



2015 SENATE BILL 311

October 9, 2015 - Introduced by Senators LASSA, C. LARSON, WIRCH, RISSER, SHILLING, BEWLEY, HANSEN, CARPENTER and L. TAYLOR, cosponsored by Representatives SARGENT, GENRICH, JOHNSON, KAHL, SHANKLAND, KOLSTE, BERCEAU, WACHS, GOYKE, SUBECK, POPE, MASON, ZAMARRIPA, SINICKI, C. TAYLOR, BILLINGS, SPREITZER, CONSIDINE, RIEMER, BROSTOFF, OHNSTAD, HINTZ and KESSLER. Referred to Committee on Revenue, Financial Institutions, and Rural Issues.

- 1 **AN ACT to create** 71.07 (8m) and 71.10 (4) (cs) of the statutes; **relating to:**
2 creating a nonrefundable individual income tax credit based on the federal tax
3 credit for certain expenses for household and dependent care services.

Analysis by the Legislative Reference Bureau

This bill creates a nonrefundable individual income tax credit for certain expenses for household and dependent care services, based on a similar federal credit.

Under current federal law, there exists a tax credit for expenses for household and dependent care services necessary for gainful employment. Generally, the federal credit is a nonrefundable individual income tax credit that may be claimed by an individual for employment-related expenses for household services and dependent care services for a qualifying individual. Because the credit is nonrefundable, it may be claimed only up to the amount of a taxpayer's tax liability.

Generally, under federal law, a qualifying individual is someone who has the same principal place of abode as the claimant for more than one-half the year, is the claimant's dependent, and is: 1) a child 12 or under; 2) a child 13 or older who is incapable of self-care; or 3) the claimant's spouse who is incapable of self-care.

The credit may be claimed for expenses to enable the claimant to be gainfully employed or actively search for gainful employment. Generally, allowable expenses for a qualifying individual under federal law include costs for in-home care or daycare, nursery school or preschool programs, and before-school and after-school care for school-age children. Depending on the claimant's adjusted gross income, the

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credit may be worth between 20 percent and 35 percent of the claimant's allowable expenses, up to a maximum annual amount of \$3,000 if there is one qualifying individual and up to \$6,000 if there are two or more qualifying individuals.

This bill creates a nonrefundable individual income tax credit based on the federal tax credit for expenses for household and dependent care services. Under the bill, an individual who is eligible for and claims the federal tax credit for expenses for household and dependent care services may claim the same amount as a nonrefundable credit on his or her Wisconsin income tax return. Under the bill, the Wisconsin credit may not be claimed by a part-year or nonresident of this state.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 71.07 (8m) of the statutes is created to read:

2 **71.07 (8m)** ADDITIONAL HOUSEHOLD AND DEPENDENT CARE EXPENSES TAX CREDIT.

3 (a) *Definitions.* In this subsection:

4 1. "Claimant" means an individual who is eligible for and claims the household
5 and dependent care expenses tax credit for the taxable year to which the claim under
6 this subsection relates.

7 2. "Household and dependent care expenses tax credit" means the tax credit
8 under section 21 of the Internal Revenue Code.

9 (b) *Filing claims.* Subject to the limitations provided in this subsection, a
10 claimant may claim as a credit against the tax imposed under s. 71.02, up to the
11 amount of those taxes, an amount equal to the amount of the household and
12 dependent care expenses tax credit that the taxpayer claimed on his or her federal
13 income tax return for the taxable year to which the claim under this subsection
14 relates.

15 (c) *Limitations.* 1. No credit may be allowed under this subsection unless it
16 is claimed within the time period under s. 71.75 (2).

