

### Fiscal Estimate - 2015 Session

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>15-1178/1</b>	Introduction Number <b>AB-0494</b>
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**Description**  
 Creating an additional refundable earned income tax credit for individuals and changing the eligibility for, and the percentages that may be claimed by eligible claimants under, the earned income tax credit

**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"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input checked="" type="checkbox"/> Increase Existing Appropriations	<input checked="" type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		

**Local:**

<input type="checkbox"/> No Local Government Costs	3. <input type="checkbox"/> Increase Revenue	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	4. <input type="checkbox"/> Decrease Revenue	
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	

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<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), 20.835(2)(cb)	

<b>Agency/Prepared By</b> DOR/ Bradley Caruth (608) 261-8984	<b>Authorized Signature</b> Michael Wagner (608) 266-6785	<b>Date</b> 11/18/2015
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## Fiscal Estimate Narratives

DOR 11/18/2015

LRB Number	15-1178/1	Introduction Number	AB-0494	Estimate Type	Original
<b>Description</b> Creating an additional refundable earned income tax credit for individuals and changing the eligibility for, and the percentages that may be claimed by eligible claimants under, the earned income tax credit					

### Assumptions Used in Arriving at Fiscal Estimate

The Wisconsin earned income tax credit (EITC) is calculated as a percentage of the federal EITC, depending on the number of qualifying children in the household of the credit claimant. The Wisconsin credit rates are:

- 0% for individuals without qualifying children,
- 4% for individuals with one child,
- 11% for individuals with two children, and
- 34% for individuals with three or more children.

The bill adjusts the Wisconsin credit rates beginning in 2015 to 11% for claimants with no qualifying children or one qualifying child, and 25% for claimants with two or more qualifying children. Based on these rate changes, EITC claims would increase by approximately \$47.3 million in fiscal year 2016 and \$49.2 million in fiscal year 2017 and annually thereafter.

The bill also creates an independent additional earned income tax credit. Claimants who have zero or one qualifying child may claim a credit of \$500, and a claimants who have two or more qualifying children may claim a credit of \$1,000. Nonresidents, part-year residents, minors, and tax dependents are not eligible for the credit.

The additional earned income credit is not limited with respect to the unearned income of claimants. As such, based on 2012 individual income tax returns, approximately 2.1 million individuals could claim approximately \$1.3 billion of credit annually under the bill.

The department expects to incur administrative costs commensurate with the size of the new credit.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Description</b> Creating an additional refundable earned income tax credit for individuals and changing the eligibility for, and the percentages that may be claimed by eligible claimants under, the earned income tax credit		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>		
<b>II. Annualized Costs:</b>		
<b>Annualized Fiscal Impact on funds from:</b>		
	Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations	1,353,000,000	
<b>TOTAL State Costs by Category</b>	<b>\$1,353,000,000</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR	1,353,000,000	
FED		
PRO/PRS		
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$1,353,000,000	\$
NET CHANGE IN REVENUE	\$	\$
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DOR/ Bradley Caruth (608) 261-8984	Michael Wagner (608) 266-6785	11/18/2015