

Fiscal Estimate - 2017 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 17-2027/1	Introduction Number SB-037
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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

Fiscal Effect

State:

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

<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	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	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 <u>0</u> <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
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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/ Bradley Caruth (608) 261-8984	Authorized Signature Robert Schmidt (608) 266-5773	Date 2/17/2017
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Fiscal Estimate Narratives

DOR 2/17/2017

LRB Number	17-2027/1	Introduction Number	SB-037	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 2015 individual income tax returns, inflated for income levels and law changes, the new credit will reduce revenue by approximately \$49.0 million in fiscal year 2018 and annually thereafter.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2017 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	\$	\$-49,000,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$-49,000,000
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-49,000,000	\$
Agency/Prepared By		
Authorized Signature		Date
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