paper (#215). As a result of the same action, the TANF funding for the credit was increased by \$5,100,000 in 2015-16 and \$7,200,000 in 2016-17, and set at \$67,600,000 in 2015-16 and \$69,700,000 in 2016-17.

Explanation: The modification reflects a reduction in the estimated total cost of the credit compared to the bill, based on more recent claims data, resulting in decreases of \$2,280,000 GPR in 2015-16 and \$1,730,000 GPR in 2016-17.

Change to Bill	
GPR	- \$4,010,000

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