FISCAL ESTIMATE FORM **1999 Session**

LRB #	99s0259/1
INTRODUCTION #	SSA 1 to SB 199
Admin. Rule #	

☐ ORIGINAL ☐ UPDATED

☒ CORRECTED ☑ SUPPLEMENTAL

Subject

Income and Franchise Tax: Child Care Credits

Fiscal Effect

State: ☐ No State Fiscal Effect
Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

☐ Increase Existing Appropriation ☐ Increase Existing Revenues

☐ Decrease Existing Appropriation ☒ Decrease Existing Revenues

☐ Create New Appropriation

☒ Increase Costs - May be Possible to Absorb Within Agency's Budget ☐ Yes ☒ No

☐ Decrease Costs

Local: ☒ No Local Government Costs

1. ☐ Increase Costs
   ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs
   ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenues
   ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenues
   ☐ Permissive ☐ Mandatory
5. Types of Local Governmental Units Affected:
   ☐ Towns ☐ Villages ☐ Cities
   ☐ Counties ☐ Others ______
   ☐ School Districts ☐ WTCS Districts

Fund Sources Affected

☒ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate:

This proposal would create three credits against income and franchise taxes for expenditures of employers and individuals relating to child care. The estimated fiscal effect for all three credits is $17.5 million annually.

Day Care Center Credit

Employers could claim credits for the following expenses related to child care of employees during the employees working hours:

1. Up to 50% of amounts paid or incurred in a taxable year to construct and equip a licensed day care center.
2. Up to 50% of amounts paid to operate a day care center, less amounts paid by employees to reimburse the employer.
3. Up to 50% of amounts paid to another licensed day care center during a taxable year, less amount paid by employees to reimburse the employer.

The amount of credit claimed by an employer may not exceed $50,000 per taxable year and total claims by all employers are capped at $1.5 million in a fiscal year. Unused credits may be carried forward for 5 years to offset tax liability in future years.

If operation of an employer-owned daycare center for which credit has been claimed ceases within 5 years of completion of construction, the employer must prorate the amount of the credit and add-back any excess credit used to its tax liability as follows:

(continued on page two)

Long-Range Fiscal Implications:

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue	Yeang-Eng Braun Yeang Eng Braun	3/22/00
Pamela Walgren, (608) 266-7817	(608) 266-2700	

1. 100% if operation ceases within the first year.
2. 80% if operation ceases within the second year.
3. 60% if operation ceases within the third year.
4. 40% if operation ceases within the fourth year.
5. 20% if operation ceases within the fifth year.

The credits would be randomly allocated by the Department of Revenue to claimants who file annual applications with the Department before March 1. Unused credits would be allocated randomly to claimants on a waiting list. Claimants who jointly construct or operate a center may jointly file an application for credit. The total amount of a joint credit may not exceed $50,000, but may be allocated between the claimants in any manner they choose.

Based on information from the Department of Workforce Development on the current level of employer-sponsored day care programs and their costs, it is estimated that the full cap of $1.5 million in credits would be used in each fiscal year. The Department estimates that approximately 75% of credit claims are used in a given year. As a result, the credit would reduce tax revenues by approximately $1.125 million annually ($1.5 million x 75%).

Child Care Credit

A nonrefundable credit for 5% of qualified child care expenditures, not to exceed $15,000 per year, is available under the proposal. Qualified expenditures are any amounts, not already used in calculating the development zone day care center credit or the day care center credit provided in this draft, used to:

1. Acquire, construct or rehabilitate property for a qualified day care facility.
2. Pay for operating costs of a qualified day care facility, including salary and training costs.
3. Pay a child care facility under contract to provide child care services to employees.
4. Pay for child care resource and referral services to employees.

A qualified day care facility must be: licensed by DWD and used primarily to provide child care assistance; depreciable or amortizable; not part of the principal residence of the employer or any employee; open to enrollment of employees, not discriminating in enrollment in favor of highly compensated employees' children; and not the employers principal trade or business unless at least 30% of enrollees of the facility are children of employees.

Based on information from the Department of Workforce Development on the number of employer-provided day care programs and their costs, it is estimated that there would be $1.7 million in claims annually. The Department estimates that approximately 75% of credit claims are used in a given year. Therefore, the credit would reduce individual and corporate income tax revenues by approximately $1.275 million annually ($1.7 million x 75%).

Child and Dependent Care Expenses Credit

Under current federal law, a nonrefundable individual income tax credit is available for certain qualifying child or dependent care expenses. A taxpayer must maintain a household for a dependent under 13 years of age, a disabled spouse or another disabled individual dependent on the taxpayer. The maximum federal credit is $720 if the taxpayer has one qualifying dependent or $1,440 if more than one qualifying dependent.

This proposal creates a nonrefundable credit equal to 50% of the federal credit claimed. As such, the maximum credit would be $360 for filers with one qualifying dependent and $720 for filers with more than one qualifying dependent. The credit would be claimed after the itemized deductions credit and before the school property tax/rent credit.

4EB
3/22/00

A simulation of the 1997 Wisconsin Individual Income Tax Model, adjusted to reflect subsequent law changes, shows the revenue loss associated with this provision would be $15.1 million annually.

Summary of Revenue Loss

Day Care Center Credit	- 1.125 million
Child Care Credit	- 1.275 million
Child and Dependent Care Expenses Credit	- 15.1 million
Total	$17.5 million

Administrative Costs

The cost to screen, verify, and audit credit claims is estimated to be $63,200 annually beginning in FY 2001, including 1.3 FTE (0.3 Revenue Agent, 0.7 Revenue Auditor, and 0.3 Clerical Assistant). Start-up costs in FY 2000 are estimated to be $11,300 for processing costs (0.3 FTE) and $107,200 for programming and information technology support. Additional programming costs in FY 2001 would total $18,800.

YEB 3/22/00

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect **1999 Session**

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☒ CORRECTED ☑ SUPPLEMENTAL

LRB # 99s0259/1		Admin. Rule #
INTRODUCTION # SSA1 to SB 199		

Subject
Income and Franchise Tax: Child Care Credits

I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

One-time costs for programmning and information technology support: $107,200 in FY00 and $18,800 n FY01; start-up processing costs: $11,200 and 0.3 FTE in FY00.

II. Annualized Costs:	**Annualized Fiscal impact on State funds from:**	
A. State Costs by Category	**Increased Costs**	**Decreased Costs**
State Operations - Salaries and Fringe	$ 53,800	$ -
(FTE Position Changes)	(1.3 FTE)	(- FTE)
State Operations-Other Costs	9,400	-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	$ 63,200	$ -
B. State Costs by Source of Funds	**Increased Costs**	**Decreased Costs**
GPR	$ 63,200	$ -
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	$	$ - 17,500,000
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	$	$ - 17,500,000

NET ANNUALIZED FISCAL IMPACT

	STATE	**LOCAL**
NET CHANGE IN COSTS	$ +63,200	$
NET CHANGE IN REVENUES	$ -17,500,000	$

Agency/Prepared by: (Name & Phone No.)	**Authorized Signature/Telephone No.**	**Date**
Wisconsin Department of Revenue	**Yeang-Eng Braun** Yeang Eng Braun	3/22/00
Pamela Walgren, (608) 266-7817	**(608) 266-2700**	