



2003 ASSEMBLY BILL 966

March 11, 2004 - Introduced by Representatives BLACK, RICHARDS, BERCEAU, SINICKI, MILLER, PLOUFF, J. LEHMAN and POCAN, cosponsored by Senators RISSER, CARPENTER and CHVALA. Referred to Committee on Rules.

- 1 **AN ACT** *to create* 71.07 (6e) and 71.10 (4) (ce) of the statutes; **relating to:**
2 creating a nonrefundable individual income tax credit for certain expenses
3 related to child or dependent care.

Analysis by the Legislative Reference Bureau

Under current federal law there is an individual income tax credit for a portion of qualifying child or dependent care expenses that are paid for the purpose of enabling a taxpayer to be gainfully employed. An eligible claimant must maintain a household for a "qualifying individual," which is defined as a dependent under the age of 13, a disabled spouse, or another disabled individual who is a dependent of the taxpayer. The federal credit is nonrefundable, meaning that no refund is paid if the amount of the credit exceeds the taxpayer's tax liability. Generally, the maximum credit is \$1,050 if the taxpayer has one qualifying individual and his or her federal adjusted gross income (FAGI) is less than \$15,000; or the maximum credits is \$2,100 if the taxpayer has more than one qualifying individual and his or her FAGI is less than \$15,000. The maximum credit is phased down as the taxpayer's FAGI increases such that, generally, for a taxpayer with FAGI above \$43,000, the maximum credit is \$600 for an individual with one qualifying and the maximum credit is \$1,200 if the taxpayer has more than one qualifying individual.

This bill creates a nonrefundable individual income tax credit that is equal to 50% of the amount that is claimed by an individual under this federal credit.

ASSEMBLY BILL 966

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:

1 **SECTION 1.** 71.07 (6e) of the statutes is created to read:

2 71.07 **(6e)** CHILD AND DEPENDENT CARE EXPENSES CREDIT. (a) *Definitions.* In this
3 subsection:

4 1. “Claimant” means an individual who is eligible for, and claims, the federal
5 credit.

6 2. “Federal credit” means the federal tax credit, for expenses for household and
7 dependent care services necessary for gainful employment, under section 21 of the
8 Internal Revenue Code.

9 (b) *Filing claims.* Subject to the limitations provided in this subsection, a
10 claimant may claim as a credit against the tax imposed under s. 71.02, up to the
11 amount of those taxes, an amount equal to 50% of the amount of the credit claimed
12 by the claimant under the federal credit in the year to which the claim relates.

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

15 2. For a claimant who is a nonresident or part-year resident of this state and
16 who is a single person or a married person filing a separate return, multiply the
17 credit for which the claimant is eligible under par. (b) by a fraction the numerator of
18 which is the individual’s Wisconsin adjusted gross income and the denominator of
19 which is the individual’s federal adjusted gross income. If a claimant is married and
20 files a joint return, and if the claimant or the claimant’s spouse, or both, are
21 nonresidents or part-year residents of this state, multiply the credit for which the

ASSEMBLY BILL 966

1 claimant is eligible under par. (b) by a fraction the numerator of which is the couple's
2 joint Wisconsin adjusted gross income and the denominator of which is the couple's
3 joint federal adjusted gross income.

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

6 **SECTION 2.** 71.10 (4) (ce) of the statutes is created to read:

7 71.10 (4) (ce) The child and dependent care expenses credit under s. 71.07 (6e).

8 **SECTION 3. Initial applicability.**

9 (1) This act first applies to taxable years beginning on January 1 of the year
10 in which this subsection takes effect, except that if this subsection takes effect after
11 July 31 this act first applies to taxable years beginning on January 1 of the year
12 following the year in which this subsection takes effect.

13

(END)