State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-2650/1
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2005 SENATE BILL 624

February 22, 2006 – Introduced by Senators HANSEN and RISSER, cosponsored by Representatives NELSON, SHERIDAN, SINICKI, JESKEWITZ, SEIDEL, BERCEAU, ALBERS and F. LASEE. Referred to Committee on Job Creation, Economic Development and Consumer Affairs.

AN ACT ***to amend*** 71.05 (10) (c); and ***to create*** 71.05 (10) (ce) of the statutes; **relating to:** federalizing the individual income tax capital loss limit for taxpayers age 65 or older.

Analysis by the Legislative Reference Bureau

Under current law, the amount of capital losses that can be used to offset ordinary income in determining taxable income is $500 each year. Disallowed amounts may be carried forward and used to offset income in subsequent years. Under current federal law, capital losses are deductible up to a limit of $3,000 each year. Net losses in excess of the $3,000 limit may be carried over to following tax years.

For taxpayers that are at least 65 years old, this bill federalizes the treatment of individual income tax capital losses that can be used to offset ordinary income by increasing the current $500 limit to $3,000.

This bill will be referred to the Joint Survey Committee on Tax Exemptions for a detailed analysis, which will be printed as an appendix to this bill.

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:

SECTION 1. 71.05 (10) (c) of the statutes is amended to read:

71.05 **(10)** (c) ~~The~~ Except as provided in par. (ce), the amount required so that the net capital loss, after netting capital gains and capital losses to arrive at total capital gain or loss, is offset against ordinary income only to the extent of $500. Losses in excess of $500 shall be carried forward to the next taxable year and offset against ordinary income up to the limit under this paragraph. Losses shall be used in the order in which they accrue.

SECTION 2. 71.05 (10) (ce) of the statutes is created to read:

71.05 **(10)** (ce) The amount required so that the net capital loss, after netting capital gains and capital losses to arrive at total capital gain or loss, is offset against ordinary income only to the extent of $3,000. Losses in excess of $3,000 shall be carried forward to the next taxable year and offset against ordinary income up to the limit under this paragraph. Losses shall be used in the order in which they accrue. This paragraph applies only to a taxpayer who has reached the age of 65 years before the close of the taxable year to which his or her return relates. A taxpayer who claims the subtraction under this paragraph may not claim the subtraction under par. (c).

SECTION 3. Initial applicability.

(1) This act first applies to taxable years beginning on January 1 of the year in which this subsection takes effect, except that if this subsection takes effect after July 31 this act first applies to taxable years beginning on January 1 of the year following the year in which this subsection takes effect.

(END)