

2009 DRAFTING REQUEST

Bill

Received: **04/03/2009**

Received By: **mshovers**

Wanted: **As time permits**

Identical to LRB:

For: **Jason Fields (608) 266-3756**

By/Representing: **Laurie**

This file may be shown to any legislator: **NO**

Drafter: **mshovers**

May Contact:

Addl. Drafters:

Subject: **Tax, Individual - income credit**

Extra Copies:

Submit via email: **YES**

Requester's email: **Rep.Fields@legis.wisconsin.gov**

Carbon copy (CC:) to:

Pre Topic:

No specific pre topic given

Topic:

Allow individuals with no children to claim earned income tax credit

Instructions:

Allow someone with no children to claim 4% of what they claim under the federal EITC; piggy-back on the federal credit

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>
/?				_____			State
/1	mshovers 07/20/2009	kfollett 08/07/2009	phenry 08/10/2009	_____	cduerst 08/10/2009	mbarman 09/17/2009	

FE Sent For: "1" @'intro. 10/8/09

<END>

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11	MS	7/20/09	8/7	10	ph	ph/mo	

FE Sent For:

<END>

payments under an employer's plan are exempt from social security and Medicare taxes.

Taxpayers may claim the full benefit of certain nonrefundable personal credits, which include the child and dependent care credit, to offset their regular tax as opposed to only the amount by which the regular tax exceeds the alternative tentative minimum tax [Ch. 16].

¶ 14,005 EARNED INCOME CREDIT

The *earned income credit* (EIC) is a refundable tax credit for eligible low-income workers [Code Sec. 32(a)]. As a result, if the EIC exceeds the worker's tax liability, he or she can get a check from the IRS for the excess. The credit is based on earned income, which includes wages, salaries, and other employee compensation, plus earnings from self-employment. The amount of the credit is determined by multiplying an individual's earned income by a credit percentage, subject to a possible phaseout. Different credit percentages and phaseout percentages are provided for low-income workers who have no qualifying children, one qualifying child, and more than one qualifying child. The worker claims the credit by filing Schedule EIC of Form 1040 or 1040A. If you do not have a qualifying child, you can use Form 1040EZ to claim the credit. A low-income employee with one or more children can cash in on an advance credit before he or she files a tax return. The employee simply gives his or her employer a completed Form W-5, and the employer then includes part of the credit in each of the employee's paychecks.

.01 Qualifying Children

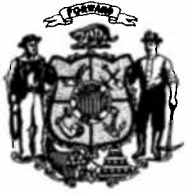
Tests of Qualifying Child Status

Relationship test. A qualifying child for purposes of the EIC must be (1) a son, daughter, or stepchild of the taxpayer or a descendent of a son, daughter, or stepchild of the taxpayer or (2) a brother, sister, stepbrother, or stepsister of the taxpayer or a descendent of a brother, sister, stepbrother, or stepsister of the taxpayer [Code Sec. 32(c)(3)(A)]. A child who is legally adopted by a taxpayer or placed with the taxpayer for legal adoption by the taxpayer is treated as a taxpayer's own child by blood [Code Sec. 152(f)(1)(B))]. A brother or sister includes a brother or sister by the half-blood [Code Sec. 152(f)(4)]. A foster child is treated as a child of a taxpayer. A foster child is an individual placed with the taxpayer by an authorized placement agency or by judgment, decree, or court [Code Sec. 152(f)(1)(C)].

Age test. The child must not have reached age 19 (age 24 if the child is a student) before the close of the calendar year in which the tax year of the taxpayer begins [Code Sec. 152(c)(3)(A)]. The age requirement does not apply to a child who at any time during the calendar year is permanently and totally disabled as defined in Code Sec. 22(e)(3) [Code Sec. 152(c)(3)(B)]. A child attains a given age on the anniversary of the date that the child was born.¹

Married children. A child (including a foster child) who is married at the close of the taxpayer's tax year is not a qualifying child unless the taxpayer can claim a depen-

¹ Rev. Rul. 2003-72, 2003-2 CB 346.



State of Wisconsin
2009 - 2010 LEGISLATURE

LRB-2555/?

MES...
KGF

FMK

~~PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION~~

afm

- 1 AN ACT ...; relating to: allowing an individual without a qualifying child to claim
- 2 the earned income tax credit.

Analysis by the Legislative Reference Bureau

Under federal law, the earned income tax credit (EITC) is a refundable tax credit for low-income workers. If the amount of the claim exceeds the worker's tax liability, the claimant receives a check for the excess amount from the Internal Revenue Service. The amount of the credit for which a claimant is eligible is based, in part, on whether the claimant has no qualifying children, one qualifying child, or more than one qualifying child.

Under current law, the refundable Wisconsin EITC may be claimed in an amount equal to a certain percentage of the federal basic EITC. To be eligible for the Wisconsin EITC, an individual must have one or more qualifying children. The Wisconsin EITC is equal to 4 percent of the federal credit if the claimant has one qualifying child, 14 percent of the federal credit if the claimant has 2 qualifying children, and 43 percent of the federal credit if the claimant has 3 or more qualifying children. fwd

Under this bill, a claimant who has no qualifying children may claim the Wisconsin EITC in an amount equal to 4 percent of the federal credit.

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:

Duerst, Christina

From: Youngman, Lori
Sent: Thursday, September 17, 2009 12:52 PM
To: LRB.Legal
Subject: Draft Review: LRB 09-2555/1 Topic: Allow individuals with no children to claim earned income tax credit

Please Jacket LRB 09-2555/1 for the ASSEMBLY.