



RACHAEL A. CABRAL-GUEVARA

STATE SENATOR • 19TH SENATE DISTRICT

Testimony before the Senate Committee on Universities and Revenue

Senator Rachael Cabral-Guevara

January 17, 2024

Hello, Chairman Hutton and members of the committee. Thank you for allowing me to provide testimony on Senate Bill 227, a bill that would rename the Earned Income Tax credit to the Child Care Tax 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 availability 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 will note that Secretary Barca, Representative Steffen, and I have been in touch on this bill, and we are hopeful we can move forward with a solution that works well for everyone.



DAVID STEFFEN

STATE REPRESENTATIVE • 4th ASSEMBLY DISTRICT

January 17, 2023

Testimony to the Assembly Committee on Universities and Revenue on Senate Bill 227

Chairman Hutton and Committee Members:

Thank you for the opportunity to testify in support of Senate Bill 227 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. SB 227 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".

David Steffen
State Representative
4th Assembly District



Tony Evers
Governor

Peter W. Barca
Secretary of Revenue

**Information Only Testimony on Senate Bill 227
January 17, 2024
Peter Barca, Secretary of the Department of Revenue**

Good morning, Chairman Hutton, Ranking Member Larson and members of the Senate Committee on Universities and Revenue. I would also like to thank Senator Cabral-Guevara for their interest in the Earned Income Tax Credit. I appreciate the opportunity to provide written testimony for information only on Senate Bill 227, 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 continue to work with him to come up with an alternative that might accomplish the same purpose without the undue confusion this legislation may cause.

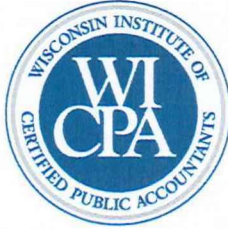
There are a number of important concerns the Department of Revenue has with this legislation. First, changing this name of this credit would potentially cause confusion among claimants because the suggested name does not accurately describe the credit. The Earned Income Tax Credit is not actually a credit 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. Finally, the federal earned income tax credit provides assistance to childless adults as do a number of other states. It is quite conceivable that Wisconsin could make that addition in future years, making this new name change even more confusing. Thank you for your consideration.



**Wisconsin Institute of
Certified Public Accountants**

DATE: January 17, 2024

TO: Chair Hutton and members of the Senate Committee on Universities and Revenue

FROM: Tammy Hofstede, President & CEO
Wisconsin Institute of Certified Public Accountants

RE: Oppose SB227, which would rename the EITC

Thank you, Chair Hutton and members of this committee, for the opportunity to submit written testimony today on SB227, a bill to change the name of the Earned Income Tax Credit (EITC) to the Earned Income Child Care Tax Credit.

The Wisconsin Institute of CPAs (WICPA) represents nearly 7,000 members across this state and over 11,000 licensed CPAs in Wisconsin. We have conveyed this to the lead authors and this written testimony conveys our concerns.

The WICPA works very closely with the Department of Revenue and the legislature to provide tax consistency and conformity between State and Federal each year. This is important for practitioners and tax filers. Changing the name of the EITC, which is currently the same for State and Federal tax filing purposes, would cause confusion among tax filers and could result in fewer claims under the new name, causing low-income families a hardship by not receiving the credit. A name change can also lead to confusion about the federal credit.

The new name of Earned Income Child Care Tax Credit does not accurately describe the credit. It should also be noted that Wisconsin has a credit for childcare expenses called "Additional Child and Dependent Care Tax Credit."

While we understand the thought behind the name change, we have concerns about the confusion, possible conformity and compliance issues and the potential reduction in claims for families.

Thank you for your consideration.