

**2007 DRAFTING REQUEST**

**Bill**

Received: 12/22/2006

Received By: mshovers

Wanted: As time permits

Identical to LRB:

For: Administration-Budget 6-7597

By/Representing: Easton

This file may be shown to any legislator: NO

Drafter: mshovers

May Contact:

Addl. Drafters:

Subject: Tax, Individual - dedct/sbtrct

Extra Copies:

Submit via email: NO

**Pre Topic:**

DOA:.....Easton, BB0254 -

**Topic:**

Individual income tax deduction for those who claim the federal household and dependent care tax credit

**Instructions:**

See Attached.

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	mshovers 01/04/2007	wjackson 01/04/2007		_____			State Tax
/1			pgreensl 01/05/2007	_____	mbarman 01/05/2007		State Tax
/2	mshovers 01/10/2007	wjackson 01/10/2007	jfrantze 01/11/2007	_____	mbarman 01/11/2007		State Tax
/3	mshovers 01/25/2007	wjackson 01/25/2007	pgreensl 01/25/2007	_____	cduerst 01/25/2007		State Tax
/4	mshovers 01/28/2007	lkunkel 01/28/2007	nnatzke 01/28/2007	_____	cduerst 01/28/2007		State Tax

Vers.      Drafted      Reviewed      Typed      Proofed      Submitted      Jacketed      Required

/5	mshovers	wjackson	nnatzke	_____	cduerst		
	01/30/2007	01/30/2007	01/30/2007	_____	01/30/2007		

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<END>

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15 MBS 1/30/07  
 15 MLJ 1/30  
 nwn 1/30  
 nwn/rs 1/30

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1/4 MES 1/28/07  
FE Sent For: 14/mk 1/28  
nwn 1/28 nwn/cmh 1/28

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13 MS 1/25/07  
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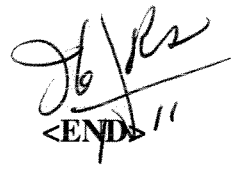
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 1) k <END> 11



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/? mshovers

1/12/07

1/14/07

✓  
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PK

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✓  
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FE Sent For:

<END>

## 2007-09 Budget Bill Statutory Language Drafting Request

- Topic: Child Care Tax Deduction
- Tracking Code: BB0254
- SBO team: Tax and Local Government
- SBO analyst: Easton
  - Phone: 6-7597
  - Email: Darren.easton@wisconsin.gov
- Agency acronym: DOR
- Agency number: 566
- Priority (Low, Medium, High): Medium

See 2005 AB1103<sup>2</sup>  
(LRB-0443(i))<sup>2</sup>

**Statutory Language Request  
December 19, 2006**

**TITLE: CHILD AND DEPENDENT CARE TAX CREDIT**

**RECOMMENDATION FOR ACTION:**

Allow an adjustment to Wisconsin adjusted gross income for the federally allowable child and dependent care expenses, up to \$3,000 for one child and \$6,000 for more than one child.

**EFFECTIVE DATE OR INITIAL APPLICABILITY:**

July 1, 2007

**PERSON TO CONTACT:**

Darren Easton  
6-7597  
Darren.easton@wisconsin.gov

**Shovers, Marc**

---

**From:** Easton, Darren - DOA  
**Sent:** Thursday, January 04, 2007 9:40 AM  
**To:** Shovers, Marc  
**Subject:** RE: Budget request BB0254  
**Attachments:** f2441.pdf; WI Form 1 2005.pdf

<<f2441.pdf>> <<WI Form 1 2005.pdf>>

Hello Marc,

Sorry for the confusion. We want the amount people can claim on the federal 2441 form (attached) from line 3 to be included as new "other subtraction" on line 11 on our form (attached).

I am going to give you a call to discuss this.

Thanks,

Darren

---

**From:** Shovers, Marc [<mailto:Marc.Shovers@legis.wisconsin.gov>]  
**Sent:** Saturday, December 30, 2006 3:38 PM  
**To:** Easton, Darren - DOA  
**Subject:** Budget request BB0254

Hi Darren:

I'm not sure what you want with this request, or what it's supposed to be linked to. One of the instruction pages call in a tax deduction, and one page calls it a tax credit. Because you say that you want to "allow an adjustment to WI AGI", I'm pretty sure you want a deduction, but I'm not sure what you want it linked to.

The instructions state that want an adjustment for "federally allowable child and dependent care expenses, up to \$3,000 for one child and \$6,000 for more than one child." I don't know what this means. Are you referring to the nonrefundable federal tax **credit** for expenses for household and dependent care services necessary for gainful employment, under section 21 of the Internal Revenue Code? Is there some sort of federal deduction that you're referring to? If you are referring to the credit, do you mean that if someone is eligible for and claims that credit, they can also claim a subtract modification of \$3,000 for one child and \$6,000 for more than one child under s. 71.05 (6) (b)? Thanks.

