



State of Wisconsin  
2017 - 2018 LEGISLATURE

LRB-2339/1  
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## 2017 ASSEMBLY BILL 200

April 5, 2017 - Introduced by Representatives C. TAYLOR, SUBECK, RIEMER, CROWLEY, SARGENT, ZAMARRIPA, HEBL, CONSIDINE, BERCEAU, ANDERSON, STUCK, GOYKE, BROSTOFF, SINICKI, POPE, KOLSTE and OHNSTAD, cosponsored by Senators WIRCH, JOHNSON and RISSER. Referred to Committee on Ways and Means.

1     **AN ACT to amend** 71.05 (23) (b) 1., 71.06 (1q) (intro.), 71.06 (2) (i) (intro.), 71.06  
2           (2) (j) (intro.), 71.06 (2e) (a), 71.06 (2e) (b), 71.06 (2m), 71.06 (2s) (d), 71.125 (1),  
3           71.125 (2), 71.17 (6), 71.64 (9) (b) (intro.), 71.67 (5) (a) and 71.67 (5m); and **to**  
4           **create** 71.05 (23) (be), 71.06 (1r), 71.06 (2) (k), 71.06 (2) (L), 71.06 (2e) (bg) and  
5           71.07 (5n) (e) of the statutes; **relating to:** increasing certain individual income  
6           tax rates and expanding the number of brackets, increasing the personal  
7           exemption for certain individuals, and sunsetting the manufacturing and  
8           agriculture tax credit.

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### ***Analysis by the Legislative Reference Bureau***

This bill makes changes to the individual income tax rates and brackets structure, increases the personal exemption amount for certain taxpayers, and sunsets the manufacturing and agriculture tax credit.

#### ***Changes to rates and brackets***

Under current law, there are four income tax brackets for single individuals, certain fiduciaries, heads of households, and married persons. The brackets are indexed for inflation. The rate of taxation under current law for the lowest bracket for single individuals, certain fiduciaries, heads of households, and married persons is 4.0 percent of taxable income; the rate for the second bracket is 5.84 percent; the

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rate for the third bracket is 6.27 percent; and the rate for the highest bracket is 7.65 percent. Before applying bracket indexing, the four brackets for individuals, certain fiduciaries, and heads of households, to which the above rates apply, are as follows: taxable income from \$0 to \$7,500; taxable income exceeding \$7,500 but not exceeding \$15,000; taxable income exceeding \$15,000 but not exceeding \$225,000; and taxable income exceeding \$225,000. In general, this rate and bracket structure first applied to taxable year 2013 and was enacted in 2013 Wisconsin Act 20, the state's 2013 Biennial Budget Act, although the rate for the lowest bracket was 4.40 percent for taxable year 2013 and became 4.0 percent in taxable year 2014.

Under this bill, which first applies to taxable year 2017, there are five income tax brackets for single individuals, certain fiduciaries, heads of households, and married persons. The brackets are indexed for inflation. The rate of taxation under the bill for single individuals, certain fiduciaries, heads of households, and married persons for the four lowest brackets remains the same as current law, 4.0 percent, 5.84 percent, 6.27 percent, and 7.65 percent, and the rate for the new fifth bracket is 8.25 percent.

Before indexing for inflation, for taxable year 2017, for single individuals, certain fiduciaries, and heads of households, the lowest bracket applies to taxable income of over \$0 up to \$7,500; the second bracket applies to taxable income over \$7,500 up to \$15,000; the third bracket applies to taxable income over \$15,000 up to \$225,000; the fourth bracket applies to taxable income over \$225,000 up to \$500,000; and the new fifth, or top bracket, applies to taxable income over \$500,000. For married joint filers, the lowest bracket applies to taxable income of over \$0 up to \$10,000; the second bracket applies to taxable income over \$10,000 up to \$20,000; the third bracket applies to taxable income over \$20,000 up to \$300,000; the fourth bracket applies to taxable income over \$300,000 up to \$1,000,000; and the new fifth, or top bracket, applies to taxable income over \$1,000,000.

***Personal exemptions***

Under current law, an individual income tax personal exemption exists in the amount of \$700 for each taxpayer who is required to file an income tax return and \$700 for the taxpayer's spouse, except if the spouse is filing separately or as a head of household. A taxpayer may also claim a \$700 exemption for each dependent for whom he or she is entitled to claim an exemption under the Internal Revenue Code. In general, an additional exemption of \$250 may be claimed by a taxpayer, and spouse, who has reached the age of 65 before the close of the taxable year to which his or her tax return relates.

