



DAVID STEFFEN

STATE REPRESENTATIVE • 4TH ASSEMBLY DISTRICT

June 8, 2023

Testimony to the Assembly Committee on Ways and Means on Assembly Bill 228

Chairman Macco and Committee Members:

Thank you for the opportunity to testify in support of Assembly Bill 228 which will change the name of the earned income tax credit to instead be called the earned income child care tax credit.

Inserting “child care” into the tax credit’s name is simple, but provides important clarity and transparency regarding the actual intent and purpose of the credit. Through this tax credit, low-income families with children are provided with financial assistance to care for the needs of their kids. The value of credit the claimant receives depends on how many children the individual has. AB 228 makes no changes to how the credit is calculated or administered.

Changing this refundable tax credit's name comes at no cost and will create a clear connection to its purpose and eligibility requirements. It is important that state programs, both in name and function, accurately reflect their underlying intent and purpose.

I am very proud to have worked with Senator Cabral-Guevara on this bill that will provide greater transparency for Wisconsin taxpayers and eliminate any confusion surrounding the purpose of this tax credit.

I am happy to answer any questions committee members may have.

Sincerely,

A handwritten signature in black ink, appearing to read "David Steffen". The signature is fluid and cursive, with a long horizontal stroke at the end.

David Steffen
State Representative
4th Assembly District



RACHAEL A. CABRAL-GUEVARA

STATE SENATOR • 19TH SENATE DISTRICT

Testimony before the Assembly Committee on Ways and Means

Senator Rachael Cabral-Guevara

June 8, 2023

Hello, Chairman Macco and members of the committee. Thank you for allowing me to provide testimony on Assembly Bill 228, an important piece of legislation that will finally recognize the true purpose of the earned income tax credit as a child care credit.

This tax credit helps low-income families get assistance for the needs of their kids, benefitting thousands of people across the state. The tax refunds received have helped pay for things from diapers to school supplies.

By changing the name of this beneficial credit to the earned income child care tax credit, more families will recognize its purpose and take advantage of it. Additionally, with the current costs of child care on the rise, properly advertising this already-existing child care tax credit can give those folks a little breathing room when they plan out their family budgets.

I am hopeful you will be able to support this commonsense piece of legislation that highlights the true intent and purpose of the child care tax credit.



Tony Evers
Governor

Peter W. Barca
Secretary of Revenue

Information Only Testimony on Assembly Bill 228
June 8, 2023
Peter Barca, Secretary of the Department of Revenue

Good morning, Chairman Macco, Ranking Member Conley and members of the Assembly Committee on Ways and Means. I would also like to thank Rep. Steffen for his interest in the Earned Income Tax Credit. I appreciate the opportunity to provide written testimony for information only on Assembly Bill 228, a bill to change the name of the Earned Income Tax Credit to the Earned Income Child Care Tax Credit. In fact, I have met with Rep. Steffen, and we have agreed to work together on alternatives that might accomplish the same purpose.

There are a number of important concerns the Department of Revenue has with this legislation. First, changing this name of this credit would potentially cause confusion among claimants because the suggested name does not accurately describe the credit. The Earned Income Tax Credit is not actually a credit for "child care" expenses. In fact, Wisconsin already has a credit for child care expenses called the "Additional Child and Dependent Care Tax Credit." Certainly, we want to avoid taxpayers claiming the wrong credit.

The Wisconsin EITC mirrors the Federal government Earned Income Tax Credit, and Wisconsin's credit is based on a percentage of the federal credit, depending on the number of children in the household. The federal credit is meant to ensure that working individuals, particularly those with children, are not living in poverty.

Second, a name change might lead to confusion about the federal credit. Some eligible families may not know to claim the Wisconsin credit under a new name. Finally, the name change will cause DOR to incur additional expenses in changing forms, updating website references, and providing additional customer service.

Moreover, there are other tax credits to assist children and families that DOR would like the Committee to look favorably upon. For example, the Governor's budget increases the Child and Dependent Care Credit from 50% to 100% of the corresponding federal credit claimed.

While the Department understands the sentiment behind the name change, we have concerns about the confusion, possible compliance issues, and the potential reduction in claimants as well as the costs incurred by the Department the name change could cause. Thank you for your consideration.