Marc

Marc E. Shovers

Senior Legislative Attorney

Legislative Reference Bureau

01/04/2007

Phone: (608) 266-0129

Fax: (608) 264-8522

e-mail: [marc.shovers@legis.state.wi.us](mailto:marc.shovers@legis.state.wi.us)

# Child and Dependent Care Expenses

▶ Attach to Form 1040 or Form 1040NR.  
 ▶ See separate instructions.

Name(s) shown on return \_\_\_\_\_ Your social security number \_\_\_\_\_

**Before you begin:** You need to understand the following terms. See **Definitions** on page 1 of the instructions.

- **Dependent Care Benefits**
- **Qualifying Person(s)**
- **Qualified Expenses**

**Part I** **Persons or Organizations Who Provided the Care—You must complete this part.**  
 (If you need more space, use the bottom of page 2.)

1	(a) Care provider's name	(b) Address (number, street, apt. no., city, state, and ZIP code)	(c) Identifying number (SSN or EIN)	(d) Amount paid (see instructions)

Did you receive dependent care benefits?	<b>No</b>	Complete only Part II below.
(If Yes, see instructions)	<b>Yes</b>	Complete Part III on the back next.

**Caution.** If the care was provided in your home, you may owe employment taxes. See the instructions for Form 1040, line 62, or Form 1040NR, line 57.

**Part II** **Credit for Child and Dependent Care Expenses**

**2** Information about your **qualifying person(s)**. If you have more than two qualifying persons, see the instructions.

(a) Qualifying person's name		(b) Qualifying person's social security number	(c) Qualified expenses you incurred and paid in 2006 for the person listed in column (a)
First	Last		

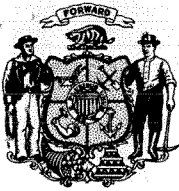
<b>3</b> Add the amounts in column (c) of line 2. <b>Do not</b> enter more than \$3,000 for one qualifying person or \$6,000 for two or more persons. If you completed Part III, enter the amount from line 33	<b>3</b>																															
<b>4</b> Enter your <b>earned income</b> . See instructions	<b>4</b>																															
<b>5</b> If married filing jointly, enter your spouse's earned income (if your spouse was a student or was disabled, see the instructions); <b>all others</b> , enter the amount from line 4	<b>5</b>																															
<b>6</b> Enter the <b>smallest</b> of line 3, 4, or 5	<b>6</b>																															
<b>7</b> Enter the amount from Form 1040, line 38, or Form 1040NR, line 36	<b>7</b>																															
<b>8</b> Enter on line 8 the decimal amount shown below that applies to the amount on line 7	<b>8</b>	X .																														
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;"><b>If line 7 is:</b></td> <td style="width: 33%;"><b>If line 7 is:</b></td> <td style="width: 34%;"></td> </tr> <tr> <td style="text-align: center;"><b>Over</b></td> <td style="text-align: center;"><b>But not over</b></td> <td style="text-align: center;"><b>Decimal amount is</b></td> </tr> <tr> <td style="text-align: center;">\$0—15,000</td> <td style="text-align: center;">\$29,000—31,000</td> <td style="text-align: center;">.27</td> </tr> <tr> <td style="text-align: center;">15,000—17,000</td> <td style="text-align: center;">31,000—33,000</td> <td style="text-align: center;">.26</td> </tr> <tr> <td style="text-align: center;">17,000—19,000</td> <td style="text-align: center;">33,000—35,000</td> <td style="text-align: center;">.25</td> </tr> <tr> <td style="text-align: center;">19,000—21,000</td> <td style="text-align: center;">35,000—37,000</td> <td style="text-align: center;">.24</td> </tr> <tr> <td style="text-align: center;">21,000—23,000</td> <td style="text-align: center;">37,000—39,000</td> <td style="text-align: center;">.23</td> </tr> <tr> <td style="text-align: center;">23,000—25,000</td> <td style="text-align: center;">39,000—41,000</td> <td style="text-align: center;">.22</td> </tr> <tr> <td style="text-align: center;">25,000—27,000</td> <td style="text-align: center;">41,000—43,000</td> <td style="text-align: center;">.21</td> </tr> <tr> <td style="text-align: center;">27,000—29,000</td> <td style="text-align: center;">43,000—No limit</td> <td style="text-align: center;">.20</td> </tr> </table>	<b>If line 7 is:</b>	<b>If line 7 is:</b>		<b>Over</b>	<b>But not over</b>	<b>Decimal amount is</b>	\$0—15,000	\$29,000—31,000	.27	15,000—17,000	31,000—33,000	.26	17,000—19,000	33,000—35,000	.25	19,000—21,000	35,000—37,000	.24	21,000—23,000	37,000—39,000	.23	23,000—25,000	39,000—41,000	.22	25,000—27,000	41,000—43,000	.21	27,000—29,000	43,000—No limit	.20		
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25,000—27,000	41,000—43,000	.21																														
27,000—29,000	43,000—No limit	.20																														
<b>9</b> Multiply line 6 by the decimal amount on line 8. If you paid 2005 expenses in 2006, see the instructions	<b>9</b>																															
<b>10</b> Enter the amount from Form 1040, line 46, minus any amount on Form 1040, line 47, or Form 1040NR, line 43, minus any amount on Form 1040NR, line 44	<b>10</b>																															
<b>11</b> <b>Credit for child and dependent care expenses.</b> Enter the <b>smaller</b> of line 9 or line 10 here and on Form 1040, line 48, or Form 1040NR, line 45	<b>11</b>																															

