

**2001 DRAFTING REQUEST**

**Bill**

Received: 11/30/2000

Received By: **champra**

Wanted: **Soon**

Identical to LRB:

For: **Administration-Budget**

By/Representing: **Holden**

This file may be shown to any legislator: **NO**

Drafter: **champra**

May Contact:

Alt. Drafters: **shoveme**

Subject: **State Finance - miscellaneous  
Tax - individual income  
Tax Credits - miscellaneous**

Extra Copies:

**Pre Topic:**

DOA:.....Holden -

**Topic:**

Transfers to budget stabilization fund, tax relief fund; creation of tax relief fund tax credit *el*

**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>
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/2	champra 12/07/2000	hhagen 12/12/2000	rschluet 12/13/2000	_____	gretskl 12/13/2000		State
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		<i>16 hmk 1/26/01</i>		_____			

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
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/5	shoveme 01/12/2001	jdycr 01/13/2001	rschluct 01/14/2001	_____	lrb_docadmin 01/15/2001		State

1/6 MES 1/26/01 \* Jeff Gessler called on 1/26/01 & said  
FE Sent For:

to take this back <sup><END></sup> to /5 -- the new instructions  
should be incorporated into /5 & entered as  
a new LFB # -- LRSB said they would  
take -1256 back to the /5 version.

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/3	champra 01/06/2001 shoveme 01/09/2001	hhagen 01/09/2001	pgreensl 01/09/2001	_____	lrb_docadmin 01/10/2001		State

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15 MES 11/12/01  
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/3	champra 01/06/2001 shoveme 01/09/2001	hhagen 01/09/2001	pgreensl 01/09/2001	_____	lrb_docadmin 01/10/2001		State

*Handwritten notes:*  
/4. MBS 1/10/01 14 hml 1/10/01  
Krat 10  
H.H. 10

*Handwritten note in box:*  
E-mail the draft to Jeff Geisler too

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<i>13</i>	<i>MES</i>	<i>1/9/01</i>	<i>1/9/01</i>	<i>PGZ</i>			
FE Sent For:		<i>13 kmh</i>					
		<i>1/9/01</i>					<i>&lt;END&gt;</i>

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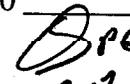
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12-13-00

FE Sent For:

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1?	champra	11 hunch 12/4/00	12/4 pb	12/5 pg 1/25			

FE Sent For:

<END>

STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION  
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON  
GOVERNOR

GEORGE LIGHTBOURN  
SECRETARY



Division of Executive Budget and Finance  
Post Office Box 7864  
Madison, WI 53707-7864  
Voice (608) 266-1736  
Fax (608) 267-0372  
TTY (608) 267-9629

---

**Date:** November 15, 2000  
**To:** Steve Miller, LRB  
**From:** Kerry Holden, DOA *KHX*  
266-8593  
**Subject:** Rainy Day Fund and Tax Expenditure Limits

The attached document contains broad directions regarding statutory language changes we would like to include in the budget regarding the state's rainy day fund, including provisions for tax expenditure limitations. Please call if you have any questions.

Thanks!

## Budget Stabilization Fund Statutory Language Request

1. Section 20.875 provides for a separate budget stabilization fund; however, there is no methodology included in the statutory language regarding how or when revenues are to be deposited into or expended from the fund. There is currently a zero balance in the budget stabilization fund.
2. The primary purpose of this legislation is create a method for depositing funds in to the budget stabilization fund so that it will eventually consist of 5% of the general fund at the end of each fiscal year. This would be accomplished by using unanticipated revenue as a funding source for the budget stabilization fund.
3. "Anticipated revenue" means the amount of revenue estimated to be realized in a fiscal year as general fund resources. The amount to be annually credited to the budget stabilization fund will be equal to 50% of the excess of the amount of actual revenues over anticipated revenues. If actual revenues are below anticipated revenues, then there will be no transfer.
4. If a transfer occurs *[and the balance in the budget stabilization fund is equal to 5%?]*, then any additional unanticipated revenues, as certified by either DOA or the Governor, can be made available for either:
  - a) appropriation by the Legislature;
  - b) transfer to the required general fund balance (if it still exists); and/or
  - c) a one-time tax reduction.
5. The budget stabilization fund will serve as a supplemental source of funding during times of emergency, economic downturn, or unforeseen reduction in revenues. There are two methods we could use to expend funds for emergency purposes:
  - a) We could include language requiring the Governor, through an appropriations bill, to recommend expenditures from the budget stabilization fund and then require either a majority or a supermajority vote of each house of the Legislature to expend monies from the budget stabilization fund; or
  - b) We could require DOA to determine a need for expenditures from the budget stabilization fund, and use a 14-day passive review process through JCF.
6. Include the following provisions regarding tax expenditure limitations:
  - Apply the limit to appropriations of state tax revenues.
  - Limit appropriation growth to the greater of the increase in personal income in the state (averaged over the past 3 years) or the increase in inflation, whichever is greater.
  - Make the limitation applicable to all state appropriations and revenues.
  - Require a declaration of emergency and a supermajority vote of the Legislature to exceed the tax expenditure limit.
  - Require any surpluses to go into the rainy day fund.

## Champagne, Rick

---

**From:** Koskinen, John  
**Sent:** Wednesday, November 29, 2000 2:30 PM  
**To:** Champagne, Rick  
**Cc:** Holden, Kerry  
**Subject:** RE: Stabilization fund transfer draft

Since Kerry is out, let me try to answer.

- (1) We know one legislature cannot bind a subsequent legislature. We anticipate only for an affirmative act by a subsequent legislature to overturn it. But since inertia is a powerful force, we are aiming to set at least initial presumption of an allocation.
- (2) We refer specifically to the amount in 20.005 (1) reported as general fund taxes as approved by Joint Finance under 20.004 (2).
- (3) (a) Let's start with 5% of general fund expenditures of the fiscal year just concluded (June 30). Determination is made at the time of the publication of the Annual Fiscal Report under s.16.40 (3). DOA makes the determination in the Annual Fiscal Report with verification by the LAB under s.13,94 (1) (c). When the 5% limit is reached, there are no further transfers into the stabilization fund. [Of course, as expenditures increase, the 5% limit increases along with it.] I don't see a need for Joint Finance participation. This is intended as a simple after-the-fact accounting, not a before the fact estimation.
- (4) The expenditure limit applies only to GPR expenditures. Debt service should be excluded from the limit.
- (5) Limit the transfers into the stabilization fund to the 50% of unanticipated tax revenues. Anything else remains in the general fund balance.
- (6) The transfers from the general fund into the stabilization fund should be done via a sum-sufficient appropriation. [Too much: pay in] There should be an accompanying sum-sufficient appropriation from the stabilization fund into the general fund to cover a revenue shortfall. [Too little: take out].

-----Original Message-----

**From:** Champagne, Rick  
**Sent:** Wednesday, November 29, 2000 10:23 AM  
**To:** Holden, Kerry  
**Cc:** Koskinen, John  
**Subject:**

Kerry:

I've begun working on the budget stabilization fund transfer proposal and have a number of questions.

1. As a general matter, you should be aware that the mechanism that you are creating constitutes a "rule of procedure" under article IV, section 8, of the Wisconsin Constitution and is not legally enforceable in a court of law. See, *State ex rel. La Follette v. Stitt*, 114 Wis. 2d 358, 363-369 (1983). The legislature is free to ignore any of the provisions in the draft relating to its powers of appropriation, and can exceed the expenditure caps and appropriate any "unanticipated revenues". Also, the legislature can, at any time, enact legislation that transfers monies from the budget stabilization fund to the general fund. Having said this, I should also point out that the legislature may certainly choose to follow this law and the law will be effective in governing the internal procedures of the legislature.

2. By "anticipated revenue" I assume that you mean the estimated amounts that appear in s. 20.005 (1) of the schedule in the budget bill? What about other monies that flow to the general fund during the course of a fiscal year, such as transfers from other funds or, say, the tobacco settlement monies? In other words, are you after tax dollars that are deposited in the general fund or all monies that are deposited in the general fund? We need clarification; your proposed definition can be read in a number of ways.

3. I need clarification on this 5% issue. First of all, 5% of what and as of what date. As you are aware, because of cash flow issues the state coffers will vary in their balances at different times during the fiscal year. Because of intergovernmental transfers, 5% of the general fund balance on August 15 will be very different from 5% of the general fund balance on December 1. Perhaps, you mean 5% of the estimated net general fund balance at the end of a fiscal year, as estimated in the schedule summary in the budget bill? Second, when this 5% amount is reached, however it is determined, do transfers of "unanticipated revenues" to the budget stabilization fund cease? Third, who makes the estimates for the purpose of transfer and who decides when 5% is reached: DOA, LFB? If you want joint finance committee participation, how do you want it? The instructions are entirely silent on procedure and process. If you want me to work it out, let me know.

4. Some of your instructions regarding the revenue transfer to the budget stabilization fund are in brackets with italics and with a question mark after them. How am I to read these? Help!

5. There is no need to talk about what the legislature can do with "any additional unanticipated revenues" in Item 4. Since these monies are not being transferred to the budget stabilization fund, they are already in the general fund awaiting appropriation. You are simply stating what the legislature already has the power to do. Also, what does the statement in parenthesis "(if it still exists)" mean. Do you contemplate repealing the required statutory general fund balance provision? Please let me know.

