

Fiscal Estimate - 2017 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 17-5013/1	Introduction Number AB-0970	
Description changing the rate of the earned income tax credit		
Fiscal Effect		
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 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		
Fund Sources Affected Affected Ch. 20 Appropriations <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)		
Agency/Prepared By DOR/ Bradley Caruth (608) 261-8984	Authorized Signature Michael Oakleaf (608) 261-5173	Date 2/26/2018

Fiscal Estimate Narratives

DOR 2/26/2018

LRB Number	17-5013/1	Introduction Number	AB-0970	Estimate Type	Original
Description changing the rate of the earned income tax credit					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the Wisconsin earned income tax credit (EITC) equals a percentage of the federal EITC, depending on the number of qualifying children in the credit claimant's household: 4% for individuals with one child, 11% for individuals with two children, and 34% for individuals with three or more children. Individuals without qualifying children may be eligible for a federal EITC, but cannot claim a state EITC. The credit is refundable.

In 2017, the federal credit for individuals without qualifying children was 7.65% of earnings up to \$6,670, for a maximum credit of \$510. The credit for single individuals was phased out as the greater of federal adjusted gross income or earnings rose from \$8,340 to \$15,010; the phase-out floor and ceiling were \$5,590 higher for married couples.

For individuals with one child, the federal credit was 34% of earnings up to \$10,000, for a maximum credit of \$3,400. The credit was phased out for single individuals as income or earnings rose from \$18,340 to \$39,617; the phase-out floor and ceiling were \$5,590 higher for married couples.

For individuals with two children, the federal credit was 40% of earnings up to \$14,040, for a maximum credit of \$5,616. The credit was phased out for single individuals as income or earnings rose from \$18,340 to \$45,007; the phase-out floor and ceiling were \$5,590 higher for married couples.

For individuals with three or more children, the federal credit was 45% of earnings up to \$14,040, for a maximum credit of \$6,318. The credit was phased out for single individuals as income or earnings rose from \$18,340 to \$48,340; the phase-out floor and ceiling were \$5,590 higher for married couples.

Applying the state rates, the maximum Wisconsin EITC was \$0 for individuals without qualifying children, \$136 for individuals with one child, \$618 for individuals with two children, and \$2,148 for individuals with three or more children.

Under this bill, for taxable years beginning after 2017, an individual who is eligible to claim the federal EITC may claim a state EITC equal to 34% the federal credit, without regard to the number of qualifying children in the household. Based on an analysis of state and federal EITC claims by Wisconsin residents, the bill will increase state credit claims by about \$156 million in fiscal year 2019 and similar annual amounts thereafter.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

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Description changing the rate of the earned income tax credit		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
II. Annualized Costs:		
	Annualized Fiscal Impact on funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations	156,000,000	
TOTAL State Costs by Category	\$156,000,000	\$
B. State Costs by Source of Funds		
GPR	156,000,000	
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$156,000,000	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By		
Authorized Signature		Date
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		2/26/2018