**Part III Dependent Care Benefits**

<b>12</b>	Enter the total amount of <b>dependent care benefits</b> you received in 2006. Amounts you received as an employee should be shown in box 10 of your Form(s) W-2. <b>Do not</b> include amounts reported as wages in box 1 of Form(s) W-2. If you were self-employed or a partner, include amounts you received under a dependent care assistance program from your sole proprietorship or partnership . . . . .	<b>12</b>		
<b>13</b>	Enter the amount, if any, you carried over from 2005 and used in 2006 during the grace period. See instructions . . . . .	<b>13</b>		
<b>14</b>	Enter the amount, if any, you forfeited or carried forward to 2007. See instructions . . . . .	<b>14</b>	(	)
<b>15</b>	Combine lines 12 through 14. See instructions . . . . .	<b>15</b>		
<b>16</b>	Enter the total amount of <b>qualified expenses</b> incurred in 2006 for the care of the <b>qualifying person(s)</b> . . . . .	<b>16</b>		
<b>17</b>	Enter the <b>smaller</b> of line 15 or 16 . . . . .	<b>17</b>		
<b>18</b>	Enter your <b>earned income</b> . See instructions . . . . .	<b>18</b>		
<b>19</b>	Enter the amount shown below that applies to you. <ul style="list-style-type: none"> <li>• If married filing jointly, enter your spouse's earned income (if your spouse was a student or was disabled, see the instructions for line 5).</li> <li>• If married filing separately, see the instructions for the amount to enter.</li> <li>• All others, enter the amount from line 18.</li> </ul>	<b>19</b>		
<b>20</b>	Enter the <b>smallest</b> of line 17, 18, or 19 . . . . .	<b>20</b>		
<b>21</b>	Enter the amount from line 12 that you received from your sole proprietorship or partnership. If you did not receive any such amounts, enter -0- . . . . .	<b>21</b>		
<b>22</b>	Subtract line 21 from line 15 . . . . .	<b>22</b>		
<b>23</b>	Enter \$5,000 (\$2,500 if married filing separately <b>and</b> you were required to enter your spouse's earned income on line 19) . . . . .	<b>23</b>		
<b>24</b>	<b>Deductible benefits.</b> Enter the <b>smallest</b> of line 20, 21, or 23. Also, include this amount on the appropriate line(s) of your return. See instructions . . . . .	<b>24</b>		
<b>25</b>	Enter the <b>smaller</b> of line 20 or 23 . . . . .	<b>25</b>		
<b>26</b>	Enter the amount from line 24 . . . . .	<b>26</b>		
<b>27</b>	<b>Excluded benefits.</b> Subtract line 26 from line 25. If zero or less, enter -0- . . . . .	<b>27</b>		
<b>28</b>	<b>Taxable benefits.</b> Subtract line 27 from line 22. If zero or less, enter -0-. Also, include this amount on Form 1040, line 7, or Form 1040NR, line 8. On the dotted line next to Form 1040, line 7, or Form 1040NR, line 8, enter "DCB". . . . .	<b>28</b>		

To claim the child and dependent care credit, complete lines 29–33 below.

<b>29</b>	Enter \$3,000 (\$6,000 if two or more qualifying persons) . . . . .	<b>29</b>		
<b>30</b>	Add lines 24 and 27 . . . . .	<b>30</b>		
<b>31</b>	Subtract line 30 from line 29. If zero or less, <b>stop</b> . You cannot take the credit. <b>Exception.</b> If you paid 2005 expenses in 2006, see the instructions for line 9 . . . . .	<b>31</b>		
<b>32</b>	Complete line 2 on the front of this form. <b>Do not</b> include in column (c) any benefits shown on line 30 above. Then, add the amounts in column (c) and enter the total here . . . . .	<b>32</b>		
<b>33</b>	Enter the <b>smaller</b> of line 31 or 32. Also, enter this amount on line 3 on the front of this form and complete lines 4–11 . . . . .	<b>33</b>		



State of Wisconsin  
2007 - 2008 LEGISLATURE


LRB-1301/?

