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Wisconsin Chosen for Federal Pilot Program

The Wisconsin Department of Revenue (DOR) announces that Wisconsin has been chosen by the U.S. Department of the Treasury to participate with the federal government in a pilot program that matches tax records. The initiative will match federal and state earned income tax credit (EITC) records and information, which Wisconsin will use to further verify eligibility for the EITC program. Wisconsin is the first state that has been selected for this project, and the Wisconsin Department of Revenue estimates that the initiative can save the state at least \$2.4 million each year.

"This is an example of how Wisconsin is a leader in using technology to verify eligibility for programs and protect our tax dollars," said Secretary Richard G. Chandler. "We take aggressive steps to identify and prevent tax fraud, and this was one of the recommendations made to the Governor as an action we can take to protect taxpayers."

DOR pursued the partnership with the federal government as recommended by the Governor's Commission on Waste, Fraud and Abuse. The pilot expands information sharing on the state and federal level to further verify eligibility in the EITC program. The pilot will begin immediately and continues through 2013.

DOR already reviews EITC claims as they are submitted, and the agency will use the record matching initiative to further help protect against inappropriately filed claims. The top reasons that DOR adjusts or denies an EITC claim are:

1. Taxpayer claimed someone else's children or children that do not live with the taxpayer
2. Taxpayer falsified or failed to include all of their income when computing the credit
3. Part-year or nonresidents claimed the credit

In fiscal year 2011, DOR was able to prevent paying \$12,219,984 for false EITC claims using its current record matching systems. In comparison, DOR paid 268,612 claims in fiscal year 2011 which totaled \$124,032,477. The average credit was \$462.

"The numbers clearly show that the credit is available to those who qualify, but we must continue to monitor for those people who try to game the system for their benefit," said Secretary Chandler.

The U.S. Treasury Department estimates that erroneous EITC payments cost the federal government between \$11-13 billion each year. It will use record matching for its research and data analysis.

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EITC Qualifications

To qualify for the Wisconsin earned income tax credit, a taxpayer must meet all of the following requirements:

- Must qualify for the federal earned income tax credit
- Be a legal resident of Wisconsin for the entire year
- File a joint return or as “head of household” if you are married
- Must have at least one qualifying child
 - Son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, half-brother, half-sister or a descendant of any of them (for example: grandchild, niece, or nephew)
 - Under the age of 19 and younger than the taxpayer, **OR** be a student under the age of 24 and younger than the taxpayer
 - Any age and permanently and totally disabled

The Wisconsin EITC credit is given as a percentage of the federal EITC credit. The maximum credit allowed in Wisconsin is \$1,955. The percentages are outlined in the table below.

Number of Qualifying Children	WI Percentage of Federal Credit	Federal Maximum Credit	Wisconsin Maximum Credit
0	No credit available	\$464	No credit available
1	4%	\$3,094	\$124
2	11%	\$5,112	\$562
3 or more	34%	\$5,751	\$1,955

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