6. In Item 5, you talk about what we "could" do. Please decide which method you want. Also, as I discussed above, the legislature could legally ignore either method and do whatever it wishes with the monies in the fund. Once you have chosen the method, I will have a couple of questions. In deciding the details of your method, please keep in mind that the legislature is the only branch that has the power to appropriate monies from the state treasury. In order to get at these monies in the budget stabilization fund, the monies must be appropriated in some way, either directly or indirectly through a transfer to another fund which already has appropriations that will use those transferred monies.

7. In Item 6, you propose tax expenditure limitations. There is a key ambiguity in the coverage of these expenditures. At one point, you state that the limit is applied to "appropriations of state tax revenues". But in another place you state that the limit applies to "all state appropriations and revenues". What is the coverage of the provisions: all appropriations or only appropriations funded with tax revenues? I would advise that the limitation apply only to GPR appropriations, unless you also want to get at SEG appropriations funded with, say, gas tax revenues.

8. The only exception you have to exceeding the caps is a "declaration of emergency and a supermajority vote of the Legislature". Who declares an emergency, what is the standard for declaring an emergency, and what is a supermajority vote? Also, you may wish to speak with the Capital Finance Office at DOA about the consequences of a GPR cap for the payment of principal and interest on general obligation bonds and on bonds for which the state has made a moral obligation pledge. Generally, expenditure caps will exempt such items.

9. You state that any surplus will "go into a rainy day fund". I assume that you mean the budget stabilization fund. But I have a couple of questions. First, if all surpluses are going into the budget stabilization fund, why have the first half of your proposal relating to having 50% of the "unanticipated revenues" transferred to the budget stabilization fund? If the caps are in place at then time the budget is enacted, then all "unanticipated revenue" will be surplus and the whole amount will be transferred to the budget stabilization fund. In other words, if you have the expenditure caps, then there is no need for the first 4 items of your proposal. Second, what about the 5% budget stabilization fund issue? If all of the surplus is being transferred to the budget stabilization fund, then the 5% issue has no effect. Third, if all of the surplus is to be transferred to the budget stabilization fund, on what date is the transfer to be made. As mentioned above, cash flow will vary during different parts of the year. If too much of the surplus is transferred at one time, then the state will have to increase its issuance of operating notes to fund temporary shortages in the general fund. Fourth, there is no mention of procedure or process for making the determinations required to make the expenditure cap work. Who certifies the amount of the surplus and how is the amount transferred to the budget stabilization fund? Finally, what about the required statutory balance in the general fund? Because you wish for all of the surplus to be transferred to the budget stabilization fund, there will be no monies left in the general fund.

Once you have had an opportunity to think through these issues, please call me and I can begin drafting the proposal. In particular, please consider the relationship between Item 6 and Items 1 to 5 of your proposal.

Rick Champagne  
Senior Staff Counsel  
Legal Section  
Wisconsin Legislative Reference Bureau  
100 N. Hamilton St.

P.O. Box 2037  
Madison, WI 53701-2037  
Tel: (608) 266-9930  
Fax: (608) 264-8522  
Email: [rick.champagne@legis.state.wi.us](mailto:rick.champagne@legis.state.wi.us)

Per John Koskunen

① Sum sufficient appropriations

to BSF = 50% of unanticipated  
revenue

w/ 5% BSF cap

② to GF if necessary for required  
statutory balance



State of Wisconsin  
2001 - 2002 LEGISLATURE

LRB-1256/1

RAC:.....  
hmk

Joan

DOA:.....Holden - Transfers to budget stabilization fund

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

Do not go

1 AN ACT relating to: the budget.

*Analysis by the Legislative Reference Bureau*

STATE GOVERNMENT

STATE FINANCE

This bill requires that certain transfers be made between the general fund and the budget stabilization fund.

Under the bill, beginning in the 2003-05 fiscal biennium, the secretary of administration must annually calculate the difference between the amount of tax revenues projected to be deposited in the general fund (projected tax receipts) and the amount of tax revenues actually deposited in the general fund during the preceding fiscal year (actual tax receipts). If the projected tax receipts are less than the actual tax receipts, the secretary must transfer from the general fund to the budget stabilization fund an amount equal to 50% of the difference between the projected tax receipts and the actual tax receipts.

This transfer, however, may not take place once the balance of the budget stabilization fund is at least equal to 5% of the expenditures from the general fund during the preceding fiscal year. Also, if the transferred amount would cause the general fund balance to be less than the required general fund statutory balance, the secretary must reduce the amount of the transfer by an amount that would not cause the general fund balance to be less than the required general fund balance. (The required statutory balance refers to a current law requirement that the estimated general fund balance in any fiscal year may not be an amount less than the following

Do not go

percentage of the total general purpose revenue appropriations for that fiscal year plus any amount from general purpose revenue designated as "Compensation Reserves": for fiscal year 2002-03, 1.4%; for fiscal year 2003-04, 1.6%; for fiscal year 2004-05, 1.8%; and, for fiscal year 2005-06 and each fiscal year thereafter, 2%.)

In addition, under the bill, if the balance of the general fund at the end of the preceding fiscal year is less than the required statutory balance, the secretary must transfer from the budget stabilization fund to the general fund an amount necessary to maintain the required statutory balance.

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. 16.518 of the statutes is created to read:

**16.518 Transfers to and from the budget stabilization fund. (1)**

Annually, the secretary shall calculate the difference between the amount of moneys projected to be deposited in the general fund during the preceding fiscal year that are designated as "Taxes" in the summary under s. 20.005 (1), as approved by the joint committee on finance under s. 20.004 (2), and the amount of such moneys actually deposited in the general fund during the preceding fiscal year, as reported in the statement prepared under s. 16.40 (3).

(2) (a) Subject to par. (b), if the amount of moneys projected to be deposited in the general fund during the preceding fiscal year that are designated as "Taxes" in the summary under s. 20.005 (1), as approved by the joint committee on finance under s. 20.004 (2), is less than the amount of such moneys actually deposited in the general fund during the preceding fiscal year, as reported in the statement prepared under s. 16.40 (3), the secretary shall transfer from the general fund to the budget stabilization fund 50% of the amount calculated under sub. (1).

(b) 1. If the balance of the budget stabilization fund on June 30 of the preceding fiscal year is at least equal to 5% of the expenditures from the general fund during

1 the preceding fiscal year, as reported in the statement prepared under s. 16.40 (3),  
2 the secretary may not make the transfer under par. (a).

3 2. If the amount transferred under par. (a) would cause the general fund  
4 balance on June 30 of the preceding fiscal year to be less than the general fund  
5 balance that is required under s. 20.003 (4) for that fiscal year, the secretary shall  
6 reduce the amount transferred under par. (a) by an amount that would not cause the  
7 general fund balance to be less than the general fund balance that is required under  
8 s. 20.003 (4) for that fiscal year.

9 (3) If the general fund balance on June 30 of the preceding fiscal year is less  
10 than the general fund balance that is required under s. 20.003 (4) for that fiscal year,  
11 the secretary shall transfer from the budget stabilization fund to the general fund  
12 an amount equal to the difference between the general fund balance on June 30 of  
13 the preceding fiscal year and the general fund balance that is required under s.  
14 20.003 (4) for that fiscal year.

15 SECTION 2. 20.875 (1) (a) of the statutes is repealed and recreated to read:  
16 20.875 (1) (a) *General fund transfer*. A sum sufficient equal to the amount that  
17 is required to be transferred under s. 16.518 (2).

18 SECTION 3. 20.875 (2) (q) of the statutes is repealed and recreated to read:  
19 20.875 (2) (q) *Budget stabilization fund transfer*. From the budget stabilization  
20 fund, a sum sufficient equal to the amount that is required to be transferred under  
21 s. 16.518 (3).

22 SECTION 4. 25.60 of the statutes is repealed and recreated to read:  
23 **25.60 Budget stabilization fund**. There is created a separate nonlapsible  
24 trust fund designated as the budget stabilization fund, consisting of moneys  
25 transferred to the fund from the general fund under s. 16.518 (2). Except for the

1 purpose of reallocation under s. 16.465, moneys in the budget stabilization fund shall  
2 only be used to make the transfers required under s. 16.518 (3).

History: 1985 a. 120.

3 **SECTION 9401. Effective dates; administration.**

4 (1) BUDGET STABILIZATION FUND TRANSFERS. The treatment of sections 16.518,  
5 20.875 (1) (a) and (2) (q), and 25.60 of the statutes takes effect on July 1, 2003.

6 (END)



*D-Not*  
State of Wisconsin  
2001 - 2002 LEGISLATURE

LRB-1256/2 2

RAC:hnh:pg

*Stay*  
RMR

*SOON*

DOA:.....Holden – Transfers to budget stabilization fund

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

*Donotger*

1 AN ACT *relating to:* the budget.

*Analysis by the Legislative Reference Bureau*

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STATE FINANCE

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Under the bill, beginning in the 2003-05 fiscal biennium, the secretary of administration must annually calculate the difference between the amount of tax revenues projected to be deposited in the general fund (projected tax receipts) and the amount of tax revenues actually deposited in the general fund during the preceding fiscal year (actual tax receipts). If the projected tax receipts are less than the actual tax receipts, the secretary must transfer from the general fund to the budget stabilization fund an amount equal to 50% of the difference between the projected tax receipts and the actual tax receipts.

