

1999 DRAFTING REQUEST

Assembly Amendment (AA-ASA1-AB133)

Received: 06/18/99

Received By: jkreye

Wanted: Soon

Identical to LRB:

For: Senate Democratic Caucus

By/Representing: Walter

This file may be shown to any legislator: NO

Drafter: jkreye

May Contact:

Alt. Drafters:

Subject: Tax - miscellaneous

Extra Copies:

Pre Topic:

SDC:.....Walter - # 2712,

Topic:

decrease GPR for the purpose of updating tax forms, instructions and booklets

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	jkreye 06/21/99	gilfokm 06/21/99		_____			
/1			martykr 06/22/99	_____	lrb_docadmin 06/22/99		

FE Sent For:

<END>

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/?	jkreye	1-6-21-99 king	km 6/22	QJ km 22			

FE Sent For:

<END>

yes

SDC

Agency: Revenue - Tax Administration

caucus number: 2712

duplicate flag:

duplicate with:

Other reference numbers: Paper 835, alt 2

LFB Sum #:

bill number/amendment number:

LRB draft #

LRB P-draft:

description: Tax Forms and Instruction Printing Costs. Adopt alt. 2 to paper 835, maintaining current law.

other notes:

drafting instructions: Adopt alt. 2 to paper 835, maintaining current law.

more instructions:

Agency: **Revenue - Tax Administration**

Number of Amendments: 1

CN2712

Adopt Alternative 2 to Paper 835, maintaining current law.



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

April 22, 1999

Joint Committee on Finance

Paper #835

Tax Forms and Instruction Printing Costs (DOR -- Tax Administration)

[LFB 1999-01 Budget Summary: Page 533, #8]

CURRENT LAW

The Department of Revenue (DOR) annually modifies tax returns and booklets to reflect tax law changes, including updating references to the federal Internal Revenue Code (IRC). The Department also makes periodic changes to simplify and improve the quality of the documents. Copies of forms, booklets and other information are sent to taxpayers. Base level funding for printing tax forms and related documents is \$471,500 GPR annually.

GOVERNOR

Provide \$35,900 GPR annually to fund the costs of incorporating recent tax law changes into the appropriate tax forms, booklets and instructions.

DISCUSSION POINTS

1. The additional funding would be provided to modify individual income tax forms, booklets and related schedules to reflect tax law changes included in 1997 Wisconsin Acts 27, 63 and 237. Tax changes enacted in Act 27 include the working families tax credit, manufacturer's sales tax credit, a deduction for certain long-term care insurance and an exclusion for certain gains on the disposition of business and farming assets. Act 237 created a deduction for certain tuition expenses. Act 63 established an income tax reciprocity agreement with Illinois that requires compensation payments when the net forgone tax revenues of one state exceed those of the other state.

2. The working families and manufacturer's sales tax credits require additional lines on tax forms, instructions and separate worksheets or forms. The long-term care insurance and tuition

expense deductions and exclusion for the disposition of certain assets require separate subtractions from income, new instructions and worksheets.

Under the income tax reciprocity agreement with Illinois, DOR is required to conduct a study that will establish a basis of reciprocity payments. The study will use income tax returns to estimate the number of individuals who live in one state and work in another and the amount of compensation. The data will be used to calculate the amount of taxes forgone by each state and the resulting payment. Act 63 provided the Department with additional funding to conduct the study. DOR indicates it will need additional funding to modify tax forms to provide a check box and additional income lines on tax forms and to provide additional instructions.

3. These modifications require four new pages for Form 1, 1A and 1NPR booklets at an annual cost of \$14,500, \$4,400 and \$1,000 respectively. Annual funding of \$5,100 is required to print eight pages of separate instructions for Form 1A. The new manufacturing sales tax credit schedule costs \$700. The Department is expanding the separate sheet Form 1 from the current two-page, one-sheet format to a three-page, two-sheet format. Funding of \$10,200 is required to cover the cost of expanding the return.

