

Fiscal Estimate - 2021 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 21-4256/1	Introduction Number SB-465
Description increasing the earned income tax credit for families with fewer than three children	
Fiscal Effect	
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" 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 type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" 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 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 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 <input type="checkbox"/> Counties <input type="checkbox"/> Others <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 20.835(2)(f)	
Agency/Prepared By DOR/ Bradley Caruth (608) 261-8984	Authorized Signature Ann DeGarmo (608) 266-7179
Date 7/28/2021	

Fiscal Estimate Narratives

DOR 7/28/2021

LRB Number	21-4256/1	Introduction Number	SB-465	Estimate Type	Original
Description increasing the earned income tax credit for families with fewer than three children					

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 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.

Under this bill, for taxable years beginning after 2020, 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 \$133 million in fiscal year 2022 and similar annual amounts thereafter.

DOR anticipates incurring \$11,770 in one-time administrative costs related to training staff and modifying tax forms, instructions, and other published guidance. The department also anticipates \$242,050 in ongoing, annual administrative costs related to processing and reviewing credit claims. The department cannot absorb these costs with existing resources.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

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Description increasing the earned income tax credit for families with fewer than three children			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
DOR anticipates incurring \$11,770 in one-time administrative costs related to training staff and modifying tax forms, instructions, and other published guidance.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$242,050		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations	133,000,000		
TOTAL State Costs by Category	\$133,242,050		\$
B. State Costs by Source of Funds			
GPR	133,242,050		
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	\$	\$	
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	\$133,242,050	\$	
NET CHANGE IN REVENUE	\$	\$	
Agency/Prepared By		Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984		Ann DeGarmo (608) 266-7179	7/28/2021