

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-0443/1	Introduction Number AB-1103
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Description
 Creating a nonrefundable individual income tax credit for certain expenses related to child or dependent care

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs	5. Types of Local Government Units Affected	
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Towns	<input type="checkbox"/> Village <input type="checkbox"/> Cities
1. <input type="checkbox"/> Increase Costs	<input type="checkbox"/> Counties	<input type="checkbox"/> Others
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> School Districts	<input type="checkbox"/> WTCS Districts
2. <input type="checkbox"/> Decrease Costs	<input type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Decrease Revenue	
3. <input type="checkbox"/> Increase Revenue	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
4. <input type="checkbox"/> Decrease Revenue	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

Agency/Prepared By DOR/ Rebecca Boldt (608) 266-6785	Authorized Signature Rebecca Boldt (608) 266-6785	Date 3/13/2006
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Fiscal Estimate Narratives

DOR 3/13/2006

LRB Number	05-0443/1	Introduction Number	AB-1103	Estimate Type	Original
Description Creating a nonrefundable individual income tax credit for certain expenses related to child or dependent care					

Assumptions Used in Arriving at Fiscal Estimate

Under current federal law, a nonrefundable child and dependent care credit may be claimed for amounts paid for household services and care of a qualifying person while the claimant worked or looked for work. The credit amount is equal to the applicable percentage, ranging from 20% to 35%, depending on the taxpayer's federal adjusted gross income (FAGI), times the qualified expenses paid. The maximum amount of qualified expenses that can be claimed for purposes of this credit is \$3,000 for one qualifying person and \$6,000 for two or more qualifying persons.

Taxpayers with FAGI of \$15,000 or less use the highest percentage – 35%. Thus, the maximum credit is \$1,050 in the case of one qualifying person and \$2,100 in the case of two qualifying persons. The credit percentage is phased down as FAGI increases: for taxpayers with FAGI over \$15,000, the credit is reduced by one percentage point for each \$2,000 of FAGI over \$15,000. The minimum percentage of 20% applies to taxpayers with FAGI greater than \$43,000.

This bill would create a state nonrefundable individual income tax credit equal to 50% of the amount that is claimed by an individual under the federal childcare credit. Thus, the maximum state credit for incomes of \$15,000 or less, would be \$525 for one child or dependent and \$1,050 for two or more children or dependents. Part-year residents and nonresidents could claim a credit equal to the credit for which the claimant is eligible multiplied by the ratio of the individual's Wisconsin adjusted gross income to the person's FAGI.

Based on a simulation on the 2003 Individual Income Tax Model, adjusted for 2005 law, this bill would decrease state income tax revenues by \$20.5 million.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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Description Creating a nonrefundable individual income tax credit for certain expenses related to child or dependent care			
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		\$	\$-20,500,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-20,500,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-20,500,000	\$
Agency/Prepared By		Authorized Signature	Date
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