This bill increases the personal exemption amount for certain taxpayers starting with taxable year 2017. Under the bill, if a single individual has Wisconsin adjusted gross income (WAGI) of less than \$12,000, his or her personal exemption is \$8,260. The personal exemption amount for such an individual phases down to approximately \$700 as his or her WAGI increases from \$12,000 to the maximum income threshold of \$60,000. If such an individual's WAGI is more than the maximum income threshold, the individual calculates his or her exemption under current law.

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Similarly under the bill, the personal exemption amount for a head of household and a married individual filing separately is increased to \$8,260 per person, and to \$16,520 for a married couple filing jointly, for those whose WAGI, or joint WAGI in the case of a married couple filing jointly, is less than \$14,000 (head of household), \$20,000 (married joint), or \$10,000 (married separate). The exemption amount phases down to approximately \$700 (\$1,400 for a married couple filing jointly) as WAGI increases to the maximum income threshold, which is \$70,000 (head of household), \$100,000 (married joint), or \$50,000 (married separate). If a taxpayer's WAGI is more than the maximum income threshold, the taxpayer calculates his or her, or the couple's, exemption under current law. The bill does not make any change to the current law exemption provisions for dependents or individuals who are age 65 or above.

***Manufacturing and agriculture credit***

This bill provides that a taxpayer may not file a new claim the manufacturing and agriculture tax credit for taxable years beginning after December 31, 2016, although credits claimed for taxable years beginning before January 1, 2017, may be carried forward to taxable years that begin after December 31, 2016.

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 and local*** fiscal estimate, which will be printed as an appendix to this bill.

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

- 1           **SECTION 1.** 71.05 (23) (b) 1. of the statutes is amended to read:
- 2           71.05 (23) (b) 1. A personal exemption of \$700 if the taxpayer is required to file
- 3 a return under s. 71.03 (2) (a) 1. or 2. and \$700 for the taxpayer's spouse, except if
- 4 the spouse is filing separately or as a head of household. For taxable years beginning
- 5 after December 31, 2016, the exemption under this subdivision may not be claimed
- 6 by a taxpayer who is eligible for, and claims, the exemption under par. (be).
- 7           **SECTION 2.** 71.05 (23) (be) of the statutes is created to read:

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1           71.05 (23) (be) For taxable years beginning after December 31, 2016, a personal  
2 exemption calculated as follows if the taxpayer is required to file a return under s.  
3 71.03 (2) (a) 1. or 2.:

4           1. For a single individual who has a Wisconsin adjusted gross income of less  
5 than \$12,000, an exemption of \$8,260. For a single individual who has a Wisconsin  
6 adjusted gross income of at least \$12,000, the exemption is the amount obtained by  
7 subtracting from \$8,260 15.75 percent of Wisconsin adjusted gross income in excess  
8 of \$12,000 but not less than \$0, except that if the single individual's Wisconsin  
9 adjusted gross income is more than \$60,000, the individual may not claim the  
10 exemption under this paragraph but the individual may claim the exemption under  
11 par. (b).

12           2. For a head of household who has a Wisconsin adjusted gross income of less  
13 than \$14,000, an exemption of \$8,260. For a head of household who has a Wisconsin  
14 adjusted gross income of at least \$14,000, the exemption is the amount obtained by  
15 subtracting from \$8,260 13.50 percent of Wisconsin adjusted gross income in excess  
16 of \$14,000 but not less than \$0, except that if the head of household's Wisconsin  
17 adjusted gross income is more than \$70,000, the individual may not claim the  
18 exemption under this paragraph but the head of household may claim the exemption  
19 under par. (b).

20           3. For a married couple filing jointly that has an aggregate Wisconsin adjusted  
21 gross income of less than \$20,000, an exemption of \$16,520 for the married couple.  
22 For a married couple filing jointly that has an aggregate Wisconsin adjusted gross  
23 income of at least \$20,000, the exemption is the amount obtained by subtracting, for  
24 the married couple, from \$16,520 18.90 percent of aggregate Wisconsin adjusted  
25 gross income in excess of \$20,000 but not less than \$0, except that if the married

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1 couple's Wisconsin aggregate adjusted gross income is more than \$100,000, the  
2 couple may not claim the exemption under this paragraph but the married couple  
3 may claim the exemption under par. (b).