MES.....

wij 

DOA:.....Easton, BB0254 - Individual income tax deduction for those who claim the federal household and dependent care tax credit

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION



- 1 AN ACT ...; **relating to:** creating an individual income tax deduction for expenses
- 2 related to child and dependent care.

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*Analysis by the Legislative Reference Bureau*

✓ TAXATION  
↓  
INCOME TAXATION

Under current federal law there is an individual income tax credit for a portion of qualifying child or dependent care expenses that are paid for the purpose of enabling a taxpayer to be gainfully employed. An eligible claimant must maintain a household for a "qualifying individual," which is defined as a dependent under the age of 13, a disabled spouse, or another disabled individual who is a dependent of the taxpayer. The calculation of the amount that may be claimed under the federal credit is based on the amount of allowable employment-related expenses incurred by the claimant. The maximum allowable amount of employment-related expenses under federal law is \$3,000 if the claimant has one qualifying individual and \$6,000 if the claimant has more than one qualifying individual.

In calculating Wisconsin adjusted gross income (AGI), this bill authorizes an individual who claims the federal credit to subtract from federal AGI the allowable amount of employment-related expenses claimed by the individual in calculating his or her federal tax credit.





## Shovers, Marc

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**From:** Easton, Darren - DOA  
**Sent:** Monday, January 08, 2007 10:59 AM  
**To:** Shovers, Marc  
**Cc:** Brennan, Audra D - DOR; Timmons, Anthony A - DOR; Gates-Hendrix, Sherrie L - DOR  
**Subject:** FW: LRB Draft: 07-1301/1 Individual income tax deduction for those who claim the federal household and dependent care tax credit  
**Attachments:** 07-1301/1

Hello Marc,

We want to phase-in the amount of this credit over four years to the \$3000/\$6000 level.

In TY08 the amount allowed for deduction should be up to \$750 for one child and \$1500 for more than one child.

In TY09 it increases to \$1500/\$3000.

In TY10 it increases to \$2250/\$4500.

And, in TY11 and thereafter it is \$3000/\$6000.

Also, can you make the statute apply in tax year 2008.

Thanks,  
Darren  
6-7597

---

**From:** Greenslet, Patty [mailto:Patty.Greenslet@legis.wisconsin.gov]  
**Sent:** Friday, January 05, 2007 8:48 AM  
**To:** Easton, Darren - DOA  
**Cc:** Koskinen, John - DOA; Hanaman, Cathlene - LEGIS; Palchik, Laurie A - DOA  
**Subject:** LRB Draft: 07-1301/1 Individual income tax deduction for those who claim the federal household and dependent care tax credit

*Following is the PDF version of draft 07-1301/1.*



State of Wisconsin  
2007 - 2008 LEGISLATURE

LRB-1301/12

MES:wlj:pg

2  
RMR

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FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

do not join

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- 2 related to child and dependent care.

*Analysis by the Legislative Reference Bureau*

**TAXATION**

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In calculating Wisconsin adjusted gross income (AGI), this bill authorizes an individual who claims the federal credit to subtract from federal AGI the allowable amount of employment-related expenses claimed by the individual in calculating his or her federal tax credit.

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INS ONLY  
UNOP

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

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:*

1           **SECTION 1.** 71.05 (6) (b) 39. of the statutes is created to read:  
 2           71.05 (6) (b) 39. An amount equal to <sup>one of the following</sup> ~~the~~ allowable amounts <sup>①</sup> of  
 3 employment-related expenses claimed by the claimant under section 21 of the  
 4 Internal Revenue Code in the taxable year to which that claim relates. <sup>②</sup>

**SECTION 9341. Initial applicability; Revenue.**

6           (1) EXPENSES RELATED TO CHILD, DEPENDENT CARE. The treatment of section 71.05  
 7 (6) (b) 39. of the statutes first applies to taxable years beginning on January 1 of the  
 8 year in which this subsection takes effect, except that if this subsection takes effect  
 9 after July 31 the treatment of section 71.05 (6) (b) 39. of the statutes first applies to  
 10 taxable years beginning on January 1 of the year following the year in which this  
 11 subsection takes effect.

