

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-4907/1	Introduction Number SB-622	
Description creating a nonrefundable individual income tax credit based on the federal tax credit for certain expenses for household and dependent care services and sunsetting a deduction based on the same expenses		
Fiscal Effect		
State: <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		
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 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 0 <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
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 Michael Oakleaf (608) 261-5173	Date 12/19/2019

Fiscal Estimate Narratives

DOR 12/19/2019

LRB Number 19-4907/1	Introduction Number SB-622	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 and sunsetting a deduction based on the same expenses		

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.

Effective for tax year 2020, this bill creates a nonrefundable state income tax credit equal to the federal tax credit for expenses for household and dependent care services. The new Wisconsin credit may not be claimed by a part-year or nonresident of this state. The bill also sunsets the existing state income tax deduction for dependent care expenses.

Based on simulations using 2017 individual income tax returns, inflated for income levels and law changes, removing the current law deduction will increase revenue by \$18.1 million, while subsequently creating the new credit will reduce revenue by \$54.3 million. The net impact of the bill will be to reduce revenue by approximately \$36.2 million in fiscal year 2021 and annually thereafter.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-4907/1		Introduction Number SB-622	
Description creating a nonrefundable individual income tax credit based on the federal tax credit for certain expenses for household and dependent care services and sunsetting a deduction based on the same expenses			
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	\$	\$-36,200,000
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$-36,200,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-36,200,000	\$
Agency/Prepared By		Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984		Michael Oakleaf (608) 261-5173	12/19/2019