

Fiscal Estimate - 2021 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 21-4662/1	Introduction Number AB-0692
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Description
 allowing certain married individuals to claim the Earned Income Tax Credit

Fiscal Effect

State:

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

Local:

<input type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	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
<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	

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 20.835(2)(f)	

Agency/Prepared By	Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984	Michael Oakleaf (608) 261-5173	11/12/2021

Fiscal Estimate Narratives

DOR 11/12/2021

LRB Number	21-4662/1	Introduction Number	AB-0692	Estimate Type	Original
Description allowing certain married individuals to claim the Earned Income Tax Credit					

Assumptions Used in Arriving at Fiscal Estimate

CURRENT LAW

The Wisconsin earned income tax credit (EITC) is a refundable credit equal to 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.

In 2021, the federal credit for individuals without qualifying children is 7.65% of earnings up to \$7,100, for a maximum credit of \$543. The credit for single individuals is phased out as the greater of federal adjusted gross income or earnings rise from \$8,880 to \$15,980; the phase-out floor and ceiling are \$5,940 higher for married couples.

For individuals with one child, the federal credit is 34% of earnings up to \$10,640, for a maximum credit of \$3,618. The credit is phased out for single individuals as income or earnings rise from \$19,520 to \$42,158; the phase-out floor and ceiling are \$5,950 higher for married couples.

For individuals with two children, the federal credit is 40% of earnings up to \$14,950, for a maximum credit of \$5,980. The credit is phased out for single individuals as income or earnings rise from \$19,520 to \$47,915; the phase-out floor and ceiling are \$5,950 higher for married couples.

For individuals with three or more children, the federal credit is 45% of earnings up to \$14,950, for a maximum credit of \$6,728. The credit is phased out for single individuals as income or earnings rise from \$19,520 to \$51,464; the phase-out floor and ceiling are \$5,950 higher for married couples.

Applying the state rates, the maximum Wisconsin EITC is \$0 for individuals without qualifying children, \$145 for individuals with one child, \$658 for individuals with two children, and \$2,288 for individuals with three or more children.

ALLOWING NEWLY MARRIED CLAIMANTS TO CLAIM PRIOR YEAR CREDITS

Effective for tax year 2022, this bill authorizes a newly married EITC claimant to claim the greater of either the EITC that is calculated based on their current status as a married individual, or the combined EITC that each spouse claimed in the immediately preceding taxable year. For the next two taxable years, the individual may continue to claim the credit from the year prior to marriage.

Based on the claims of married couples in 2019 and the credits they claimed in prior years when they were unmarried, DOR anticipates that this provision will increase credit claims by approximately \$1.1 million in fiscal year 2023, \$2.2 million in fiscal year 2024, and \$3.3 million annually thereafter.

EXTENDING THE INCOME RANGE FOR MARRIED EITC CLAIMANTS

Also under the bill, effective in tax year 2022, a married couple that would otherwise be ineligible to claim the state credit may claim the credit if their federal adjusted gross income is less than the amount at which their federal credit phase-out is completed, plus \$20,000.

Because the state EITC is calculated as a percentage of the federal EITC, extending the state income range will not automatically impact the credit calculation. It is unclear how the claimant should calculate the state credit in cases in which the federal credit is zero. The department has not determined a fiscal effect for this

provision.

ADMINISTRATIVE COSTS

The Department anticipates incurring \$15,170 in one-time costs and \$280,950 in ongoing costs to administer the credit changes in this bill. One-time costs are associated with updating publications, claim processing procedures, and training staff. Ongoing costs are associated with additional staff required to process and verify claims.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

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Description allowing certain married individuals to claim 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): The Department anticipates incurring \$15,170 in one-time costs and \$280,950 in ongoing costs to administer the credit changes in this bill.		
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	\$	\$
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	\$See Text	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By	Authorized Signature	Date
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