This transfer, however, may not take place once the balance of the budget stabilization fund is at least equal to 5% of the expenditures from the general fund during the preceding fiscal year. Also, if the transferred amount would cause the general fund balance to be less than the required general fund statutory balance, the secretary must reduce the amount of the transfer by an amount that would not cause the general fund balance to be less than the required general fund balance. (The required statutory balance refers to a current law requirement that the estimated general fund balance in any fiscal year may not be an amount less than the following

percentage of the total general purpose revenue appropriations for that fiscal year plus any amount from general purpose revenue designated as "Compensation Reserves": for fiscal year 2002-03, 1.4%; for fiscal year 2003-04, 1.6%; for fiscal year 2004-05, 1.8%; and, for fiscal year 2005-06 and each fiscal year thereafter, 2%.)

In addition, under the bill, if the balance of the general fund at the end of the preceding fiscal year is less than the required statutory balance, the secretary must transfer from the budget stabilization fund to the general fund an amount necessary to maintain the required statutory balance.

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. 16.518 of the statutes is created to read:

**16.518 Transfers to and from the budget stabilization fund. (1)**

Annually, the secretary shall calculate the difference between the amount of moneys projected to be deposited in the general fund during the preceding fiscal year that are designated as "Taxes" in the summary ~~under s. 20.005 (1), as approved by the joint committee on finance under s. 20.004 (2),~~ and the amount of such moneys actually deposited in the general fund during the preceding fiscal year, as reported in the statement prepared under s. 16.40 (3).

(a) Subject to par. (b), if the amount of moneys projected to be deposited in the general fund during the preceding fiscal year that are designated as "Taxes" in the summary ~~under s. 20.005 (1), as approved by the joint committee on finance under s. 20.004 (2),~~ is less than the amount of such moneys actually deposited in the general fund during the preceding fiscal year, as reported in the statement prepared under s. 16.40 (3), the secretary shall transfer from the general fund to the budget stabilization fund 50% of the amount calculated under sub. (1).

(b) 1. If the balance of the budget stabilization fund on June 30 of the preceding fiscal year is at least equal to 5% of the expenditures from the general fund during

Handwritten notes in a bubble: "MAY 1" with an arrow pointing to line 2.

Handwritten circled numbers: 1, 2, 3.

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Handwritten circled number: 15.

Handwritten number: 10 with a superscript 2.

1 the preceding fiscal year, as reported in the statement prepared under s. 16.40 (3),  
2 the secretary may not make the transfer under par. (a).

3 2. If the amount transferred under par. (a) would cause the general fund  
4 balance on June 30 of the preceding fiscal year to be less than the general fund  
5 balance that is required under s. 20.003 (4) for that fiscal year, the secretary shall  
6 reduce the amount transferred under par. (a) <sup>to the</sup> ~~by an~~ amount that would ~~not~~ cause the  
7 general fund balance to be <sup>equal to</sup> ~~less than~~ the general fund balance that is required under  
8 s. 20.003 (4) for that fiscal year. <sub>MINIMUM</sub>

9 <sup>(B) 4</sup> ~~(3)~~ If the general fund balance on June 30 of the preceding fiscal year is less  
10 than the general fund balance that is required under s. 20.003 (4) for that fiscal year,  
11 the secretary shall transfer from the budget stabilization fund to the general fund  
12 an amount equal to the difference between the general fund balance on June 30 of  
13 the preceding fiscal year and the general fund balance that is required under s.  
14 20.003 (4) for that fiscal year.

15 SECTION 2. 20.875 (1) (a) of the statutes is repealed and recreated to read:  
16 20.875 (1) (a) *General fund transfer.* A sum sufficient equal to the amount that  
17 is required to be transferred under s. 16.518 <sup>3</sup> ~~(2)~~.

Note: *budget* →

18 SECTION 3. 20.875 (2) (q) of the statutes is repealed and recreated to read:  
19 20.875 (2) (q) *Budget stabilization fund transfer.* From the budget stabilization  
20 fund, a sum sufficient equal to the amount that is required to be transferred under  
21 s. 16.518 <sup>4</sup> ~~(3)~~.

Note: *budget* →

22 SECTION 4. 25.60 of the statutes is repealed and recreated to read:  
23 **25.60 Budget stabilization fund.** There is created a separate nonlapsible  
24 trust fund designated as the budget stabilization fund, consisting of moneys  
25 transferred to the fund from the general fund under s. 16.518 <sup>3</sup> ~~(2)~~. Except for the

1 purpose of reallocation under s. 16.465, moneys in the budget stabilization fund shall  
2 only be used to make the transfers required under s. 16.518 (~~3~~)<sup>4</sup>.

3 **SECTION 9401. Effective dates; administration.**

4 (1) BUDGET STABILIZATION FUND TRANSFERS. The treatment of sections 16.518,  
5 20.875 (1) (a) and (2) (q), and 25.60 of the statutes takes effect on July 1, 2003.

6 (END)

**2001-2002 DRAFTING INSERT  
FROM THE  
LEGISLATIVE REFERENCE BUREAU**

LRB-1256/2ins  
RAC:hmh:pg

**Insert 2-1:**

In this section, "summary" means, in the odd-numbered year, the amount shown in the summary in s. 20.005 (1), as published in the biennial budget act or acts, and in the even-numbered year, the amount shown in the summary in s. 20.005 (1), as approved by the joint committee on finance under s. 20.004 (2).

**DRAFTER'S NOTE  
FROM THE  
LEGISLATIVE REFERENCE BUREAU**

LRB-1256/2dn

RAC:lmh:pg

*scw*

*Date*

Because the joint committee on finance only approves the schedule summary in the even-numbered years, I redrafted the bill to provide that in the odd-numbered years the summary amount that is used is the summary amount in the biennial budget bill. I also clarified the language in s. 16.518 (3) (b) 2. to make certain that the general fund required balance is maintained.

Rick A. Champagne

Senior Legislative Attorney

Phone: (608) 266-9930

E-mail: rick.champagne@legis.state.wi.us

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-1256/2dn  
RAC:lml:rs

December 12, 2000

Because the joint committee on finance only approves the schedule summary in the even-numbered years, I redrafted the bill to provide that in the odd-numbered years the summary amount that is used is the summary amount in the biennial budget bill. I also clarified the language in s. 16.518 (3) (b) 2. to make certain that the general fund required balance is maintained.

Rick A. Champagne  
Senior Legislative Attorney  
Phone: (608) 266-9930  
E-mail: rick.champagne@legis.state.wi.us

## Champagne, Rick

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**From:** Koskinen, John  
**Sent:** Friday, January 05, 2001 3:03 PM  
**To:** Champagne, Rick  
**Cc:** Holden, Kerry  
**Subject:** LRB Draft 1256/2--Budget Stabilization Fund Draft

After Governor's decisions, we need some changes to the draft. In essence, the preference is to (1) use the budget bill to determine anticipated revenues and (2) use the existing budget reserve and or spending cuts before tapping into the stabilization fund. So

✓ In Section 1, s.16.518 (1) the schedule should be the schedule adopted in the biennial budget act, not the summary under s.20.004 (2).

✓ In Section 1, s.16.518 (2) the "preceding" should be deleted. The Secretary's action should be within the same fiscal year.

✓ In Section 1, s.16.518 (4) should be deleted. Instead, modify s.16.50 (7) (b) to require the Governor to make an explicit recommendation to the legislature as to whether to withdraw funds from the budget stabilization fund.

✓ As a consequence, Section 3 should be changed from a sum-sufficient to a sum-certain appropriation.

*- keep current law*

✓ Finally, delete section 9401. This should be effective upon publication.

As a heads-up, Jeff Geisler has sent over drafting instructions that reference this draft. Unanticipated revenues not paid to the stabilization fund are paid to a tax relief fund for a temporary income tax credit.

Thanks.

*John Koskinen*  
266-2081

TOMMY G. THOMPSON  
GOVERNOR

GEORGE LIGHTBOURN  
SECRETARY



**Date:** January 5, 2001

**To:** Steve Miller, LRB

**From:** Jeffrey A. Geisler, DOA  
266-1805

**Subject:** Funding and distributing an Economic Performance Dividend Budget Draft

We want to devise a program that provides for the accumulation and distribution of surplus state revenues as an "Economic Performance Dividend" tax credit. Some of these revenues would be deposited in the budget stabilization fund (LRB draft 1256/2) and some would be deposited in a Tax Relief Fund for eventual distribution to state taxpayers through this tax credit.

This drafting request primarily concerns the Tax Relief Fund and Economic Performance Dividend Credit, but may affect LRB 1256/2 as well.

*do right away*

~~Starting in state fiscal year 2003 unanticipated tax revenues received after the biennial budget bill is passed should be used as follows:~~

(a) 50% to fund the budget stabilization fund, until the stabilization fund reaches a level of 5% of GPR spending.

(b) 50% for one-time tax reductions, increasing to 100% for one-time tax reductions after the stabilization fund reaches a level of 5% of GPR spending.

Unanticipated revenues are effectively defined in the LRB 1256/2 treatment (Section 1) of s. 16.518 (2).