4 4. For a married individual filing separately who has a Wisconsin adjusted  
5 gross income of less than \$10,000, an exemption of \$8,260. For a married individual  
6 filing separately who has a Wisconsin adjusted gross income of at least \$10,000, the  
7 exemption is the amount obtained by subtracting from \$8,260 18.90 percent of  
8 Wisconsin adjusted gross income in excess of \$10,000 but not less than \$0, except that  
9 if the individual's Wisconsin adjusted gross income is more than \$50,000, the  
10 individual may not claim the exemption under this paragraph but the individual  
11 may claim the exemption under par. (b).

12 **SECTION 3.** 71.06 (1q) (intro.) of the statutes is amended to read:

13 **71.06 (1q) FIDUCIARIES, SINGLE INDIVIDUALS, AND HEADS OF HOUSEHOLDS; AFTER**  
14 **2012 TO 2016.** (intro.) The tax to be assessed, levied, and collected upon the taxable  
15 incomes of all fiduciaries, except fiduciaries of nuclear decommissioning trust or  
16 reserve funds, and single individuals and heads of households shall be computed at  
17 the following rates for taxable years beginning after December 31, 2012, and before  
18 January 1, 2017:

19 **SECTION 4.** 71.06 (1r) of the statutes is created to read:

20 **71.06 (1r) FIDUCIARIES, SINGLE INDIVIDUALS, AND HEADS OF HOUSEHOLDS; AFTER**  
21 **2016.** The tax to be assessed, levied, and collected upon the taxable incomes of all  
22 fiduciaries, except fiduciaries of nuclear decommissioning trust or reserve funds, and  
23 single individuals and heads of households shall be computed at the following rates  
24 for taxable years beginning after December 31, 2016:

25 (a) On all taxable income from \$0 to \$7,500, 4.0 percent.

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1 (b) On all taxable income exceeding \$7,500 but not exceeding \$15,000, 5.84  
2 percent.

3 (c) On all taxable income exceeding \$15,000 but not exceeding \$225,000, 6.27  
4 percent.

5 (d) On all taxable income exceeding \$225,000 but not exceeding \$500,000, 7.65  
6 percent.

7 (e) On all taxable income exceeding \$500,000, 8.25 percent.

8 **SECTION 5.** 71.06 (2) (i) (intro.) of the statutes is amended to read:

9 71.06 (2) (i) (intro.) For joint returns, for taxable years beginning after  
10 December 31, 2012, and before January 1, 2017:

11 **SECTION 6.** 71.06 (2) (j) (intro.) of the statutes is amended to read:

12 71.06 (2) (j) (intro.) For married persons filing separately, for taxable years  
13 beginning after December 31, 2012, and before January 1, 2017:

14 **SECTION 7.** 71.06 (2) (k) of the statutes is created to read:

15 71.06 (2) (k) For joint returns, for taxable years beginning after  
16 December 31, 2016:

17 1. On all taxable income from \$0 to \$10,000, 4.0 percent.

18 2. On all taxable income exceeding \$10,000 but not exceeding \$20,000, 5.84  
19 percent.

20 3. On all taxable income exceeding \$20,000 but not exceeding \$300,000, 6.27  
21 percent.

22 4. On all taxable income exceeding \$300,000 but not exceeding \$1,000,000, 7.65  
23 percent.

24 5. On all taxable income exceeding \$1,000,000, 8.25 percent.

25 **SECTION 8.** 71.06 (2) (L) of the statutes is created to read:

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1           71.06 (2) (L) For married persons filing separately, for taxable years beginning  
2 after December 31, 2016:

3           1. On all taxable income from \$0 to \$5,000, 4.0 percent.

4           2. On all taxable income exceeding \$5,000 but not exceeding \$10,000, 5.84  
5 percent.

6           3. On all taxable income exceeding \$10,000 but not exceeding \$150,000, 6.27  
7 percent.

8           4. On all taxable income exceeding \$150,000 but not exceeding \$500,000, 7.65  
9 percent.

10          5. On all taxable income exceeding \$500,000, 8.25 percent.

