



State of Wisconsin
2011 - 2012 LEGISLATURE



LRB-1147/1
MES:jld:md

DOA:.....Quinn, BB0246 - Change the percentages that may be claimed under the earned income tax credit

FOR 2011-13 BUDGET -- NOT READY FOR INTRODUCTION

AN ACT ...; relating to: changing the percentages of the federal credit that may be claimed under the earned income tax credit.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

Under federal law, the earned income tax credit (EITC) is a refundable tax credit for low-income workers. If the amount of the claim exceeds the worker's tax liability, the claimant receives a check for the excess amount from the Internal Revenue Service. The amount of the credit for which a claimant is eligible is based, in part, on whether the claimant has no qualifying children, one qualifying child, or more than one qualifying child.

Under current law, the refundable Wisconsin EITC may be claimed in an amount equal to a certain percentage of the federal basic EITC. To be eligible for the Wisconsin EITC, an individual must have one or more qualifying children. The Wisconsin EITC is equal to 4 percent of the federal credit if the claimant has one qualifying child, 14 percent of the federal credit if the claimant has two qualifying children, and 43 percent of the federal credit if the claimant has three or more qualifying children.

This bill changes the percentages of the federal credit that may be claimed under Wisconsin law. Under this bill, for taxable years starting after December 31,

2010, the Wisconsin EITC is equal to 5 percent of the federal credit if the claimant has one qualifying child, 8 percent of the federal credit if the claimant has two qualifying children, and 40 percent of the federal credit if the claimant has three or more qualifying children.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 71.07 (9e) (af) (intro.) of the statutes is amended to read:

71.07 **(9e)** (af) (intro.) For taxable years beginning after December 31, 1995, and before January 1, 2011, any natural person may credit against the tax imposed under s. 71.02 an amount equal to one of the following percentages of the federal basic earned income credit for which the person is eligible for the taxable year under section 32 (b) (1) (A) to (C) of the ~~internal revenue code~~ Internal Revenue Code:

SECTION 2. 71.07 (9e) (aj) of the statutes is created to read:

71.07 **(9e)** (aj) For taxable years beginning after December 31, 2010, an individual may credit against the tax imposed under s. 71.02 an amount equal to one of the following percentages of the federal basic earned income credit for which the person is eligible for the taxable year under section 32 (b) (1) (A) to (C) of the Internal Revenue Code:

1. If the person has one qualifying child who has the same principal place of abode as the person, 5 percent.
2. If the person has 2 qualifying children who have the same principal place of abode as the person, 8 percent.
3. If the person has 3 or more qualifying children who have the same principal place of abode as the person, 40 percent.

(END)