

### Fiscal Estimate - 2017 Session

Original     
  Updated     
  Corrected     
  Supplemental

**LRB Number** 17-5207/1     
 **Introduction Number** AB-0005 (JR8)

**Description**  
 creating a pilot and permanent program for making periodic payments to eligible recipients of the earned income tax credit and making an appropriation

**Fiscal Effect**

**State:**

- No State Fiscal Effect
- Indeterminate
  - Increase Existing Appropriations
  - Decrease Existing Appropriations
  - Create New Appropriations
- Increase Existing Revenues
- Decrease Existing Revenues
- Increase Costs - May be possible to absorb within agency's budget
  - Yes
  - No
- Decrease Costs

**Local:**

- No Local Government Costs
- Indeterminate
  - 1.  Increase Costs
  - 2.  Decrease Costs
  - 3.  Increase Revenue
  - 4.  Decrease Revenue
- Permissive  Mandatory
  - Permissive  Mandatory
  - Permissive  Mandatory
  - Permissive  Mandatory
- 5. Types of Local Government Units Affected
  - Towns     Village     Cities
  - Counties     Others
  - School Districts     WTCS Districts

**Fund Sources Affected**

**Affected Ch. 20 Appropriations**

GPR   
  FED   
  PRO   
  PRS   
  SEG   
  SEGS

Agency/Prepared By	Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984	Jamie Adams (608) 266-6785	1/31/2018

## Fiscal Estimate Narratives

DOR 1/31/2018

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<b>Description</b> creating a pilot and permanent program for making periodic payments to eligible recipients of the earned income tax credit and making an appropriation		

### Assumptions Used in Arriving at Fiscal Estimate

This bill creates a pilot and permanent program under which periodic payments of an eligible individual's or married couple's federal and state earned income tax credit would be made to the claimant throughout the year, instead of a single payment when the claimant files his or her income tax return.

Under the bill, the Department of Revenue must request that the Internal Revenue Service assist DOR in a two-year pilot program to study the effect of making monthly payments to eligible recipients for EITC amounts that the claimants would otherwise be eligible to claim on their federal income tax returns. If the IRS agrees to participate, DOR and the IRS must enter into an agreement about the operation of the program and the responsibilities of the parties. If the IRS does not agree, the statute does not apply.

Under the pilot program, the IRS would determine the amount of EITC that could likely be claimed by 100 randomly selected residents of Wisconsin for taxable years 2019 and 2020 and would forward that amount to DOR, for each taxable year. The test group of 100 claimants would receive one-eleventh of their likely federal credit amount each month, up to two-thirds of the maximum likely credit amount. Generally, any remaining EITC for which a claimant would be eligible could be claimed on the claimant's federal or state tax return.

DOR is required to establish a second test group of 100 claimants who are likely to be eligible to claim the EITC for taxable years 2019 and 2020, who will receive their EITC after filing their individual income tax returns, and compare their financial stability to that of the other test group. Beginning with tax year 2021, if DOR can reach an agreement with the IRS, DOR must make the pilot program permanent for all eligible EITC claimants.

The department expects to incur administrative costs associated with developing new refund procedures, as well as developing metrics and tracking procedures to study the participants' financial stability. The cost to the department of the pilot program is unknown. However, if 200 households are surveyed four times each at a cost of \$40 per participant, the surveys could cost approximately \$32,000. Software development and analysis could require an additional \$200,000, for a total of \$232,000.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

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**I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):**

<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		
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>

<b>B. State Costs by Source of Funds</b>		
GPR		
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		
<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	\$See Text	\$
NET CHANGE IN REVENUE	\$	\$

<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
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