The Department of Administration Secretary will transfer these revenues to the stabilization fund and a new segregated Tax Relief Fund in chapter 25. This new Tax Relief Fund will be the source for funding a new "Economic Performance Dividend Credit" appropriation in chapter 71 Wis. Stats. This new credit is intended to be an automatic mechanism to return surplus revenues to taxpayers.

Please note that the budget stabilization fund would receive 50% of any unanticipated revenues only until the stabilization fund reaches its cap of 5% of GPR spending. Until this cap is reached, the remaining 50% of the unanticipated revenues would be deposited in the Tax Relief Fund (to fund the new credit). In certain years the stabilization fund will not be able to accept the full 50% of any unanticipated revenues because of the cap. In those years, any unanticipated revenues that the stabilization fund cannot receive will go to the Tax Relief Fund.

Steve Miller, LRB

1/05/2001

Page 2

You may wish to add a "(3) c" to the LRB 1256/2 treatment of s. 16.518 (3) that distributes unanticipated revenues to the new fund.

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The balance in the Tax Relief Fund would fund a nonrefundable income tax credit. Annually, by September 1<sup>st</sup>, the Department of Administration Secretary would certify the amount in the Tax Relief Fund to the Department of Revenue.

If the amount of the certification exceeds \$25 million, then DOR sets the amount of the new credit to expend, as fully as possible, the certified amount. If the amount of the certification does not exceed \$25 million, there is no credit for that year.

Chapter 71 should be amended to direct DOR to calculate this nonrefundable credit as a fixed whole dollar amount for each taxpayer and dependent. Note that because the credit is a fixed whole dollar amount, some of the certified amount may not be spent.

To effect the transfer to the new Tax Relief Fund and to reimburse the general fund for the loss of revenue the new credit causes, we should add two appropriations that are similar to s. 20.875 (1) a and (2) q in current law.

In this s. 20.875 like structure, the Secretary of Administration would determine the sum sufficient amount to transfer to the Tax Relief Fund and DOR would set the credit to spend the amount. At the conclusion of the tax filing season (by August 15<sup>th</sup> of the year following the DOA certification, DOR would certify to DOA the general fund revenue lost because of the new credit and the DOA Secretary would transfer that amount from the s. 20.875-like sum sufficient appropriation in the Tax Relief Fund to the general fund.

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Please call me (6-1805) if you have questions.

Thanks

MES



State of Wisconsin  
2001 - 2002 LEGISLATURE

LRB-1256/2 3

RAC:fmh:rs  
LME

SEOM

DOA:.....Holden - Transfers to budget stabilization fund

FOR 2001-03 BUDGET - NOT READY FOR INTRODUCTION

D-NOTE

act or acts  
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as projected in the biennial budget bill

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AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau  
STATE GOVERNMENT  
STATE FINANCE

This bill requires that certain transfers be made between the general fund, and the budget stabilization fund, and the tax relief fund, which is created in this bill

Under the bill, beginning in the 2003-05 fiscal biennium, the secretary of administration must annually calculate the difference between the amount of tax revenues projected to be deposited in the general fund (projected tax receipts) and the amount of tax revenues actually deposited in the general fund during the preceding fiscal year (actual tax receipts). If the projected tax receipts are less than the actual tax receipts, the secretary must transfer from the general fund to the budget stabilization fund an amount equal to 50% of the difference between the projected tax receipts and the actual tax receipts.

This transfer, however, may not take place once the balance of the budget stabilization fund is at least equal to 5% of the expenditures from the general fund during the preceding fiscal year. Also, if the transferred amount would cause the general fund balance to be less than the required general fund statutory balance, the secretary must reduce the amount of the transfer by an amount that would not cause the general fund balance to be less than the required general fund balance. (The required statutory balance refers to a current law requirement that the estimated general fund balance in any fiscal year may not be an amount less than the following

percentage of the total general purpose revenue appropriations for that fiscal year plus any amount from general purpose revenue designated as "Compensation Reserves": for fiscal year 2002-03, 1.4%; for fiscal year 2003-04, 1.6%; for fiscal year 2004-05, 1.8%; and, for fiscal year 2005-06 and each fiscal year thereafter, 2%.)

In addition, under the bill, if the balance of the general fund at the end of the preceding fiscal year is less than the required statutory balance, the secretary must transfer from the budget stabilization fund to the general fund an amount necessary to maintain the required statutory balance.

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. 16.518 of the statutes is created to read:

**16.518 Transfers to and from the budget stabilization fund.** (1) In this section, "summary" means, in the odd-numbered year, the amount shown in the summary in s. 20.005 (1), as published in the biennial budget act or acts, and in the even-numbered year, the amount shown in the summary in s. 20.005 (1), as approved by the joint committee on finance under s. 20.004 (2).

(2) Annually, the secretary shall calculate the difference between the amount of moneys projected to be deposited in the general fund during the preceding fiscal year that are designated as "Taxes" in the summary and the amount of such moneys actually deposited in the general fund during the preceding fiscal year, as reported in the statement prepared under s. 16.40 (3).

(3) (a) Subject to par. (b), if the amount of moneys projected to be deposited in the general fund during the preceding fiscal year that are designated as "Taxes" in the summary is less than the amount of such moneys actually deposited in the general fund during the preceding fiscal year, as reported in the statement prepared under s. 16.40 (3), the secretary shall annually transfer from the general fund to the budget stabilization fund 50% of the amount calculated under sub. (2).

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(b) 1. If the balance of the budget stabilization fund on June 30 of the ~~preceding~~ <sup>estimated</sup> fiscal year is at least equal to 5% of the <sup>summary</sup> expenditures from the general fund during the ~~preceding~~ fiscal year, as reported in the ~~statement~~ <sup>summary</sup> prepared under s. 16.40(3), the secretary may not make the transfer under par. (a).

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2. If the amount transferred under par. (a) would cause the general fund balance on June 30 of the ~~preceding~~ fiscal year to be less than the general fund balance that is required under s. 20.003 (4) for that fiscal year, the secretary shall reduce the amount transferred under par. (a) to the amount that would cause the general fund balance to be equal to the minimum general fund balance that is required under s. 20.003 (4) for that fiscal year.

Insert  
3-10-02

~~(4) If the general fund balance on June 30 of the preceding fiscal year is less than the general fund balance that is required under s. 20.003 (4) for that fiscal year, the secretary shall transfer from the budget stabilization fund to the general fund an amount equal to the difference between the general fund balance on June 30 of the preceding fiscal year and the general fund balance that is required under s. 20.003 (4) for that fiscal year.~~

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**SECTION 2.** 20.875 (1) (a) of the statutes is repealed and recreated to read:  
20.875 (1) (a) *General fund transfer.* A sum sufficient equal to the amount that is required to be transferred under s. 16.518 (3).

\*\*\*NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

INS  
3-1-02  
[Handwritten scribbles]

~~**SECTION 3.** 20.875 (2) (q) of the statutes is repealed and recreated to read:  
20.875 (2) (q) *Budget stabilization fund transfer.* From the budget stabilization fund, a sum sufficient equal to the amount that is required to be transferred under s. 16.518 (4)~~

*Insert*  
~~\*\*\*\*NOTE. This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.~~

**SECTION 4.** 25.60 of the statutes is repealed and recreated to read:

**25.60 Budget stabilization fund.** There is created a separate nonlapsible trust fund designated as the budget stabilization fund, consisting of moneys transferred to the fund from the general fund under s. 16.518 (3). ~~Except for the purpose of reallocation under s. 16.465, moneys in the budget stabilization fund shall only be used to make the transfers required under s. 16.518 (4).~~

**SECTION 9401. Effective dates; administration.**

(1) ~~BUDGET STABILIZATION FUND TRANSFERS.~~ The treatment of sections 16.518, 20.875 (1) (a) and (2) (q), and 25.60 of the statutes takes effect on July 1, 2003.

(END)

*Insert 4-1*

*Insert 4-6*

*INS 4-10*

*D-note*

2001-2002 DRAFTING INSERT  
FROM THE  
LEGISLATIVE REFERENCE BUREAU

LRB-1256/3ins  
RAC:hmh:rs

**Insert RAC Analysis:**

*R* In addition, the bill creates a tax relief fund that consists of the difference between the projected tax receipts and the actual tax receipts in each fiscal year and the amount transferred from the general fund to the budget stabilization fund in each fiscal year.

**Insert 2-1:**

*X*  
**SECTION 1.** 16.50 (7) (b) of the statutes is amended to read:

16.50 (7) (b) Following such notification, the governor shall submit a bill containing his or her recommendations for correcting the imbalance between projected revenues and authorized expenditures, including a recommendation as to whether moneys should be transferred from the budget stabilization fund to the general fund. If the legislature is not in a floorperiod at the time of the secretary's notification, the governor shall call a special session of the legislature to take up the matter of the projected revenue shortfall and the governor shall submit his or her bill for consideration at that session.

*end of Insert 2-1*  
History: 1971 c. 270; 1973 c. 333; 1975 c. 39; 1977 c. 29, 196, 418; 1979 c. 32, 34; 1981 c. 20, 27, 30, 314; 1983 a. 27 ss. 70, 71a, 2202 (42); 1985 a. 332 s. 251 (6); 1987 a. 4, 27; 1989 a. 31, 336; 1991 a. 316; 1993 a. 16; 1995 a. 27; 1997 a. 27; 1999 a. 9.