11          **SECTION 9.** 71.06 (2e) (a) of the statutes is amended to read:

12          71.06 (2e) (a) For taxable years beginning after December 31, 1998, and before  
13 January 1, 2000, the maximum dollar amount in each tax bracket, and the  
14 corresponding minimum dollar amount in the next bracket, under subs. (1m) and (2)  
15 (c) and (d), and for taxable years beginning after December 31, 1999, and before  
16 January 1, 2017, the maximum dollar amount in each tax bracket, and the  
17 corresponding minimum dollar amount in the next bracket, under subs. (1n), (1p) (a)  
18 to (c), (1q) (a) and (b), and (2) (e), (f), (g) 1. to 3., (h) 1. to 3., (i) 1. and 2., and (j) 1. and  
19 2., shall be increased each year by a percentage equal to the percentage change  
20 between the U.S. consumer price index for all urban consumers, U.S. city average,  
21 for the month of August of the previous year and the U.S. consumer price index for  
22 all urban consumers, U.S. city average, for the month of August 1997, as determined  
23 by the federal department of labor, except that for taxable years beginning after  
24 December 31, 2000, and before January 1, 2002, the dollar amount in the top bracket  
25 under subs. (1p) (c) and (d), (2) (g) 3. and 4. and (h) 3. and 4. shall be increased by a

1 percentage equal to the percentage change between the U.S. consumer price index  
2 for all urban consumers, U.S. city average, for the month of August of the previous  
3 year and the U.S. consumer price index for all urban consumers, U.S. city average,  
4 for the month of August 1999, as determined by the federal department of labor,  
5 except that for taxable years beginning after December 31, 2011, the adjustment may  
6 occur only if the resulting amount is greater than the corresponding amount that was  
7 calculated for the previous year.

8 **SECTION 10.** 71.06 (2e) (b) of the statutes is amended to read:

9 71.06 **(2e)** (b) For taxable years beginning after December 31, 2009, and before  
10 January 1, 2017, the maximum dollar amount in each tax bracket, and the  
11 corresponding minimum dollar amount in the next bracket, under subs. (1p) (d), (1q)  
12 (c), and (2) (g) 4., (h) 4., (i) 3., and (j) 3., and the dollar amount in the top bracket under  
13 subs. (1p) (e), (1q) (d), and (2) (g) 5., (h) 5., (i) 4., and (j) 4., shall be increased each year  
14 by a percentage equal to the percentage change between the U.S. consumer price  
15 index for all urban consumers, U.S. city average, for the month of August of the  
16 previous year and the U.S. consumer price index for all urban consumers, U.S. city  
17 average, for the month of August 2008, as determined by the federal department of  
18 labor, except that for taxable years beginning after December 31, 2011, the  
19 adjustment may occur only if the resulting amount is greater than the corresponding  
20 amount that was calculated for the previous year.

21 **SECTION 11.** 71.06 (2e) (bg) of the statutes is created to read:

22 71.06 **(2e)** (bg) For taxable years beginning after December 31, 2016, the dollar  
23 amount in each tax bracket under subs. (1r) and (2) (k) and (L) shall be increased each  
24 year by a percentage equal to the percentage change between the U.S. consumer  
25 price index for all urban consumers, U.S. city average, for the month of August of the



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1 previous year and the U.S. consumer price index for all urban consumers, U.S. city  
2 average, for the month of August 2013, as determined by the federal department of  
3 labor, except that for taxable years beginning after December 31, 2017, the  
4 adjustment may occur only if the resulting amount is greater than the corresponding  
5 amount that was calculated for the previous year.

6 **SECTION 12.** 71.06 (2m) of the statutes is amended to read:

7 71.06 **(2m)** RATE CHANGES. If a rate under sub. (1), (1m), (1n), (1p), (1q), (1r),  
8 or (2) changes during a taxable year, the taxpayer shall compute the tax for that  
9 taxable year by the methods applicable to the federal income tax under section 15 of  
10 the Internal Revenue Code.

