

### Fiscal Estimate - 2019 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>19s0090/1</b>	<b>Introduction Number</b> <b>SSA1-SB126</b>	
<b>Description</b> creating a nonrefundable individual income tax credit for certain expenses incurred by a family caregiver to assist a qualified family member		
<b>Fiscal Effect</b>		
<b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input 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 checked="" type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
<b>Local:</b> <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		
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"/> 0 <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <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		
<b>Agency/Prepared By</b> DOR/ Michael Oakleaf (608) 261-5173	<b>Authorized Signature</b> Jamie Adams (608) 266-6785	<b>Date</b> 10/3/2019

## Fiscal Estimate Narratives

DOR 10/3/2019

LRB Number	19s0090/1	Introduction Number	SSA1-SB126	Estimate Type	Supplemental
<b>Description</b> creating a nonrefundable individual income tax credit for certain expenses incurred by a family caregiver to assist a qualified family member					

### Assumptions Used in Arriving at Fiscal Estimate

This substitute amendment creates a nonrefundable individual income tax credit for qualified expenses incurred by a family caregiver to assist a qualified family member who is not a resident of a nursing home or a recipient of certain public benefits. A caregiver may claim 50% of the qualified expenses they paid in the year up to a maximum credit of \$500 per qualified family member. If multiple claimants care for the same qualified family member and would otherwise exceed the \$500 credit, it is allocated in proportion to the claimants' expenses.

Qualified expenses include amounts spent to improve the caregiver's primary residence to assist the family member, on equipment to help the family member with daily living activities, and on obtaining other goods or services to help the claimant care for the family member. Generally, qualified expenses may not include general food, clothing, transportation, or household repair costs, or amounts that are paid or reimbursed by an insurance company or the government.

Caregivers who are single or married and filing separately may not claim the credit if their Wisconsin adjusted gross income exceeds \$75,000. Married caregivers filing jointly may not claim the credit if their Wisconsin adjusted gross income exceeds \$150,000. Moreover, the credit is not available before tax year 2020 or after tax year 2021.

According to The 2015 Caregiving in the U.S. Report prepared by the National Alliance for Caregiving and the AARP Public Policy Institute, there are about 43.5 million unpaid adult caregivers in the U.S.. Approximately 39.8 million caregivers provide care to adults. Of those caregivers, about 85% are related to the recipient, about 95% of care recipients do not live in a nursing home, and about 59% of caregivers help the care recipient with at least one activity of daily living. Another 77% of caregivers have household income below \$100,000. Assuming these factors are independent, and using the income as a proxy for the income limitation in the bill, the factors reduce the eligible U.S. population of caregivers to 14.6 million ( $39.8 \times 85\% \times 95\% \times 59\% \times 77\%$ ). Wisconsin accounts for about 1.8% of the U.S. population, so if caregivers in the state are proportionally represented, there are approximately 263,000 state caregivers providing care to adult relatives and having income below the claimant threshold. Data from the Wisconsin Department of Health Services suggests that another 50,000 individuals may be ineligible because they are members of the Wisconsin Family Care and Partnership Program, reducing potential claimants to about 213,000.

The AARP Family Caregiving and Out-of-Pocket Costs: 2016 Report, indicates that about 78% of caregivers are incurring out-of-pocket costs as a result of caregiving, suggesting that about 166,000 individuals would be eligible for the credit under this bill. The report also indicates that the average out-of-pocket expenses reflect about 20% of the caregivers' income. A simulation using the 2016 individual income tax model, suggests that the average credit under these circumstances would reduce revenue by about \$298 per claimant, or \$49.5 million for 166,000 claimants.

Based on the tax year 2020 start date, the initial \$49.5 million fiscal effect would likely occur in fiscal year 2021, with a subsequent \$49.5 million revenue loss related to tax year 2021 and occurring in fiscal year 2022. The credit is not available after tax year 2021.

The above estimate relies on several broad adjustments to the total population of adult caregivers in order to better reflect adult caregivers who would be eligible for the credit under this substitute amendment. To the extent that these adjustment factors interact with each other, they may overstate or understate the eligible population. The estimate also does not account for limitations to the types of expenses that qualify for the credit or limitations

to the credit when multiple claimants care for the same qualified family member, which would tend to reduce the fiscal effect. Moreover, this estimate is limited to the revenue effect of the tax credit and does not address implications related to medical assistance spending.

### **Long-Range Fiscal Implications**



## Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Description</b> creating a nonrefundable individual income tax credit for certain expenses incurred by a family caregiver to assist a qualified family member			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes		\$	\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>		<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$See Text	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Michael Oakleaf (608) 261-5173		Jamie Adams (608) 266-6785	10/3/2019