**Insert 3-10:**

(4) Annually, the secretary shall transfer from the general fund to the tax relief fund the difference between the amount calculated under sub. (2) and the amount transferred to the budget stabilization fund under sub. (3).

**Insert 4-1:**

*X*  
**SECTION 2.** 25.17 (1) (te) of the statutes is created to read:

25.17 (1) (te) Tax relief fund (s. 25.63);

**Insert 4-6:**

*X*  
**SECTION 3.** 25.63 of the statutes is created to read:

**25.63 Tax relief fund.** There is created a separate nonlapsible trust fund designated as the tax relief fund, consisting of moneys transferred to the fund from the general fund under s. 16.518 (4).

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**Ins. MES ANL**

Π This bill also creates an individual income tax relief fund tax credit, which may be claimed by an individual taxpayer or by a taxpayer and his or her spouse. A claimant may also claim a credit for each of his or her dependents. The credit is nonrefundable, meaning that if the amount of the credit exceeds the taxpayer's tax liability, no check is issued in the amount of the difference.

The credit is only available in taxable years in which the amount in the tax relief fund exceeds \$25,000,000. If the secretary of DOA certifies that the amount in the fund exceeds that amount, DOR determines the amount of the credit that may be claimed in that taxable year. The credit amount is determined by dividing the amount certified by the sum of all claimants, all spouses of claimants, and all dependents, and then modified so that the amount in the fund is expended as fully as possible and by ensuring that the credit amount is a whole number.

**Ins. 3-19**

SECTION 1. 20.876 of the statutes is created to read:

**20.876 Tax relief fund.** (1) TRANSFERS TO FUND. There is appropriated to the tax relief fund:

(a) *General fund transfer.* A sum sufficient equal to the amount that is required to be transferred under s. 16.518 (4).

(2) TRANSFERS FROM THE FUND. There is appropriated from the tax relief fund to the general fund:

(q) *Tax relief fund transfer*  
An amount equal to the amount certified to the secretary of the department of administration under s. 71.07 (7m) (d).

→ Note: Bud

**Ins. 4-10**

SECTION 2. 71.07 (7m) of the statutes is created to read:

**71.07 (7m) TAX RELIEF FUND TAX CREDIT.** (a) *Definitions.* In this subsection:

1. "Claimant" means an individual taxpayer.

2. "Credit unit" means an amount calculated by the department by dividing the amount certified under par. (c) 3. by the sum of all claimants, all spouses of claimants, and all dependents.

3. "Department" means the department of revenue.

4. "Dependent" means an individual who is claimed by the claimant as a dependent under section 151 (c) of the Internal Revenue Code.

(b) *Filing claims.* Subject to the limitations and conditions provided in this subsection, a claimant, or a claimant and his or her spouse, may claim as a credit against the tax imposed under s. 71.02, up to the amount of those taxes, an amount determined by the department under par. (c). One credit amount may be claimed by each claimant, by the claimant's spouse, and for each dependent of a claimant.

(c) *Determination of credit amount.* 1. Not later than September 1 each year, the secretary of the department of administration shall certify to the secretary of the department the amount that is in the tax relief fund under s. 25.63.

2. If the amount of the certification is \$25,000,000 or less, the amount that may be claimed in that taxable year is zero.

3. If the amount of the certification exceeds \$25,000,000, the department shall determine the credit amount for that taxable year. The credit amount shall be based on the credit unit, but shall be modified such that the certified amount in the tax relief fund is expended as fully as possible and that the credit amount for each claimant, spouse of a claimant, and dependent of a claimant is a whole dollar amount.

(d) *Certification of amounts claimed.* Not later than August 15 of the year following the year in which the department determines a credit amount under par. (c) 3., the department shall determine the amount of revenue lost because of credits

claimed in the taxable year to which that credit amount relates. The amount of revenue lost shall be certified to the secretary of the department of administration.

(e) *Limitations and conditions.* 1. No credit may be allowed under this subsection unless it is claimed within the time period under s. 71.75 (2).

2. Part-year residents and nonresidents of this state are not eligible for the credit under this subsection.

(f) *Administration.* Subsection (9e) (d), to the extent that it applies to the credit under that subsection, applies to the credit under this subsection.

**SECTION 3.** 71.10 (4) (dt) of the statutes is created to read:

71.10 (4) (dt) Tax relief fund credit under s. 71.07 (7m).

**SECTION 9344. Initial applicability; revenue.**

(1) **TAX RELIEF FUND TAX CREDIT.** The treatment of sections 71.07 (7m) and 71.10 (4) (dt) of the statutes 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 the treatment of sections 71.07 (7m) and 71.10 (4) (dt) of the statutes first applies to taxable years beginning on January 1 of the year following the year in which this subsection takes effect.

*end of 4-10*

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-1256/3dn  
MAC MES:lmh:rs

3/10/08

*Deadline*

Jeff Geisler:

I believe that the tax relief fund tax credit that is created in s. 71.07 (7m) is drafted according to your instructions, but I think there may be a problem with it. Because DOR will have to guess in its calculation of a "credit unit" since it will have no way of knowing how many claims will actually be filed and, to a lesser extent, because of amended returns that are filed well after the August 15 deadline for DOR certification of the lost revenue amount in s. 71.07 (7m) (d), there is no way to ensure that the fund transfers in created s. 20.876 will be the same. What do you foresee happening if the amount to be transferred to the general fund under s. 20.876 (2) (q), based on the certification in s. 71.07 (7m) (d), exceeds the amount that actually is in the fund?

One way to avoid this potential problem is to not even create the tax relief fund at all. Simply have the DOA secretary certify to DOR the amount described in s. 16.518 (4) and if it is greater than \$25 million, DOR calculates the amount of the credit that may be claimed in that taxable year. This method has the same fiscal effect without the complication of creating the tax relief fund and the appropriation in s. 20.876.

Marc E. Shovers  
Senior Legislative Attorney  
Phone: (608) 266-0129  
E-mail: marc.shovers@legis.state.wi.us

Further editing changes  
done by CmH

may not be an amount less than the following percentage of the total general purpose revenue appropriations for that fiscal year plus any amount from general purpose revenue designated as "Compensation Reserves": for fiscal year 2002-03, 1.4%; for fiscal year 2003-04, 1.6%; for fiscal year 2004-05, 1.8%; and, for fiscal year 2005-06 and each fiscal year thereafter, 2%.)

In addition, the bill creates a tax relief fund that consists of the difference between the projected tax receipts and the actual tax receipts in each fiscal year and the amount transferred from the general fund to the budget stabilization fund in each fiscal year.

This bill also creates an individual income tax relief fund tax credit, which may be claimed by an individual taxpayer or by a taxpayer and his or her spouse. A claimant may also claim a credit for each of his or her dependents. The credit is nonrefundable, meaning that if the amount of the credit exceeds the taxpayer's tax liability, no check is issued in the amount of the difference.

The credit is only available in taxable years in which the amount in the tax relief fund exceeds \$25,000,000. If the secretary of DOA certifies that the amount in the fund exceeds that amount, DOR determines the amount of the credit that may be claimed in that taxable year. The credit amount is determined by dividing the amount certified by the sum of all claimants, all spouses of claimants, and all dependents, and then modified so that the amount in the fund is expended as fully as possible and by ensuring that the credit amount is a whole number.

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:*

1           **SECTION 1.** 16.50 (7) (b) of the statutes is amended to read:

2           16.50 (7) (b) Following such notification, the governor shall submit a bill  
3 containing his or her recommendations for correcting the imbalance between  
4 projected revenues and authorized expenditures, including a recommendation as to  
5 whether moneys should be transferred from the budget stabilization fund to the  
6 general fund. If the legislature is not in a floorperiod at the time of the secretary's  
7 notification, the governor shall call a special session of the legislature to take up the  
8 matter of the projected revenue shortfall and the governor shall submit his or her bill  
9 for consideration at that session.

10           **SECTION 2.** 16.518 of the statutes is created to read:

1           **SECTION 3.** 20.875 (1) (a) of the statutes is repealed and recreated to read:

2           20.875 (1) (a) *General fund transfer.* A sum sufficient equal to the amount that  
3 is required to be transferred under s. 16.518 (3).

      \*\*\*\*NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

4           **SECTION 4.** 20.876 of the statutes is created to read:

5           **20.876 Tax relief fund. (1) TRANSFERS TO FUND.** There is appropriated to the  
6 tax relief fund:

7           (a) *General fund transfer.* A sum sufficient equal to the amount that is required  
8 to be transferred under s. 16.518 (4).

9           **(2) TRANSFERS FROM THE FUND.** There is appropriated from the tax relief fund  
10 to the <sup>er</sup>general fund:

11           (q) *Tax relief fund transfer.* An amount equal to the amount certified to the  
12 secretary <sup>er</sup>(of the department) of administration under s. 71.07 (7m) (d).

      \*\*\*\*NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

13           **SECTION 5.** 25.17 (1) (te) of the statutes is created to read:

14           25.17 (1) (te) Tax relief fund (s. 25.63);

15           **SECTION 6.** 25.60 of the statutes is repealed and recreated to read:

16           **25.60 Budget stabilization fund.** There is created a separate nonlapsible  
17 trust fund designated as the budget stabilization fund, consisting of moneys  
18 transferred to the fund from the general fund under s. 16.518 (3).

