
Wisconsin Legislative Council

AMENDMENT MEMO



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Contact: Scott Grosz, Principal Attorney

2023 Assembly Bill 387

**Assembly
Amendment 1**

2023 ASSEMBLY BILL 387

Assembly Bill 387 creates a child care reimbursement account program, to be established and overseen by the Department of Financial Institutions (DFI). Under the bill, a parent or legal guardian of a dependent under the age of 13 may create a child care reimbursement account to pay for qualifying child care expenses. Contributions to the account may be made by the account owner, as well as other persons authorized by the owner, such as relatives or the person's employer. The maximum contribution that may be made to such an account in a calendar year is \$10,000.

An account contribution would be eligible for deduction from income under Wisconsin's individual income tax code, subject to certain restrictions based on the interaction between the contribution and existing law relating to business expenses and other federally recognized child care tax preferences.

Under the bill, DFI would be required to contract with a third-party vendor to administer the program. The vendor may charge fees to the account owners to cover the costs of administration and may retain any funds contributed to an account during a calendar year if the funds are not expended for qualifying expenses incurred by December 31 of that year.

ASSEMBLY AMENDMENT 1

Assembly Amendment 1 to Assembly Bill 387 revises the bill with respect to several aspects of account creation, including:

- Clarification that one account per household may be created, regardless of whether the household includes one qualifying child or multiple qualifying children.
- Clarification that the annual \$10,000 limit on account contribution is calculated using the aggregate contributions of all contributors to an account.
- When an account owner or the owner's spouse has excluded income under Section 129 of the Internal Revenue Code (IRC), specification that total contributions to a child care reimbursement account may not exceed \$10,000 less the amount excluded under Section 129. Section 129 of the IRC allows for the exclusion of income for amounts contributed to a dependent care assistance program. Under the bill, persons participating in a dependent care assistance program are disqualified from creating a child care reimbursement account.

Assembly Amendment 1 also revises the administration of the program to specify that, if funds remain in a child care reimbursement account after there is no qualifying child in the account owner's household, the vendor must distribute the balance of the account to its owner. Consequently, the amendment removes the provisions of the bill that allow the vendor to retain account funds that were not expended for qualifying expenses by the end of a calendar year.

BILL HISTORY

2023 Assembly Bill 387 was introduced on September 1, 2023, by Representatives Goeben, Hurd, and others. The Assembly Committee on Ways and Means held a public hearing on September 6, 2023. Representative Goeben offered Assembly Amendment 1 on September 8, 2023. On September 12 2023, the committee recommended adoption of Assembly Amendment 1 on a vote of Ayes, 10; Noes, 2; and recommended passage of the bill, as amended, on a vote of Ayes, 8; Noes, 4.

For a full history of the bill, visit the Legislature's [bill history page](#).

SG:jal