

Fiscal Estimate - 2019 Session

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

LRB Number 19-0129/1	Introduction Number AB-0537	
Description changing the rate of the earned income tax credit		
Fiscal Effect State: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations </div> <div style="width: 33%;"> <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues </div> <div style="width: 33%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <div style="display: flex; justify-content: space-between;"> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No </div> <input type="checkbox"/> Decrease Costs </div> </div> Local: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate <div style="display: flex;"> <div style="width: 50%;"> 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 </div> <div style="width: 50%;"> 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 </div> </div> </div> <div style="width: 33%;"> 5. Types of Local Government Units Affected <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> Towns <input type="checkbox"/> Counties <input type="checkbox"/> School Districts </div> <div style="width: 33%;"> <input type="checkbox"/> Village <input type="checkbox"/> Others <input type="checkbox"/> WTCS Districts </div> <div style="width: 33%;"> <input type="checkbox"/> Cities </div> </div> </div> </div>		
<div style="display: flex; justify-content: space-between;"> <div> Fund Sources Affected <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 </div> <div> Affected Ch. 20 Appropriations 20.835(2)(f) </div> </div>		
Agency/Prepared By DOR/ Bradley Caruth (608) 261-8984	Authorized Signature Michael Oakleaf (608) 261-5173	Date 10/18/2019

Fiscal Estimate Narratives

DOR 10/18/2019

LRB Number	19-0129/1	Introduction Number	AB-0537	Estimate Type	Original
Description changing the rate of the earned income tax credit					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the Wisconsin earned income tax credit (EITC) equals a percentage of the federal EITC, depending on the number of qualifying children in the credit claimant's household: 4% for individuals with one child, 11% for individuals with two children, and 34% for individuals with three or more children. Individuals without qualifying children may be eligible for a federal EITC, but cannot claim a state EITC. The credit is refundable.

In 2019, the federal credit for individuals without qualifying children is 7.65% of earnings up to \$6,920, for a maximum credit of \$529. The credit for single individuals is phased out as the greater of federal adjusted gross income or earnings rise from \$8,650 to \$15,570; the phase-out floor and ceiling are \$5,800 higher for married couples.

For individuals with one child, the federal credit is 34% of earnings up to \$10,370, for a maximum credit of \$3,526. The credit is phased out for single individuals as income or earnings rise from \$19,030 to \$41,094; the phase-out floor and ceiling are \$5,790 higher for married couples.

For individuals with two children, the federal credit is 40% of earnings up to \$14,570, for a maximum credit of \$5,828. The credit is phased out for single individuals as income or earnings rise from \$19,030 to \$46,703; the phase-out floor and ceiling are \$5,790 higher for married couples.

For individuals with three or more children, the federal credit is 45% of earnings up to \$14,570, for a maximum credit of \$6,557. The credit is phased out for single individuals as income or earnings rise from \$19,030 to \$50,162; the phase-out floor and ceiling are \$5,790 higher for married couples.

Applying the state rates, the maximum Wisconsin EITC is \$0 for individuals without qualifying children, \$141 for individuals with one child, \$641 for individuals with two children, and \$2,229 for individuals with three or more children.

Under this bill, for taxable years beginning after 2019, an individual who is eligible to claim the federal EITC may claim a state EITC equal to 34% the federal credit, without regard to the number of qualifying children in the household. Based on an analysis of state and federal EITC claims by Wisconsin residents, the bill will increase state credit claims by about \$145 million in fiscal year 2021 and similar annual amounts thereafter.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

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Description changing the rate of the earned income tax credit	
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	145,000,000
TOTAL State Costs by Category	\$145,000,000
B. State Costs by Source of Funds	
GPR	145,000,000
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	\$
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	\$145,000,000
NET CHANGE IN REVENUE	\$
Agency/Prepared By	Authorized Signature
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	Date
	10/18/2019