11 **SECTION 13.** 71.06 (2s) (d) of the statutes is amended to read:

12 71.06 **(2s)** (d) For taxable years beginning after December 31, 2000, with  
13 respect to nonresident individuals, including individuals changing their domicile  
14 into or from this state, the tax brackets under subs. (1p), (1q), (1r), and (2) (g), (h),  
15 (i), ~~and (j), (k), and (L)~~ shall be multiplied by a fraction, the numerator of which is  
16 Wisconsin adjusted gross income and the denominator of which is federal adjusted  
17 gross income. In this paragraph, for married persons filing separately “adjusted  
18 gross income” means the separate adjusted gross income of each spouse, and for  
19 married persons filing jointly “adjusted gross income” means the total adjusted gross  
20 income of both spouses. If an individual and that individual’s spouse are not both  
21 domiciled in this state during the entire taxable year, the tax brackets under subs.  
22 (1p), (1q), (1r), and (2) (g), (h), (i), ~~and (j), (k), and (L)~~ on a joint return shall be  
23 multiplied by a fraction, the numerator of which is their joint Wisconsin adjusted  
24 gross income and the denominator of which is their joint federal adjusted gross  
25 income.

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1           **SECTION 14.** 71.07 (5n) (e) of the statutes is created to read:

2           71.07 **(5n)** (e) *Sunset*. No credit may be claimed under this subsection for  
3 taxable years beginning after December 31, 2016. Credits under this subsection for  
4 taxable years that begin before January 1, 2017, may be carried forward to taxable  
5 years that begin after December 31, 2016.

6           **SECTION 15.** 71.125 (1) of the statutes is amended to read:

7           71.125 **(1)** Except as provided in sub. (2), the tax imposed by this chapter on  
8 individuals and the rates under s. 71.06 (1), (1m), (1n), (1p), (1q), (1r), and (2) shall  
9 apply to the Wisconsin taxable income of estates or trusts, except nuclear  
10 decommissioning trust or reserve funds, and that tax shall be paid by the fiduciary.

11           **SECTION 16.** 71.125 (2) of the statutes is amended to read:

12           71.125 **(2)** Each electing small business trust, as defined in section 1361 (e) (1)  
13 of the Internal Revenue Code, is subject to tax at the highest rate under s. 71.06 (1),  
14 (1m), (1n), (1p), ~~or~~ (1q), or (1r), whichever taxable year is applicable, on its income  
15 as computed under section 641 of the Internal Revenue Code, as modified by s. 71.05  
16 (6) to (12), (19) and (20).

17           **SECTION 17.** 71.17 (6) of the statutes is amended to read:

18           71.17 **(6)** FUNERAL TRUSTS. If a qualified funeral trust makes the election under  
19 section 685 of the Internal Revenue Code for federal income tax purposes, that  
20 election applies for purposes of this chapter and each trust shall compute its own tax  
21 and shall apply the rates under s. 71.06 (1), (1m), (1n), (1p), ~~or~~ (1q), or (1r).

22           **SECTION 18.** 71.64 (9) (b) (intro.) of the statutes is amended to read:

23           71.64 **(9)** (b) (intro.) The department shall from time to time adjust the  
24 withholding tables to reflect any changes in income tax rates, any applicable surtax

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1 or any changes in dollar amounts in s. 71.06 (1), (1m), (1n), (1p), (1q), (1r), and (2)  
2 resulting from statutory changes, except as follows:

3 **SECTION 19.** 71.67 (5) (a) of the statutes is amended to read:

4 71.67 (5) (a) *Wager winnings.* A person holding a license to sponsor and  
5 manage races under s. 562.05 (1) (b) or (c) shall withhold from the amount of any  
6 payment of pari-mutuel winnings under s. 562.065 (3) (a) or (3m) (a) an amount  
7 determined by multiplying the amount of the payment by the highest rate applicable  
8 to individuals under s. 71.06 (1) (a) to (c), (1m), (1n), (1p), ~~or~~ (1q), or (1r) if the amount  
9 of the payment is more than \$1,000.

10 **SECTION 20.** 71.67 (5m) of the statutes is amended to read:

11 71.67 (5m) **WITHHOLDING FROM PAYMENTS TO PURCHASE ASSIGNMENT OF LOTTERY**  
12 **PRIZE.** A person that purchases an assignment of a lottery prize shall withhold from  
13 the amount of any payment made to purchase the assignment the amount that is  
14 determined by multiplying the amount of the payment by the highest rate applicable  
15 to individuals under s. 71.06 (1) (a) to (c), (1m), (1n), (1p), ~~or~~ (1q), or (1r). Subsection  
16 (5) (b), (c) and (d), as it applies to the amounts withheld under sub. (5) (a), applies  
17 to the amount withheld under this subsection.

18

(END)