



State of Wisconsin
2021 - 2022 LEGISLATURE

LRB-0796/P2
EKL:wlj

DOA:.....Quinn, BB0251 - Child and dependent care credit

FOR 2021-2023 BUDGET -- NOT READY FOR INTRODUCTION

AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

Child and dependent care tax credit

This bill creates an individual income tax credit based on the federal child and dependent care tax credit. The federal credit may be claimed by an individual who pays for the care of a “qualifying individual” so that the credit claimant can work or actively look for work. A qualifying individual is the claimant’s dependent child under 13 years of age or the claimant’s spouse or dependent who is incapable of self care. The total expenses for care that a claimant may take into account when calculating the federal credit is \$3,000 if there is one qualifying individual and \$6,000 if there is more than one qualifying individual. Depending on the claimant’s adjusted gross income, the credit may be worth between 20 percent and 35 percent of the allowable expenses. The federal credit is nonrefundable, which means it may be claimed only up to the amount of the claimant’s tax liability.

Under current law, Wisconsin does not have a child and dependent care tax credit but does allow individuals to deduct the expenses that qualify for the federal credit when computing their income for state tax purposes.

For taxable years beginning after December 31, 2020, the bill creates a tax credit based on the amount claimed under the federal credit and repeals the existing

deduction. Under the bill, an individual who is eligible for and claims the federal child and dependent care tax credit may claim 50 percent of the same amount as a nonrefundable credit on his or her Wisconsin income tax return. The Wisconsin credit may not be claimed by a part-year resident or nonresident of this state.

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. 71.05 (6) (b) 43. d. of the statutes is amended to read:

71.05 **(6)** (b) 43. d. For taxable years beginning after December 31, 2013, and before January 1, 2021, up to \$3,000 if the claimant has one qualified individual and up to \$6,000 if the claimant has more than one qualified individual.

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

71.07 **(9g)** ADDITIONAL CHILD AND DEPENDENT CARE TAX CREDIT. (a) *Definitions.*

In this subsection:

1. "Claimant" means an individual who is eligible for and claims the federal child and dependent care tax credit for the taxable year to which the claim under this subsection relates.

2. "Federal child and dependent care tax credit" means the tax credit under [26 USC section 21](#).

(b) *Filing claims.* Subject to the limitations provided in this subsection, a claimant may claim as a credit against the tax imposed under s. 71.02, up to the amount of those taxes, an amount equal to 50 percent of the federal child and dependent care tax credit claimed by the claimant on his or her federal income tax return for the taxable year to which the claim under this subsection relates.

(c) *Limitations.* 1. No credit may be allowed under this subsection unless it is claimed within the period under s. 71.75 (2).

2. No credit may be allowed under this subsection for a taxable year covering a period of less than 12 months, except for a taxable year closed by reason of the death of the claimant.

3. The credit under this subsection may not be claimed by a part-year resident or a nonresident of this state.

4. A claimant who claims the credit under this subsection is subject to the special rules in [26 USC 21](#) (e) (2) and (4).

(d) *Administration.* Subsection (9e) (d), to the extent that it applies to the credit under that subsection, applies to the credit under this subsection.

SECTION 3. 71.10 (4) (cs) of the statutes is created to read:

71.10 (4) (cs) Additional child and dependent care tax credit under s. 71.07 (9g).

SECTION 9337. Initial applicability; Revenue.

(1) ADDITIONAL CHILD AND DEPENDENT CARE TAX CREDIT. The treatment of ss. 71.05 (6) (b) 43. d., 71.07 (9g), and 71.10 (4) (cs) first applies to taxable years beginning after December 31, 2020.

(END)