

CO-SPONSORSHIP MEMORANDUM

TO: All Legislators
FROM: Representatives Melissa Sargent and Staush Gruszynski
Senators LaTonya Johnson and Jennifer Shilling
DATE: October 30, 2019
RE: Co-Sponsorship of LRB-3366/1, relating to: Tax Credits for Child Care Costs
DEADLINE: November 13, 2019 at 5:00pm

Affordable quality child care is absolutely critical for the early education and development of our children, and shapes our state's future leaders. Child care lays the foundation for success for our kids, while also ensuring that parents can remain in the workforce and continue to provide for their families.

However, rising child care costs continue to be a major concern across our nation, and unfortunately, right here in our state. In fact, Wisconsin remains ranked in the [top 15 states](#) for most expensive infant and child care.

Child care is considered affordable if it costs no more than 10% of a family's income, yet [in Wisconsin](#):

- The average yearly price for parents with one infant in center-based care is \$12,552—that's over \$1,000 every month (13% of the average annual dual-parent income, 47% of single-parent income).
- The average yearly price for parents with two children in center-based care is \$22,733 (24% of the average annual dual-parent income, 86% of single-parent income).

In comparison:

- The average cost of annual tuition and fees in the UW System is \$9,080.
- The average annualized price of rent is \$9,936.
- The average income of a child care professional is \$22,630 – meaning that a mother working full-time in a child care center would earn less in a year than it would cost to enroll her own two children in that center.

Wisconsin families are spending a colossal, and quite frankly unacceptable, amount of their annual incomes on child care. With only one in five Wisconsin families actually being able to afford quality care for their children, Wisconsin must act to provide meaningful relief for working families.

LRB-3366/1 significantly helps families across Wisconsin by working to offset these expenses through creating a nonrefundable individual income tax credit, based on the federal tax credit, for expenses for household and dependent care services. This credit, similar to those offered in [23 other states](#) and Washington D.C., provides eligible working families with qualifying children/dependents a tax credit to offset the cost of care.

Early childhood care and education benefits children, parents, the workforce, the economy, and our state's future. LRB-3366/1 will ensure that Wisconsin's youngest learners have the opportunity to succeed, and that Wisconsin's parents do not continue to struggle as they work hard to ensure their child's success.

If you would like to co-sponsor this legislation please reply to this email or call Representative Sargent's office at 266-0960 by 5:00 PM on November 13th.

Analysis by the Legislative Reference Bureau

This bill creates a nonrefundable individual income tax credit based on the federal tax credit for expenses for household and dependent care services necessary for gainful employment. 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 resident or nonresident of this state.

This bill also sunsets the current-law individual income tax subtract modification that allows a taxpayer a deduction for the same expenses for which the credit may be claimed.

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. 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 federal credit may be claimed for expenses incurred to enable the claimant to be gainfully employed or to 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 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.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

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