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Secretary Barca is working with the legislature to achieve bi-partisan support for Wisconsin Tax Law Changes to Benefit Low-Income Families and Small Businesses

(Madison) – Department of Revenue Secretary Peter Barca has been working with both parties in the legislature to achieve tax law changes this month to make Wisconsin law more consistent with recent federal tax law changes and help Wisconsinites contend economically with the pandemic. At the Governor's request we are putting special focus on achieving bi-partisan support for provisions to benefit small businesses and low-income working families.

"I believe these changes are positive investments in helping Wisconsinites endure the current economy," said Secretary Barca, "I hope all legislators will support these very important changes; this could be a quick bi-partisan victory early this year."

The first change involves adopting the federal government's treatment for the Earned Income Tax Credit (EITC). The Consolidated Appropriations Act (CAA), passed by Congress and signed by the President on December 27, 2020, allows low-income families to utilize their 2019 earned income for purposes of claiming an Earned Income Tax Credit (EITC) on their 2020 federal income tax return. Governor Evers supports adopting this provision into Wisconsin tax law to provide a greater benefit to those most impacted by the pandemic. Wisconsin's EITC is a percentage of the federal credit computed using the person's 2020 income. Without adopting the changes in the CCA, Wisconsin taxpayers that use their 2019 earned income to compute their federal EITC must recompute their federal credit using their 2020 income to compute their Wisconsin EITC. The change will allow Wisconsin families to keep approximately \$30.6 million of their income, helping our most vulnerable citizens.

The second change deals with how grants to Wisconsin businesses will be treated for income tax purposes. Secretary Barca supports excluding from Wisconsin income tax any CARES Act grant funding received by Wisconsin small businesses from the State of Wisconsin. This would save small businesses approximately \$23.3 million in Wisconsin income taxes.

Secretary Barca also underscored the urgency of passing this legislation, as tax season starts in two weeks and taxpayers will be looking for certainty in filing their income tax returns.

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