

**STATE OF WISCONSIN****REPORT OF THE JOINT SURVEY COMMITTEE ON TAX EXEMPTIONS****1999 SENATE BILL 276**

[Introduced by Senators Farrow, Ellis, Rude and Drzewiecki.]

**General Nature of Proposal**

1999 Wisconsin Act 10 provides a one-time sales tax rebate for individuals in Wisconsin and certain other individuals. No rebate may be made after December 31, 2000. Under current law, for purposes of determining Wisconsin income tax liability, Wisconsin uses federal adjusted gross income, and modifies it by adding and subtracting various amounts, to establish an individual taxpayer's Wisconsin adjusted gross income. Generally, because state sales taxes are not deductible for purposes of federal income taxes and because the rebate returns to taxpayers a portion of the sales taxes they previously paid, a rebate of state sales taxes should not be considered taxable at the federal level and thus would not be includable in federal adjusted gross income. Consequently, a state sales tax rebate would not be included in Wisconsin adjusted gross income.

The bill specifically exempts from Wisconsin income taxation the one-time sales tax rebate for individuals provided in Act 10.

**Legality Involved**

There are no questions of legality involved.

**Fiscal Effect Upon the State and Its Subdivisions**

The Department of Revenue estimates the fiscal effect of the bill as follows:

This bill would exempt from the individual income tax the sales tax rebate that would be created by LRB 3861/1 (1999 Senate Bill 276). The proposed exemption would have a fiscal effect only to the extent that the rebate is considered income for federal tax purposes. However, because the rebate returns to taxpayers a portion of the sales taxes they previously paid, the rebate should not be considered income subject to tax. Therefore, this bill has no fiscal effect.

**Public Policy Involved**

This bill is good public policy.

1/6/00

**JOINT SURVEY COMMITTEE ON TAX EXEMPTIONS**