19           **SECTION 7.** 25.63 of the statutes is created to read:

20           **25.63 Tax relief fund.** There is created a separate nonlapsible trust fund  
21 designated as the tax relief fund, consisting of moneys transferred to the fund from  
22 the general fund under s. 16.518 (4).

1           **SECTION 8.** 71.07 (7m) of the statutes is created to read:

2           **71.07 (7m) TAX RELIEF FUND TAX CREDIT.** (a) *Definitions.* In this subsection:

3           1. "Claimant" means an individual taxpayer.

4           2. "Credit unit" means an amount calculated by the department by dividing the  
5 amount certified under par. (c) 3. by the sum of all claimants, all spouses of claimants,  
6 and all dependents.

7           3. "Department" means the department of revenue.

8           4. "Dependent" means an individual who is claimed by the claimant as a  
9 dependent under section 151 (c) of the Internal Revenue Code.

10           (b) *Filing claims.* Subject to the limitations and conditions provided in this  
11 subsection, a claimant, or a claimant and his or her spouse, may claim as a credit  
12 against the tax imposed under s. 71.02, up to the amount of those taxes, an amount  
13 determined by the department under par. (c). One credit amount may be claimed by  
14 each claimant, by the claimant's spouse, and for each dependent of a claimant.

15           (c) *Determination of credit amount.* 1. Not later than September 1 each year,  
16 the secretary of the department of administration shall certify to the secretary of the  
17 department the amount that is in the tax relief fund under s. 25.63.

18           2. If the amount of the certification is \$25,000,000 or less, the amount that may  
19 be claimed in that taxable year is zero.

20           3. If the amount of the certification exceeds \$25,000,000, the department shall  
21 determine the credit amount for that taxable year. The credit amount shall be based  
22 on the credit unit, but shall be modified such that the certified amount in the tax  
23 relief fund is expended as fully as possible and that the credit amount for each  
24 claimant, spouse of a claimant, and dependent of a claimant is a whole dollar  
25 amount.

1 (d) *Certification of amounts claimed.* Not later than August 15 of the year  
2 following the year in which the department determines a credit amount under par.  
3 (c) 3., the department shall determine the amount of revenue lost because of credits  
4 claimed in the taxable year to which that credit amount relates. The amount of  
5 revenue lost shall be certified to the secretary of the department of administration.

6 (e) *Limitations and conditions.* 1. No credit may be allowed under this  
7 subsection unless it is claimed within the time period under s. 71.75 (2).

8 2. Part-year residents and nonresidents of this state are not eligible for the  
9 credit under this subsection.

10 (f) *Administration.* Subsection (9e) (d), to the extent that it applies to the credit  
11 under that subsection, applies to the credit under this subsection.

12 **SECTION 9.** 71.10 (4) (dt) of the statutes is created to read:

13 71.10 (4) (dt) Tax relief fund credit under s. 71.07 (7m).

14 **SECTION 9344. Initial applicability; revenue.**

15 (1) **TAX RELIEF FUND TAX CREDIT.** The treatment of sections 71.07 (7m) and 71.10  
16 (4) (dt) of the statutes first applies to taxable years beginning on January 1 of the year  
17 in which this subsection takes effect, except that if this subsection takes effect after  
18 July 31 the treatment of sections 71.07 (7m) and 71.10 (4) (dt) of the statutes first  
19 applies to taxable years beginning on January 1 of the year following the year in  
20 which this subsection takes effect.

21 (END)

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-1256/3dn  
MES:hml:pg

January 9, 2001

Jeff Geisler:

I believe that the tax relief fund tax credit that is created in s. 71.07 (7m) is drafted according to your instructions, but I think there may be a problem with it. Because DOR will have to guess in its calculation of a "credit unit" since it will have no way of knowing how many claims will actually be filed and, to a lesser extent, because of amended returns that are filed well after the August 15 deadline for DOR certification of the lost revenue amount in s. 71.07 (7m) (d), there is no way to ensure that the fund transfers in created s. 20.876 will be the same. What do you foresee happening if the amount to be transferred to the general fund under s. 20.876 (2) (q), based on the certification in s. 71.07 (7m) (d), exceeds the amount that actually is in the fund?

One way to avoid this potential problem is to not even create the tax relief fund at all. Simply have the DOA secretary certify to DOR the amount described in s. 16.518 (4) and if it is greater than \$25 million, DOR calculates the amount of the credit that may be claimed in that taxable year. This method has the same fiscal effect without the complication of creating the tax relief fund and the appropriation in s. 20.876.

**Marc E. Shovers**  
Senior Legislative Attorney  
Phone: (608) 266-0129  
E-mail: marc.shovers@legis.state.wi.us



State of Wisconsin  
2001 - 2002 LEGISLATURE

LRB-1256/3  
RAC&MES:hmb:pe

H  
stays  
RMA

DOA:.....Holden - Transfers to budget stabilization fund

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

SOON

do not gen

1 AN ACT ...; relating to: the budget.

*Analysis by the Legislative Reference Bureau*

STATE GOVERNMENT

STATE FINANCE

(secretary)

This bill requires that certain transfers be made between the general fund, the budget stabilization fund, and the tax relief fund, which is created in this bill.

⊗ →

Under the bill, ~~beginning in the 2003-05 fiscal biennium,~~ the secretary of administration must annually calculate the difference between the amount of tax revenues projected to be deposited in the general fund (projected tax receipts) and the amount of tax revenues actually deposited in the general fund during the preceding fiscal year (actual tax receipts). If the projected tax receipts are less than the actual tax receipts, the secretary must transfer from the general fund to the budget stabilization fund an amount equal to 50% of the difference between the projected tax receipts and the actual tax receipts.

This transfer, however, may not take place once the balance of the budget stabilization fund is at least equal to 5% of the estimated expenditures from the general fund during the fiscal year, as projected in the biennial budget act or acts. Also, if the transferred amount would cause the general fund balance to be less than the required general fund statutory balance, the secretary must reduce the amount of the transfer by an amount that would not cause the general fund balance to be less than the required general fund balance. (The required statutory balance refers to a current law requirement that the estimated general fund balance in any fiscal year

may not be an amount less than the following percentage of the total general purpose revenue appropriations for that fiscal year plus any amount from general purpose revenue designated as "Compensation Reserves": for fiscal year 2002-03, 1.4%; for fiscal year 2003-04, 1.6%; for fiscal year 2004-05, 1.8%; and, for fiscal year 2005-06 and each fiscal year thereafter, 2%.)

In addition, the bill creates a tax relief fund that consists of the difference between the projected tax receipts and the actual tax receipts in each fiscal year and the amount transferred from the general fund to the budget stabilization fund in each fiscal year.

This bill also creates an individual income tax relief fund tax credit, which may be claimed by an individual taxpayer or by a taxpayer and his or her spouse. A claimant may also claim a credit for each of his or her dependents. The credit is nonrefundable, meaning that if the amount of the credit exceeds the taxpayer's tax liability, no check is issued in the amount of the difference.

The credit is available only in taxable years in which the amount in the tax relief fund exceeds \$25,000,000. If the secretary ~~M/D/A~~ certifies that the amount in the fund exceeds that amount, DOR determines the amount of the credit that may be claimed in that taxable year. The credit amount is determined by dividing the amount certified by the sum of all claimants, all spouses of claimants, and all dependents, and then modified so that the amount in the fund is expended as fully as possible and by ensuring that the credit amount is a whole number. *rounded down to the nearest*

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:***

1           **SECTION 1.** 16.50 (7) (b) of the statutes is amended to read:

2           16.50 (7) (b) Following such notification, the governor shall submit a bill  
3 containing his or her recommendations for correcting the imbalance between  
4 projected revenues and authorized expenditures, including a recommendation as to  
5 whether moneys should be transferred from the budget stabilization fund to the  
6 general fund. If the legislature is not in a floorperiod at the time of the secretary's  
7 notification, the governor shall call a special session of the legislature to take up the  
8 matter of the projected revenue shortfall and the governor shall submit his or her bill  
9 for consideration at that session.

10           **SECTION 2.** 16.518 of the statutes is created to read:

1           **16.518 Transfers to the budget stabilization fund and the tax relief**  
2 **fund. (1)** In this section, “summary” means the amount shown in the summary in  
3 s. 20.005 (1), as published in the biennial budget act or acts.

4           **(2)** Annually, the secretary shall calculate the difference between the amount  
5 of moneys projected to be deposited in the general fund during the fiscal year that  
6 are designated as “Taxes” in the summary and the amount of such moneys actually  
7 deposited in the general fund during the fiscal year.

8           **(3)** (a) Subject to par. (b), if the amount of moneys projected to be deposited in  
9 the general fund during the fiscal year that are designated as “Taxes” in the  
10 summary is less than the amount of such moneys actually deposited in the general  
11 fund during the fiscal year, the secretary shall annually transfer from the general  
12 fund to the budget stabilization fund 50% of the amount calculated under sub. (2).

13           (b) 1. If the balance of the budget stabilization fund on June 30 of the fiscal year  
14 is at least equal to 5% of the estimated expenditures from the general fund during  
15 the fiscal year, as reported in the summary, the secretary may not make the transfer  
16 under par. (a).