(END)

12

→ INS (2-4) ↓

2007-2008 DRAFTING INSERT  
FROM THE  
LEGISLATIVE REFERENCE BUREAU

LRB-1301/2ins  
MES:wlj:pg

INS ANL

*(No#)* *The amount that may be subtracted is phased in over four years.*

\* For taxable year 2008, a claimant may subtract from federal AGI up to \$750 for one qualified individual and up to \$1,500 for more than one qualified individual. For taxable year 2009, the amounts that may be subtracted are up to \$1,500 and up to \$3,000; for taxable year 2010, the amounts that may be subtracted are up to \$2,250 and up to \$4,500; and for taxable years 2011 and thereafter, amounts of up to \$3,000 and \$6,000.

*up to*

*the amounts that may be subtracted are*

INS 2-4

a. For taxable years beginning after December 31, 2007, and before January 1, 2009, up to \$750 if the claimant has one qualified individual and up to \$1,500 if the claimant has more than one qualified individual.

b. For taxable years beginning after December 31, 2008, and before January 1, 2010, up to \$1,500 if the claimant has one qualified individual and up to \$3,000 if the claimant has more than one qualified individual.

c. For taxable years beginning after December 31, 2009, and before January 1, 2011, up to \$2,250 if the claimant has one qualified individual and up to \$4,500 if the claimant has more than one qualified individual.

d. For taxable years beginning after December 31, 2010, 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.

**Shovers, Marc**

---

**From:** Easton, Darren - DOA  
**Sent:** Wednesday, January 24, 2007 2:45 PM  
**To:** Shovers, Marc  
**Subject:** FW: LRB Draft: 07-1301/2 Individual income tax deduction for those who claim the federal household and dependent care tax credit  
**Attachments:** 07-1301/2; LRB 1301-2 2007leg-child care expenses.doc

Marc,

Here are DOR's comments on 1301.

Darren  
6-7597

---

**From:** Frantzen, Jean [mailto:Jean.Frantzen@legis.wisconsin.gov]  
**Sent:** Thursday, January 11, 2007 8:41 AM  
**To:** Easton, Darren - DOA  
**Cc:** Koskinen, John - DOA; Hanaman, Cathlene - LEGIS; Palchik, Laurie A - DOA  
**Subject:** LRB Draft: 07-1301/2 Individual income tax deduction for those who claim the federal household and dependent care tax credit

*Following is the PDF version of draft 07-1301/2.*

**Department of Revenue LRB Comments**  
**LRB 1301/2**

**1. Bill and/or LRB Number:** LRB-1301/2 –Subtraction for child and dependent care expenses

**2. Type of Taxes Affected:** (please list all that apply)

Individual income

**3. Description of the Bill:** (briefly describe the subject matter of the bill and the change/s)

This bill allows a subtraction for all or a portion of the amount of the federal credit for child and dependent care expenses. The subtraction is equal to up to \$750 if the claimant has one qualified individual (\$1,500 if more than one) for 2008; \$1,500 if the claimant has one qualified individual (\$3,000 if more than one) for 2009; \$2,250 if the claimant has one qualified individual (\$4,500 if more than one) for 2010; and \$3,000 if the claimant has one qualified individual (\$6,000 if more than one) for 2011 and thereafter.

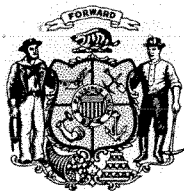
**4. Statutory language problems, if any:**  Yes  No

(If yes, describe problems and indicate suggested corrective language. Example of problem: The bill language is unclear, does not fully accomplish the desired result, or has undesirable side effects.)

- The Wisconsin filing status should be limited as provided in sec. 21(e)(2) and (4), IRC. If this is not done, you have the problem where a married person files as head of household on the federal return and qualifies for a larger credit based on income than if a joint return was filed. At the same time, the person could file a joint return for Wisconsin and would then be claiming the larger subtraction for child care expenses based on the federal head of household filing status.
- The subtraction should be prorated on the basis of earned income taxable to Wisconsin to total earned income.

**5. Effective date problems, if any, including transitional problems:**  Yes  No

(If yes, describe problem and suggested effective date or transitional language needed.)



State of Wisconsin  
2007 - 2008 LEGISLATURE

LRB-1301/2

MES:wlijf

stays *[Handwritten signature]*

DOA:.....Easton, BB0254 - Individual income tax deduction for those who claim the federal household and dependent care tax credit

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

*D-INS  
NOTE*

*do not gen*

1 AN ACT *to create* 71.05 (6) (b) 39. of the statutes; **relating to:** creating an  
2 individual income tax deduction for expenses related to child and dependent  
3 care.

*Analysis by the Legislative Reference Bureau*

**TAXATION**

**INCOME TAXATION**

Under current federal law there is an individual income tax credit for a portion of qualifying child or dependent care expenses that are paid for the purpose of enabling a taxpayer to be gainfully employed. An eligible claimant must maintain a household for a "qualifying individual," which is defined as a dependent under the age of 13, a disabled spouse, or another disabled individual who is a dependent of the taxpayer. The calculation of the amount that may be claimed under the federal credit is based on the amount of allowable employment-related expenses incurred by the claimant. The maximum allowable amount of employment-related expenses under federal law is \$3,000 if the claimant has one qualifying individual and \$6,000 if the claimant has more than one qualifying individual.