4. DOR indicates that printing and blank spaces on forms were getting quite small and difficult to read. Adding lines would make completing returns much more difficult for taxpayers. As a result, the forms were expanded to make them more readable.

5. The Department estimates that the additional costs of modifying the tax forms and booklets cannot be absorbed with existing base level funding for printing tax documents (\$471,500). In this regard, it should be noted that only \$12,450 out of a \$33.5 million budgeted amount lapsed from the collection of state taxes, general program operations appropriation in 1997-98.

6. Although DOR indicates that the additional costs of modifying tax documents cannot be absorbed, frequently, additional funding is not provided to administer tax law changes. For example, additional funding is typically not provided to adjust tax documents to reflect tax law changes that are adopted for state tax purposes through the annual IRC update. Similarly, the Department did not receive additional funding to modify tax forms and instructions for the changes to the development zones tax credits that were enacted in both the 1995-97 and 1997-99 biennial budgets. However, expanding tax documents to make them more readable could be viewed as more significant than reflecting incremental tax law changes.

7. The Department has base level funding of \$70,000 GPR in 1999-00 and 2000-01 that was provided in Act 237 to administer the education tuition deduction. In addition, the Department is provided \$74,300 GPR in 1998-99, \$105,000 GPR in 1999-00 and \$50,700 GPR in 2000-01 to conduct the Illinois-Wisconsin reciprocity study. DOR did not request additional funding for tax document printing during legislative deliberations on either Act 27 or Act 237. Subsequently, in September, 1998, DOR submitted a request to the Joint Committee on Finance under s. 13.10 for \$35,900 GPR to fund tax document printing costs related to provisions of Acts 27, 237 and 63. However, the Department withdrew the request indicating it would absorb these additional costs in fiscal year 1998-99.

8. The Department has allocated \$300,000 in integrated tax system (ITS) funding for the redesign of individual income tax forms. The funds are intended to cover the costs of contracting to develop designs for the tax forms so that they improve taxpayer compliance and become more compatible with the scanning process. DOR was going to contract to redesign Form 1 for tax year 1999. However, the Department intends to begin funding the redesign activities internally. It could be argued that some of the funding allocated for redesign costs could be used to fund printing costs related to redesigned forms.

who cares

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$35,900 GPR annually to fund the costs of incorporating recent tax law changes into the appropriate tax forms, booklets and instructions.
2. Maintain current law.

<u>Alternative 2</u>	<u>GPR</u>
1999-01 FUNDING (Change to Bill)	- \$71,800

Prepared by: Ron Shanovich



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb07227?

JK:.....

King

6-21-99

SDC:.....Walter - # 2712, decrease GPR for the purpose of updating tax forms, instructions and booklets

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

CAUCUS AMENDMENT

TO ASSEMBLY SUBSTITUTE AMENDMENT 1,

TO 1999 ASSEMBLY BILL 133

SOON

1 At the locations indicated, amend the substitute amendment as follows:

2 ✓ 1. Page 252, line 9: decrease the dollar amount for fiscal year 1999-00 by
3 \$35,900 and decrease the dollar amount for fiscal year 2000-01 by \$35,900 for the
4 purpose of updating tax forms, tax booklets and tax instructions.

5 (END)

reducing funding for



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb0722/1
JK:kmg:km

SDC:.....Walter - # 2712, decrease GPR for the purpose of updating tax forms,
instructions and booklets

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

CAUCUS AMENDMENT

TO ASSEMBLY SUBSTITUTE AMENDMENT 1,

TO 1999 ASSEMBLY BILL 133

1 At the locations indicated, amend the substitute amendment as follows:

2 **1.** Page 252, line 9: decrease the dollar amount for fiscal year 1999-00 by
3 \$35,900 and decrease the dollar amount for fiscal year 2000-01 by \$35,900 for the
4 purpose of reducing funding for updating tax forms, tax booklets and tax
5 instructions.

6 (END)