17           2. If the amount transferred under par. (a) would cause the general fund  
18 balance on June 30 of the fiscal year to be less than the general fund balance that is  
19 required under s. 20.003 (4) for that fiscal year, the secretary shall reduce the amount  
20 transferred under par. (a) to the amount that would cause the general fund balance  
21 to be equal to the minimum general fund balance that is required under s. 20.003 (4)  
22 for that fiscal year.

23           **(4)** Annually, the secretary shall transfer from the general fund to the tax relief  
24 fund the difference between the amount calculated under sub. (2) and the amount  
25 transferred to the budget stabilization fund under sub. (3).

1           **SECTION 3.** 20.875 (1) (a) of the statutes is repealed and recreated to read:

2           20.875 (1) (a) *General fund transfer.* A sum sufficient equal to the amount that  
3 is required to be transferred under s. 16.518 (3).

          \*\*\*NOTE: This SECTION involves a change in an appropriation that must be  
reflected in the revised schedule in s. 20.005, stats.

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7           (a) *General fund transfer.* A sum sufficient equal to the amount that is required  
8 to be transferred under s. 16.518 (4).

9           (2) **TRANSFERS FROM THE FUND.** There is appropriated from the tax relief fund  
10 to the general fund:

11           (q) *Tax relief fund transfer.* An amount equal to the amount certified to the  
12 secretary of administration under s. 71.07 (7m) (d).

          \*\*\*\*NOTE: This SECTION involves a change in an appropriation that must be  
reflected in the revised schedule in s. 20.005, stats.

13           **SECTION 5.** 25.17 (1) (te) of the statutes is created to read:

14           25.17 (1) (te) Tax relief fund (s. 25.63);

15           **SECTION 6.** 25.60 of the statutes is repealed and recreated to read:

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17 trust fund designated as the budget stabilization fund, consisting of moneys  
18 transferred to the fund from the general fund under s. 16.518 (3).

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20           **25.63 Tax relief fund.** There is created a separate nonlapsible trust fund  
21 designated as the tax relief fund, consisting of moneys transferred to the fund from  
22 the general fund under s. 16.518 (4).

1           **SECTION 8.** 71.07 (7m) of the statutes is created to read:

2           **71.07 (7m) TAX RELIEF FUND TAX CREDIT.** (a) *Definitions.* In this subsection:

3           1. "Claimant" means an individual taxpayer.

4           2. "Credit unit" means an amount calculated by the department by dividing the  
5 amount certified under par. (c) 3. by the sum of all claimants, all spouses of claimants,  
6 and all dependents.

7           3. "Department" means the department of revenue.

8           4. "Dependent" means an individual who is claimed by the claimant as a  
9 dependent under section 151 (c) of the Internal Revenue Code.

10           (b) *Filing claims.* Subject to the limitations and conditions provided in this  
11 subsection, a claimant, or a claimant and his or her spouse, may claim as a credit  
12 against the tax imposed under s. 71.02, up to the amount of those taxes, an amount  
13 determined by the department under par. (c). One credit amount may be claimed by  
14 each claimant, by the claimant's spouse, and for each dependent of a claimant.

15           (c) *Determination of credit amount.* 1. Not later than September 1 each year,  
16 the secretary of administration shall certify to the secretary of the department the  
17 amount that is in the tax relief fund under s. 25.63.

18           2. If the amount of the certification is \$25,000,000 or less, the amount that may  
19 be claimed in that taxable year is zero.

20           3. If the amount of the certification exceeds \$25,000,000, the department shall  
21 determine the credit amount for that taxable year. The credit amount shall be based  
22 on the credit unit, but shall be modified such that the certified amount in the tax  
23 relief fund is expended as fully as possible and that the credit amount for each  
24 claimant, spouse of a claimant, and dependent of a claimant is <sup>rounded down to the nearest</sup> a whole dollar  
25 amount.

1 (d) *Certification of amounts claimed.* Not later than August 15 of the year  
2 following the year in which the department determines a credit amount under par.  
3 (c) 3., the department shall determine the amount of revenue lost because of credits  
4 claimed in the taxable year to which that credit amount relates. The amount of  
5 revenue lost shall be certified to the secretary of administration.

6 (e) *Limitations and conditions.* 1. No credit may be allowed under this  
7 subsection unless it is claimed within the time period under s. 71.75 (2).

8 2. Part-year residents and nonresidents of this state are not eligible for the  
9 credit under this subsection.

10 (f) *Administration.* Subsection (9e) (d), to the extent that it applies to the credit  
11 under that subsection, applies to the credit under this subsection.

12 **SECTION 9.** 71.10 (4) (dt) of the statutes is created to read:

13 71.10 (4) (dt) Tax relief fund credit under s. 71.07 (7m).

14 **SECTION 9344. Initial applicability; revenue.**

15 (1) TAX RELIEF FUND TAX CREDIT. The treatment of sections 71.07 (7m) and 71.10  
16 (4) (dt) of the statutes first applies to taxable years beginning on January 1 of the year  
17 in which this subsection takes effect, except that if this subsection takes effect after  
18 July 31 the treatment of sections 71.07 (7m) and 71.10 (4) (dt) of the statutes first  
19 applies to taxable years beginning on January 1 of the year following the year in  
20 which this subsection takes effect.

21 (END)

## Miller, Steve

---

**From:** Geisler, Jeffrey  
**Sent:** Friday, January 12, 2001 2:05 PM  
**To:** Miller, Steve  
**Cc:** Currier, Dawn  
**Subject:** Change to a Budget Draft

Steve,  
Attached is a paper with DOR's comment on a budget drafts.  
This is provided as background to the following requested change.

### LRB 1256/4 - Transfers to budget stabilization fund, tax relief fund; creation of tax relief fund tax credit.

Please change this draft to prevent a dependent being able to claim the credit. The credit that any dependent generates should only be available to the parents (or similar type relationship) of that dependent.

This issue is discussed in the following DOR analysis in the first substantive paragraph of point #4.



analysis of tax relief  
fund 12...

Please note that I am NOT requesting a change to implement the DOR discussion of making the credit available to part-year residents and nonresidents.

Jeffrey A. Geisler  
266-1805  
DOA State Budget Office

## ANALYSIS OF LEGISLATION

1. **Bill and/or LRB Number:** **LRB-1256/3** – Creates tax relief fund tax credit

2. **Type of Taxes Affected:** (please list all that apply)

Individual Income

3. **Description of the Bill:** (briefly describe the subject matter of the bill and the change/s)

Creates a nonrefundable tax relief fund tax credit. The amount of the credit is determined by dividing the amount certified by DOA by the sum of all claimants, spouses, and dependents.

4. **Statutory language problems, if any:**  **Yes**  **No**

(If yes, describe problems and indicate suggested corrective language. Example of problem: The bill language is unclear, does not fully accomplish the desired result, or has undesirable side effects.)

As claimant is defined, an individual claimed as a dependent would be able to claim the credit and the dependent's parents would also claim the credit. Thus 2 credits would be allowed for the same person. The credit should probably not be allowed to a person who is claimed as a dependent.

The credit is not available to part-year residents and nonresidents. What is the intent in the case of a full-year resident married to a part-year resident or nonresident who file a joint return? If the credit is allowed in this situation, is a proration wanted? See 71.07(9)(c) or (5)(d) for language for a proration if one spouse is not domiciled in Wisconsin for the entire year.

Another issue to consider: a \$25 million threshold for providing a credit could be considered low since it would result in a credit of only \$6 for each tax filer, spouse and dependent.

5. **Effective date problems, if any, including transitional problems:**  **Yes**  **No**

(If yes, describe problem and suggested effective date or transitional language needed.)



State of Wisconsin  
2001 - 2002 LEGISLATURE

LRB-1256/4<sup>5</sup>

RAC&MES:hmh:km

RMR

DOA:.....Holden – Transfers to budget stabilization fund, tax relief fund;  
creation of tax relief fund tax credit.

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

DOA

do not gen

1 AN ACT ... relating to: the budget.

*Analysis by the Legislative Reference Bureau*

**STATE GOVERNMENT**

**STATE FINANCE**

This bill requires that certain transfers be made between the general fund, the budget stabilization fund, and the tax relief fund, which is created in this bill.

Under the bill, the secretary of administration (secretary) must annually calculate the difference between the amount of tax revenues projected to be deposited in the general fund (projected tax receipts) and the amount of tax revenues actually deposited in the general fund during the preceding fiscal year (actual tax receipts). If the projected tax receipts are less than the actual tax receipts, the secretary must transfer from the general fund to the budget stabilization fund an amount equal to 50% of the difference between the projected tax receipts and the actual tax receipts.

This transfer, however, may not take place once the balance of the budget stabilization fund is at least equal to 5% of the estimated expenditures from the general fund during the fiscal year, as projected in the biennial budget act or acts. Also, if the transferred amount would cause the general fund balance to be less than the required general fund statutory balance, the secretary must reduce the amount of the transfer by an amount that would not cause the general fund balance to be less than the required general fund balance. (The required statutory balance refers to

a current law requirement that the estimated general fund balance in any fiscal year may not be an amount less than the following percentage of the total general purpose revenue appropriations for that fiscal year plus any amount from general purpose revenue designated as "Compensation Reserves": for fiscal year 2002–03, 1.4%; for fiscal year 2003–04, 1.6%; for fiscal year 2004–05, 1.8%; and, for fiscal year 2005–06 and each fiscal year thereafter, 2%.)