In calculating Wisconsin adjusted gross income (AGI), this bill authorizes an individual who claims the federal credit to subtract from federal AGI a certain portion of the allowable amount of employment-related expenses claimed by the



*of the claimant's Wisconsin earned income to total earned income*

individual in calculating his or her federal tax credit. The amount that may be subtracted is phased in over four years. For taxable year 2008, a claimant may subtract from federal AGI up to \$750 for one qualified individual and up to \$1,500 for more than one qualified individual. For taxable year 2009, the amounts that may be subtracted are up to \$1,500 and up to \$3,000; for taxable year 2010, the amounts that may be subtracted are up to \$2,250 and up to \$4,500; and for taxable years 2011 and thereafter, the amounts that may be subtracted are up to \$3,000 and up to \$6,000.

*No ff*

*The amount of the subtraction is then prorated based on the ratio*

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

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) 39. of the statutes is created to read:

71.05 (6) (b) 39. An amount equal to one of the following allowable amounts of employment-related expenses claimed by the claimant under section 21 of the Internal Revenue Code in the taxable year to which that claim relates:

*As specified in subd 3 6, 7, 8, 9, 10, 11, 12, 13*

a. For taxable years beginning after December 31, 2007, and before January 1, 2009, up to \$750 if the claimant has one qualified individual and up to \$1,500 if the claimant has more than one qualified individual.

b. For taxable years beginning after December 31, 2008, and before January 1, 2010, up to \$1,500 if the claimant has one qualified individual and up to \$3,000 if the claimant has more than one qualified individual.

c. For taxable years beginning after December 31, 2009, and before January 1, 2011, up to \$2,250 if the claimant has one qualified individual and up to \$4,500 if the claimant has more than one qualified individual.

1           d. For taxable years beginning after December 31, 2010, up to \$3,000 if the  
2 claimant has one qualified individual and up to \$6,000 if the claimant has more than  
3 one qualified individual.

INS  
3-3  
4



(END)

2007-2008 DRAFTING INSERT  
FROM THE  
LEGISLATIVE REFERENCE BUREAU

LRB-1301/3ins  
MES:wlj:jf

INSERT 3-3

e. A claimant who claims the subtraction under this subdivision is subject to the special rules in 26 USC 21 (e) (2) and (4).

f. A claimant who claims the subtraction under this subdivision shall multiply the amount calculated under subd. 39. a., b., c., or d. by a fraction the numerator of which is the individual's wages, salary, tips, unearned income, and net earnings from a trade or business that are taxable by this state and the denominator of which is the individual's total wages, salary, tips, unearned income, and net earnings from a trade or business. In this subd. 39. f., for married persons filing separately "wages, salary, tips, unearned income, and net earnings from a trade or business" means the separate wages, salary, tips, unearned income, and net earnings from a trade or business of each spouse, and for married persons filing jointly "wages, salary, tips, unearned income, and net earnings from a trade or business" means the total wages, salary, tips, unearned income, and net earnings from a trade or business of both spouses.

INSERT D-NOTE

Darren Easton:

Typically, the ratio created in s. 71.05 (6) (b) 39. f. applies only to part-year residents and nonresidents, but the instructions from DOR did not specify this limitation. See, for example, ss. 71.05 (6) (b) 32. b., 33. b., 35. c., 36. c., 37. c., and 38. c. Does this subdivision paragraph meet your intent?

MES

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-1301/3dn  
MES:wlj:pg

January 25, 2007

Darren Easton:

Typically, the ratio created in s. 71.05 (6) (b) 39. f. applies only to part-year residents and nonresidents, but the instructions from DOR did not specify this limitation. See, for example, ss. 71.05 (6) (b) 32. b, 33. b., 35. c., 36. c., 37. c., and 38. c. Does this subdivision paragraph meet your intent?

Marc E. Shovers  
Senior Legislative Attorney  
Phone: (608) 266-0129  
E-mail: [marc.shovers@legis.wisconsin.gov](mailto:marc.shovers@legis.wisconsin.gov)

## Shovers, Marc

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**From:** Easton, Darren - DOA  
**Sent:** Friday, January 26, 2007 9:38 PM  
**To:** Shovers, Marc  
**Subject:** FW: LRB 13013 leg-child care expenses.doc

**Attachments:** LRB 13013 leg-child care expenses.doc



LRB 13013 leg-child  
care expen... arc,

DOR feels the proration under s. 71.05(6)(b)39.f. should apply only to nonresidents and part-year residents.

