

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-4243/2	Introduction Number SB-0426
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Description
 creating a child care reimbursement account program, providing an income tax subtraction for certain contributions to a child care reimbursement account, and granting rule-making authority

Fiscal Effect

State:

- | | | |
|---|---|---|
| <input type="checkbox"/> No State Fiscal Effect
<input type="checkbox"/> Indeterminate
<input type="checkbox"/> Increase Existing Appropriations
<input type="checkbox"/> Decrease Existing Appropriations
<input type="checkbox"/> Create New Appropriations | <input type="checkbox"/> Increase Existing Revenues
<input checked="" type="checkbox"/> Decrease 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"/> Decrease Costs |
|---|---|---|

Local:

- | | | |
|--|--|--|
| <input type="checkbox"/> No Local Government Costs
<input type="checkbox"/> Indeterminate
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 | 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 | 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**

GPR
 FED
 PRO
 PRS
 SEG
 SEGS

Agency/Prepared By	Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984	Michael Oakleaf (608) 261-5173	9/11/2023

Fiscal Estimate Narratives

DOR 9/11/2023

LRB Number	23-4243/2	Introduction Number	SB-0426	Estimate Type	Original
Description creating a child care reimbursement account program, providing an income tax subtraction for certain contributions to a child care reimbursement account, and granting rule-making authority					

Assumptions Used in Arriving at Fiscal Estimate

This bill requires the Department of Financial Institutions to establish a childcare reimbursement account program. Parents or other legal guardians with a qualifying child may establish an account from which qualifying childcare expenses are paid.

Beginning in tax year 2024, individuals may contribute to an account and deduct the amount contributed for state income tax purposes. The maximum total contribution per account per calendar year is \$10,000 (\$5,000 if the account owner is a person who is married and files separately).

Only an account owner may withdraw funds held in an account, and the account owner may withdraw these funds only to pay for the qualifying expenses of a qualifying child. Generally, if funds contributed to an account are not expended for qualifying expenses in the calendar year they were contributed, the funds are forfeited. The bill prohibits claiming the subtraction for amounts used to claim the federal dependent care credit. It also prohibits establishing or contributing to an account if the owner of the account has any amount of income excluded under a federal dependent care flexible spending account.

These accounts only provide a state income tax subtraction, while the existing dependent care credit and flexible spending accounts also provide federal benefits. As a result, these accounts are likely to be used primarily when individuals claim the federal/state child and dependent care credits and still have additional childcare expenses above the limit for those credits.

Based on data from the DOR individual income tax sample for 2018, there were approximately 34,000 individuals who claimed expenses above the federal child and dependent care credit maximum and did not use an employer-sponsored dependent care assistance program. If each of those individuals applied for and contributed to an account under this bill, they could have claimed approximately \$160 million in Wisconsin subtractions, for a revenue reduction of approximately \$8.0 million.

According to the American Rescue Plan Act (ARPA) Net Tax Reduction Calculation Update memo released by the Department of Administration on 8/28/2023, the remaining margin for tax reductions before triggering potential SLFRF recoupment at \$113 million for fiscal year 2023-24 and \$319 million for fiscal year 2024-25. This bill would reduce these margins by the amount of fiscal effect.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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Description creating a child care reimbursement account program, providing an income tax subtraction for certain contributions to a child care reimbursement account, and granting rule-making authority		
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, 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	\$	\$
NET CHANGE IN REVENUE	\$See Text	\$
Agency/Prepared By		
Authorized Signature		Date
DOR/ Bradley Caruth (608) 261-8984		Michael Oakleaf (608) 261-5173
		9/11/2023