



## Fiscal Estimate Narratives

DOR 2/6/2024

LRB Number	23-5623/1	Introduction Number	AB-1023	Estimate Type	Original
<b>Description</b> expanding the child and dependent care credit					

### Assumptions Used in Arriving at Fiscal Estimate

Current federal law provides an income tax credit for individuals who paid someone to care for their qualifying children under age 13 or their disabled spouse or other disabled person. The credit is equal to 20 to 35 percent of qualified dependent care expenses. Qualifying dependent care expenses are capped at \$3,000 for the care of one person or \$6,000 for two or more persons.

Under current law, an individual who is eligible for and claims the federal child and dependent care income tax credit may claim 50 percent of the same amount as a nonrefundable credit on his or her Wisconsin income tax return. The Wisconsin credit may not be claimed by a part-year resident or nonresident of this state.

This bill expands the state income tax credit in two ways. First, it increases the state credit rate to 100 percent of the federal credit rate. Second, it increases the eligible expense limitation to \$10,000 for the care of one person or \$20,000 for two or more persons.

Based on a simulation using 2019 income tax data, adjusted to reflect 2024 income levels and law, the bill will reduce revenue by approximately \$72.9 million annually, beginning in fiscal year 2025.

According to Department of Administration net tax reduction calculations related to the American Rescue Plan Act (ARPA), the remaining margin for tax reductions before triggering potential SLFRF recoupment at \$97.0 million for fiscal year 2024 and \$326.6 million for fiscal year 2025. This bill would reduce these margins.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 23-5623/1	<b>Introduction Number</b> AB-1023	
<b>Description</b> expanding the child and dependent care credit		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>		
<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		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$-72,900,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-72,900,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-72,900,000	\$
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
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