Darren  
6-7597

-----Original Message-----

**From:** Timmons, Anthony [mailto:anthony.timmons@dor.state.wi.us]  
**Sent:** Friday, January 26, 2007 6:14 PM  
**To:** Easton, Darren - DOA  
**Cc:** Brennan, Audra D - DOR; Gates-Hendrix, Sherrie L - DOR  
**Subject:** LRB 13013 leg-child care expenses.doc

Department of Revenue Comments on  
LRB 1301/3

email completed copies to the  
person who requested your  
comments

1. **Bill and/or LRB Number:** LRB-1301/3 –Subtraction for child and dependent care expenses

2. **Type of Taxes Affected:** (please list all that apply)

Individual income

3. **Description of the Bill:** (briefly describe the subject matter of the bill and the change/s)

This bill allows a subtraction for all or a portion of the amount of the federal credit for child and dependent care expenses. The subtraction is equal to up to \$750 if the claimant has one qualified individual (\$1,500 if more than one) for 2008; \$1,500 if the claimant has one qualified individual (\$3,000 if more than one) for 2009; \$2,250 if the claimant has one qualified individual (\$4,500 if more than one) for 2010; and \$3,000 if the claimant has one qualified individual (\$6,000 if more than one) for 2011 and thereafter.

4. **Statutory language problems, if any:**  Yes  No

(If yes, describe problems and indicate suggested corrective language. Example of problem: The bill language is unclear, does not fully accomplish the desired result, or has undesirable side effects.)

The proration required under s. 71.05(6)(b)39.f. should apply only to nonresidents and part-year residents.

**Effective date problems, if any, including transitional problems:**  Yes  No

(If yes, describe problem and suggested effective date or transitional language needed.)



State of Wisconsin  
2007 - 2008 LEGISLATURE

LRB-1301/3

MES:wli:pg

SMY  
RMR

DOA:.....Easton, BB0254 - Individual income tax deduction for those who claim the federal household and dependent care tax credit

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

DO NOT GW

1 AN ACT ...; **relating to:** creating an individual income tax deduction for expenses  
2 related to child and dependent care.

---

*Analysis by the Legislative Reference Bureau*

**TAXATION**

**INCOME TAXATION**

Under current federal law there is an individual income tax credit for a portion of qualifying child or dependent care expenses that are paid for the purpose of enabling a taxpayer to be gainfully employed. An eligible claimant must maintain a household for a "qualifying individual," which is defined as a dependent under the age of 13, a disabled spouse, or another disabled individual who is a dependent of the taxpayer. The calculation of the amount that may be claimed under the federal credit is based on the amount of allowable employment-related expenses incurred by the claimant. The maximum allowable amount of employment-related expenses under federal law is \$3,000 if the claimant has one qualifying individual and \$6,000 if the claimant has more than one qualifying individual.

In calculating Wisconsin adjusted gross income (AGI), this bill authorizes an individual who claims the federal credit to subtract from federal AGI a certain portion of the allowable amount of employment-related expenses claimed by the individual in calculating his or her federal tax credit. The amount that may be subtracted is phased in over four years. For taxable year 2008, a claimant may

*For nonresidents and part-year residents of this state,*

subtract from federal AGI up to \$750 for one qualified individual and up to \$1,500 for more than one qualified individual. For taxable year 2009, the amounts that may be subtracted are up to \$1,500 and up to \$3,000; for taxable year 2010, the amounts that may be subtracted are up to \$2,250 and up to \$4,500; and for taxable years 2011 and thereafter, the amounts that may be subtracted are up to \$3,000 and up to \$6,000. The amount of the subtraction is then prorated based on the ratio of the claimant's Wisconsin earned income to total earned income.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

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:*

1           **SECTION 1.** 71.05 (6) (b) 39. of the statutes is created to read:

2           71.05 (6) (b) 39. Subject to subd. 39. e. and f., one of the following allowable  
3 amounts, specified in subd. 39. a. to d., of employment-related expenses claimed by  
4 the claimant under section 21 of the Internal Revenue Code in the taxable year to  
5 which that claim relates:

6           a. For taxable years beginning after December 31, 2007, and before January  
7 1, 2009, up to \$750 if the claimant has one qualified individual and up to \$1,500 if  
8 the claimant has more than one qualified individual.

9           b. For taxable years beginning after December 31, 2008, and before January  
10 1, 2010, up to \$1,500 if the claimant has one qualified individual and up to \$3,000  
11 if the claimant has more than one qualified individual.

12           c. For taxable years beginning after December 31, 2009, and before January  
13 1, 2011, up to \$2,250 if the claimant has one qualified individual and up to \$4,500  
14 if the claimant has more than one qualified individual.

