

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-4272/1	Introduction Number SB-0453
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Description
 increasing the earned income tax credit for claimants with fewer than three children

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	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"/> School Districts <input type="checkbox"/> WTCS Districts	
<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	

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	10/9/2023

Fiscal Estimate Narratives

DOR 10/9/2023

LRB Number	23-4272/1	Introduction Number	SB-0453	Estimate Type	Original
Description increasing the earned income tax credit for claimants 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 2023, the federal credit for individuals without qualifying children is 7.65% of earnings up to \$7,840, for a maximum credit of \$600. The credit for single individuals is phased out as the greater of federal adjusted gross income or earnings rise from \$9,800 to \$17,640; the phase-out floor and ceiling are \$6,570 higher for married couples.

For individuals with one child, the federal credit is 34% of earnings up to \$11,750, for a maximum credit of \$3,995. The credit is phased out for single individuals as income or earnings rise from \$21,560 to \$46,560; the phase-out floor and ceiling are \$6,560 higher for married couples.

For individuals with two children, the federal credit is 40% of earnings up to \$16,510, for a maximum credit of \$6,604. The credit is phased out for single individuals as income or earnings rise from \$21,560 to \$52,918; the phase-out floor and ceiling are \$6,560 higher for married couples.

For individuals with three or more children, the federal credit is 45% of earnings up to \$16,510, for a maximum credit of \$7,430. The credit is phased out for single individuals as income or earnings rise from \$21,560 to \$56,838; the phase-out floor and ceiling are \$6,560 higher for married couples.

Applying the state rates, the maximum Wisconsin EITC is \$0 for individuals without qualifying children, \$160 for individuals with one child, \$726 for individuals with two children, and \$2,526 for individuals with three or more children.

Under this bill, beginning in 2023, an individual who is eligible to claim the federal EITC may claim a state EITC equal to 16% of the federal credit for individuals with one child, 25% for individuals with two children, and 34% for individuals with three or more children. Based on an analysis of state and federal EITC claims by Wisconsin residents, the bill will increase state credit claims by about \$59.7 million in fiscal year 2024, \$64.4 million in fiscal year 2025, and similar annual amounts thereafter.

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 2024 and \$319 million for fiscal year 2025. 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 increasing the earned income tax credit for claimants 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):		
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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