AN ACT to create 20.835 (2) (ff) and 73.03 (73) of the statutes; relating to:

creating a pilot and permanent program for making periodic payments to eligible recipients of the earned income tax credit and making an appropriation.

Analysis by the Legislative Reference Bureau

This bill authorizes the creation of a pilot and a permanent program under which periodic payments of an eligible individual’s or married couple’s federal and state earned income tax credit would be made to the claimant throughout the year, instead of a single payment when the claimant files his or her income tax return.

Under the bill, the Department of Revenue must request that the Internal Revenue Service assist DOR in a two-year pilot program to make monthly payments to eligible recipients for EITC amounts such claimants would otherwise be eligible to claim on their federal income tax returns. If the IRS agrees to participate, DOR and the IRS must enter into an agreement about the operation of the program and the responsibilities of the parties. If the IRS does not agree, the statute does not apply.

Under the pilot program, the IRS would determine the amount of EITC that could likely be claimed by 100 randomly selected residents of Wisconsin for taxable years 2019 and 2020 and would forward that amount to DOR, for each taxable year. The test group of 100 claimants would receive one-eleventh of their likely federal credit amount each month, up to two-thirds of the maximum likely credit amount. Generally, any remaining EITC for which a claimant would be eligible could be claimed on the claimant’s federal or state tax return.
DOR is required to establish a second test group of 100 claimants who are likely to be eligible to claim the EITC for taxable years 2019 and 2020, who will receive their EITC after filing their individual income tax returns, and compare their financial stability to that of the other test group.

For taxable years 2021 and thereafter, if DOR can reach an agreement with the IRS on each party’s responsibilities and duties and can reach an agreement on how the program will operate, DOR must make the pilot program permanent for all eligible EITC claimants, based on the parameters and specifications of the pilot program.

For further information see the state and local 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. 20.835 (2) (ff) of the statutes is created to read:

20.835 (2) (ff) A sum sufficient to make the payments described under s. 73.03 (73) (c) 2.

SECTION 2. 73.03 (73) of the statutes is created to read:

73.03 (73) To work with the Internal Revenue Service to undertake a pilot and a permanent program that accomplishes all of the following:

(a) Assist the department in a 2-year pilot program to make monthly payments to eligible claimants of the amounts such claimants would otherwise be eligible to claim under the federal earned income tax credit under section 32 of the Internal Revenue Code. The pilot program shall be for taxable years beginning after December 31, 2018, and before January 1, 2021. If the Internal Revenue Service agrees to assist with the pilot program, the Internal Revenue Service and the department shall enter into an agreement describing the responsibilities and duties of each party. If the Internal Revenue Service and the department are unable to reach an agreement on how the pilot program will operate, this subsection does not apply and may not be enforced.
(b) Under the pilot program, the Internal Revenue Service would determine the
amount of earned income tax credit that could likely be claimed by 100 randomly
selected residents of Wisconsin for taxable year 2019 and taxable year 2020, based
on criteria selected by the Internal Revenue Service. The department and the
Internal Revenue Service shall make every effort to ensure that each individual or
married couple selected will be eligible to claim the credit for those taxable years, and
that the credit amount for which he or she will likely be eligible will be in excess of
$600 each year. At the beginning of each taxable year, the Internal Revenue Service
would forward to the department the total amount of payments those 100 claimants
would likely be eligible to claim for that taxable year, specifying the amounts allotted
to each claimant. The department shall deposit such amounts in the general fund.

(c) 1. The department would develop a method to disperse the federal credit
amount to each claimant on a periodic basis.

2. For the test group, based on the amount of federal and state earned income
tax credit that each claimant would likely be eligible to receive based on his or her
estimated taxable year 2019 and 2020 income tax returns, each claimant would
receive one-eleventh of his or her likely federal credit amount each month except for
the month following the month in which the claimant receives the credit claimed on
his or her tax return, by check, from the department, from the general fund, except
that the maximum total amount that each claimant could receive under this
subdivision, annually, would be two-thirds of his or her likely credit amount. Any
excess amount of federal and state credit for which the claimant is eligible could be
claimed for that taxable year on his or her federal income tax return, under s. 71.07
(9e), or under the terms of the agreement under par. (a).
3. The department shall also establish a 2nd test group of 100 claimants who are likely to be eligible to claim the earned income tax credit for taxable years 2019 and 2020, who will receive their earned income tax credit after filing their individual income tax returns, and compare their financial stability to that of the other test group.

(d) For taxable years 2019 and 2020, the participants in each of the 2 test groups shall remain the same, to the greatest extent possible.

(e) The department shall develop policies and promulgate rules, if necessary, to ensure that members of each test group are able to continue to claim the credit under s. 71.07 (9e) to the extent that they are eligible to do so.

(f) 1. Subject to subd. 2., for taxable years beginning after December 31, 2020, the department shall make the pilot program described under par. (b) permanent and applicable to all eligible claimants of the earned income tax credit under s. 71.07 (9e) (aj), based on the specifications described under pars. (b) and (c) 2.

2. Subdivision 1. does not apply unless the Internal Revenue Service and the department enter into an agreement describing the responsibilities and duties of each party and an agreement on how the permanent program will operate. If the Internal Revenue Service and the department are unable to reach an agreement on how the permanent program will operate, subd. 1. does not apply and may not be enforced.

(END)