

Fiscal Estimate - 2015 Session

Original Updated Corrected Supplemental

LRB Number **15-3280/1** Introduction Number **AB-0399**

Description
Creating a nonrefundable individual income tax credit based on the federal tax credit for certain expenses for household and dependent care services

Fiscal Effect

State:

No State Fiscal Effect

Indeterminate

Increase Existing Appropriations Increase Existing Revenues Increase Costs - May be possible to absorb within agency's budget

Decrease Existing Appropriations Decrease Existing Revenues Yes No

Create New Appropriations Decrease Costs

Local:

No Local Government Costs

Indeterminate

1. Increase Costs 3. Increase Revenue

Permissive Mandatory Permissive Mandatory

2. Decrease Costs 4. Decrease Revenue

Permissive Mandatory Permissive Mandatory

5. Types of Local Government Units Affected

Towns Village Cities

Counties Others

School Districts WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**

GPR FED PRO PRS SEG SEGS

Agency/Prepared By	Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984	Michael Wagner (608) 266-6785	10/16/2015

Fiscal Estimate Narratives

DOR 10/16/2015

LRB Number	15-3280/1	Introduction Number	AB-0399	Estimate Type	Original
Description Creating a nonrefundable individual income tax credit based on the federal tax credit for certain expenses for household and dependent care services					

Assumptions Used in Arriving at Fiscal Estimate

Under current federal law, individuals may claim a nonrefundable income tax credit for child and dependent care expenses. Allowable child and dependent care expenses generally include costs for in-home care or daycare, nursery school or preschool programs, and before-school and after-school care for school-age children.

A claimant's allowable expenses generally may not exceed the earned income of the claimant or the claimant's spouse. Depending on the claimant's adjusted gross income, the credit may be worth between 20 percent and 35 percent of the claimant's allowable expenses, up to a maximum annual amount of \$3,000 if there is one qualifying dependent and up to \$6,000 if there are two or more qualifying dependents.

Under current Wisconsin law, individuals may claim an income tax deduction based on their qualifying child and dependent care expenses. The state deduction has the same \$3,000 or \$6,000 qualifying expenses limitation that applies federally.

In addition to the existing state tax deduction, this bill creates a nonrefundable individual income tax credit based on the federal tax credit for expenses for household and dependent care services. Under the bill, an individual who is eligible for and claims the federal tax credit for expenses for household and dependent care services may claim the same amount as a nonrefundable credit on his or her Wisconsin income tax return. The same expenses will allow claimants to benefit from both the existing state tax deduction and the new state tax credit. Under the bill, the Wisconsin credit may not be claimed by a part-year or nonresident of this state.

Based on simulations using 2013 individual income tax returns, inflated for income levels and law, the new credit will reduce revenue by approximately \$48.0 million in fiscal year 2017 and annually thereafter.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

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Description Creating a nonrefundable individual income tax credit based on the federal tax credit for certain expenses for household and dependent care services		
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	\$	\$-48,000,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$-48,000,000
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-48,000,000	\$
Agency/Prepared By		
Authorized Signature		Date
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