

Fiscal Estimate - 2015 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 15-0666/1	Introduction Number AB-0084
Description Creating a refundable earned income tax credit for individuals, repealing the changes made to the earned income tax credit in 2011 Wisconsin Act 32, and making an appropriation	
Fiscal Effect	
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input checked="" type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs	
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <div style="margin-left: 400px;"> 5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts </div>	
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 20.835(2)(f), 20.835(2)(cb)	
Agency/Prepared By DOR/ Bradley Caruth (608) 261-8984	Authorized Signature Robert Schmidt (608) 266-5773
Date 3/27/2015	

Fiscal Estimate Narratives

DOR 3/27/2015

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Description Creating a refundable earned income tax credit for individuals, repealing the changes made to the earned income tax credit in 2011 Wisconsin Act 32, and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

The Wisconsin earned income tax credit is calculated as a percentage of the federal credit, depending on the number of the claimant's qualifying children. The Wisconsin credit is 4% of the federal credit for persons with one qualifying child, 11% for persons with two qualifying children, and 34% for persons with three or more qualifying children. Prior to 2011 Wisconsin Act 32, the credit rates were 4%, 14%, and 43%, respectively. This bill repeals the 2011 law change beginning in 2015.

Under this bill, current earned income credit claims would increase by approximately \$24.6 million in fiscal year 2016, \$25.3 million in fiscal year 2017 and annually thereafter.

The bill also creates an independent additional earned income tax credit. Individuals may claim the refundable credit equal to 25% of earned income, up to a maximum credit amount of \$2,500. Individuals with earned income between \$10,000 and \$15,000 would receive the maximum credit. For earned income levels above \$15,000, the credit is phased-out at a rate of 15%, until it reaches zero at \$31,666. Nonresidents, part-year residents, minors, and tax dependents are not eligible for the credit.

The additional earned income credit is not limited with respect to the unearned income of claimants or the earned income of spouses. As such, based on 2012 individual income tax returns, approximately 1.43 million individuals could claim approximately \$2.06 billion of credit annually under the bill.

The department expects to incur administrative costs commensurate with the size of the new credit.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

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Description Creating a refundable earned income tax credit for individuals, repealing the changes made to the earned income tax credit in 2011 Wisconsin Act 32, and making an appropriation		
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, ets.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$See Text	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By		
Authorized Signature		Date
DOR/ Bradley Caruth (608) 261-8984		Robert Schmidt (608) 266-5773
		3/27/2015