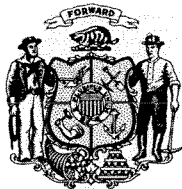


1 d. For taxable years beginning after December 31, 2010, up to \$3,000 if the  
2 claimant has one qualified individual and up to \$6,000 if the claimant has more than  
3 one qualified individual.

4 e. A claimant who claims the subtraction under this subdivision is subject to  
5 the special rules in 26 USC 21 (e) (2) and (4).

6 *An individual* f. *who is a nonresident or part-year resident of this state* A claimant who claims the subtraction under this subdivision shall multiply *and*  
7 the amount calculated under subd. 39. a., b., c., or d. by a fraction the numerator of  
8 which is the individual's wages, salary, tips, unearned income, and net earnings from  
9 a trade or business that are taxable by this state and the denominator of which is the  
10 individual's total wages, salary, tips, unearned income, and net earnings from a trade  
11 or business. In this subd. 39. f., for married persons filing separately "wages, salary,  
12 tips, unearned income, and net earnings from a trade or business" means the  
13 separate wages, salary, tips, unearned income, and net earnings from a trade or  
14 business of each spouse, and for married persons filing jointly "wages, salary, tips,  
15 unearned income, and net earnings from a trade or business" means the total wages,  
16 salary, tips, unearned income, and net earnings from a trade or business of both  
17 spouses.

18 (END)



State of Wisconsin  
2007 - 2008 LEGISLATURE

LRB-1301/4<sup>5</sup>

MES:wj:nwn

stays ↑

(RMR)

DOA:.....Easton, BB0254 - Individual income tax deduction for those who claim the federal household and dependent care tax credit

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

do not gen

- 1 AN ACT ...; relating to: creating an individual income tax deduction for expenses
- 2 related to child and dependent care.

---

*Analysis by the Legislative Reference Bureau*

**TAXATION**

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Under current federal law there is an individual income tax credit for a portion of qualifying child or dependent care expenses that are paid for the purpose of enabling a taxpayer to be gainfully employed. An eligible claimant must maintain a household for a "qualifying individual," which is defined as a dependent under the age of 13, a disabled spouse, or another disabled individual who is a dependent of the taxpayer. The calculation of the amount that may be claimed under the federal credit is based on the amount of allowable employment-related expenses incurred by the claimant. The maximum allowable amount of employment-related expenses under federal law is \$3,000 if the claimant has one qualifying individual and \$6,000 if the claimant has more than one qualifying individual.

In calculating Wisconsin adjusted gross income (AGI), this bill authorizes an individual who claims the federal credit to subtract from federal AGI a certain portion of the allowable amount of employment-related expenses claimed by the individual in calculating his or her federal tax credit. The amount that may be subtracted is phased in over four years. For taxable year 2008, a claimant may

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2           71.05 (6) (b) ~~39~~<sup>43</sup> Subject to subd. ~~39~~<sup>43</sup> e. and f., one of the following allowable  
3 amounts, specified in subd. ~~39~~<sup>43</sup> a. to d., of employment-related expenses claimed by  
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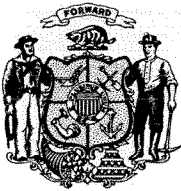
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13 1, 2011, up to \$2,250 if the claimant has one qualified individual and up to \$4,500  
14 if the claimant has more than one qualified individual.

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3 one qualified individual.

4 e. A claimant who claims the subtraction under this subdivision is subject to  
5 the special rules in 26 USC 21 (e) (2) and (4).

6 f. An individual who is a nonresident or part-year resident of this state and who  
7 claims the subtraction under this subdivision shall multiply the amount calculated  
8 under subd. ~~39~~<sup>43</sup> a., b., c., or d. by a fraction the numerator of which is the individual's  
9 wages, salary, tips, unearned income, and net earnings from a trade or business that  
10 are taxable by this state and the denominator of which is the individual's total wages,  
11 salary, tips, unearned income, and net earnings from a trade or business. In this  
12 subd. ~~39~~<sup>43</sup> f., for married persons filing separately "wages, salary, tips, unearned  
13 income, and net earnings from a trade or business" means the separate wages, salary,  
14 tips, unearned income, and net earnings from a trade or business of each spouse, and  
15 for married persons filing jointly "wages, salary, tips, unearned income, and net  
16 earnings from a trade or business" means the total wages, salary, tips, unearned  
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18 (END)



State of Wisconsin  
2007 - 2008 LEGISLATURE

LRB-1301/5  
MES:wlj:nwn

DOA:.....Easton, BB0254 – Individual income tax deduction for those who claim the federal household and dependent care tax credit

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

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14 if the claimant has more than one qualified individual.