In addition, the bill creates a tax relief fund that consists of the difference between the projected tax receipts and the actual tax receipts in each fiscal year and the amount transferred from the general fund to the budget stabilization fund in each fiscal year.

This bill also creates an individual income tax relief fund tax credit, which may be claimed by an individual taxpayer or by a taxpayer and his or her spouse. A claimant may also claim a credit for each of his or her dependents. The credit is nonrefundable, meaning that if the amount of the credit exceeds the taxpayer's tax liability, no check is issued in the amount of the difference.

The credit is available only in taxable years in which the amount in the tax relief fund exceeds \$25,000,000. If the secretary certifies that the amount in the fund exceeds that amount, DOR determines the amount of the credit that may be claimed in that taxable year. The credit amount is determined by dividing the amount certified by the sum of all claimants, all spouses of claimants, and all dependents, and then modified so that the amount in the fund is expended as fully as possible and by ensuring that the credit amount is rounded down to the nearest whole number.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

---

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3 containing his or her recommendations for correcting the imbalance between  
4 projected revenues and authorized expenditures, including a recommendation as to  
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7 notification, the governor shall call a special session of the legislature to take up the  
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*, although a dependent may not claim a credit*

1           **SECTION 2.** 16.518 of the statutes is created to read:

2           **16.518 Transfers to the budget stabilization fund and the tax relief**  
3 **fund.** (1) In this section, “summary” means the amount shown in the summary in  
4 s. 20.005 (1), as published in the biennial budget act or acts.

5           (2) Annually, the secretary shall calculate the difference between the amount  
6 of moneys projected to be deposited in the general fund during the fiscal year that  
7 are designated as “taxes” in the summary and the amount of such moneys actually  
8 deposited in the general fund during the fiscal year.

9           (3) (a) Subject to par. (b), if the amount of moneys projected to be deposited in  
10 the general fund during the fiscal year that are designated as “Taxes” in the  
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12 fund during the fiscal year, the secretary shall annually transfer from the general  
13 fund to the budget stabilization fund 50% of the amount calculated under sub. (2).

14           (b) 1. If the balance of the budget stabilization fund on June 30 of the fiscal year  
15 is at least equal to 5% of the estimated expenditures from the general fund during  
16 the fiscal year, as reported in the summary, the secretary may not make the transfer  
17 under par. (a).

18           2. If the amount transferred under par. (a) would cause the general fund  
19 balance on June 30 of the fiscal year to be less than the general fund balance that is  
20 required under s. 20.003 (4) for that fiscal year, the secretary shall reduce the amount  
21 transferred under par. (a) to the amount that would cause the general fund balance  
22 to be equal to the minimum general fund balance that is required under s. 20.003 (4)  
23 for that fiscal year.

1           (4) Annually, the secretary shall transfer from the general fund to the tax relief  
2 fund the difference between the amount calculated under sub. (2) and the amount  
3 transferred to the budget stabilization fund under sub. (3).

4           **SECTION 3.** 20.875 (1) (a) of the statutes is repealed and recreated to read:

5           20.875 (1) (a) *General fund transfer.* A sum sufficient equal to the amount that  
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12           (2) **TRANSFERS FROM THE FUND.** There is appropriated from the tax relief fund  
13 to the general fund:

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15 secretary of administration under s. 71.07 (7m) (d).

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reflected in the revised schedule in s. 20.005, stats.

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17           25.17 (1) (te) Tax relief fund (s. 25.63);

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19           **25.60 Budget stabilization fund.** There is created a separate nonlapsible  
20 trust fund designated as the budget stabilization fund, consisting of moneys  
21 transferred to the fund from the general fund under s. 16.518 (3).

22           **SECTION 7.** 25.63 of the statutes is created to read:

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4           **SECTION 8.** 71.07 (7m) of the statutes is created to read:

5           **71.07 (7m) TAX RELIEF FUND TAX CREDIT.** (a) *Definitions.* In this subsection: ✓

6           1. "Claimant" means an individual taxpayer. *who is not a dependent*

7           2. "Credit unit" means an amount calculated by the department by dividing the  
8 amount certified under par. (c) 3. by the sum of all claimants, all spouses of claimants,  
9 and all dependents.

10          3. "Department" means the department of revenue.

11          4. "Dependent" means an individual who is claimed by the claimant as a  
12 dependent under section 151 (c) of the Internal Revenue Code.

13          (b) *Filing claims.* Subject to the limitations and conditions provided in this  
14 subsection, a claimant, or a claimant and his or her spouse, may claim as a credit  
15 against the tax imposed under s. 71.02, up to the amount of those taxes, an amount  
16 determined by the department under par. (c). One credit amount may be claimed by  
17 each claimant, by the claimant's spouse, and for each dependent of a claimant. *No credit  
may be claimed by a dependent.*

18          (c) *Determination of credit amount.* 1. Not later than September 1 each year,  
19 the secretary of administration shall certify to the secretary of the department the  
20 amount that is in the tax relief fund under s. 25.63.

21          2. If the amount of the certification is \$25,000,000 or less, the amount that may  
22 be claimed in that taxable year is zero.

23          3. If the amount of the certification exceeds \$25,000,000, the department shall  
24 determine the credit amount for that taxable year. The credit amount shall be based  
25 on the credit unit, but shall be modified such that the certified amount in the tax

1 relief fund is expended as fully as possible and that the credit amount for each  
2 claimant, spouse of a claimant, and dependent of a claimant is rounded down to the  
3 nearest whole dollar amount.

4 (d) *Certification of amounts claimed.* Not later than August 15 of the year  
5 following the year in which the department determines a credit amount under par.  
6 (c) 3., the department shall determine the amount of revenue lost because of credits  
7 claimed in the taxable year to which that credit amount relates. The amount of  
8 revenue lost shall be certified to the secretary of administration.

9 (e) *Limitations and conditions.* 1. No credit may be allowed under this  
10 subsection unless it is claimed within the time period under s. 71.75 (2).

11 2. Part-year residents and nonresidents of this state are not eligible for the  
12 credit under this subsection.

13 (f) *Administration.* Subsection (9e) (d), to the extent that it applies to the credit  
14 under that subsection, applies to the credit under this subsection.

15 **SECTION 9.** 71.10 (4) (dt) of the statutes is created to read:

16 71.10 (4) (dt) Tax relief fund credit under s. 71.07 (7m).

17 **SECTION 9344. Initial applicability; revenue.**

18 (1) **TAX RELIEF FUND TAX CREDIT.** The treatment of sections 71.07 (7m) and 71.10  
19 (4) (dt) of the statutes first applies to taxable years beginning on January 1 of the year  
20 in which this subsection takes effect, except that if this subsection takes effect after  
21 July 31 the treatment of sections 71.07 (7m) and 71.10 (4) (dt) of the statutes first  
22 applies to taxable years beginning on January 1 of the year following the year in  
23 which this subsection takes effect.

24 (END)

DOA:.....Holden – Transfers to budget stabilization fund, tax relief fund;  
creation of tax relief fund tax credit.

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

1 AN ACT ...; relating to: the budget.

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*Analysis by the Legislative Reference Bureau*

**STATE GOVERNMENT**

**STATE FINANCE**

This bill requires that certain transfers be made between the general fund, the budget stabilization fund, and the tax relief fund, which is created in this bill.

Under the bill, the secretary of administration (secretary) must annually calculate the difference between the amount of tax revenues projected to be deposited in the general fund (projected tax receipts) and the amount of tax revenues actually deposited in the general fund during the preceding fiscal year (actual tax receipts). If the projected tax receipts are less than the actual tax receipts, the secretary must transfer from the general fund to the budget stabilization fund an amount equal to 50% of the difference between the projected tax receipts and the actual tax receipts.

This transfer, however, may not take place once the balance of the budget stabilization fund is at least equal to 5% of the estimated expenditures from the general fund during the fiscal year, as projected in the biennial budget act or acts. Also, if the transferred amount would cause the general fund balance to be less than the required general fund statutory balance, the secretary must reduce the amount of the transfer by an amount that would not cause the general fund balance to be less than the required general fund balance. (The required statutory balance refers to

a current law requirement that the estimated general fund balance in any fiscal year may not be an amount less than the following percentage of the total general purpose revenue appropriations for that fiscal year plus any amount from general purpose revenue designated as "Compensation Reserves": for fiscal year 2002-03, 1.4%; for fiscal year 2003-04, 1.6%; for fiscal year 2004-05, 1.8%; and, for fiscal year 2005-06 and each fiscal year thereafter, 2%.)

In addition, the bill creates a tax relief fund that consists of the difference between the projected tax receipts and the actual tax receipts in each fiscal year and the amount transferred from the general fund to the budget stabilization fund in each fiscal year.

This bill also creates an individual income tax relief fund tax credit, which may be claimed by an individual taxpayer or by a taxpayer and his or her spouse. A claimant may also claim a credit for each of his or her dependents, although a dependent may not claim a credit. The credit is nonrefundable, meaning that if the amount of the credit exceeds the taxpayer's tax liability, no check is issued in the amount of the difference.

The credit is available only in taxable years in which the amount in the tax relief fund exceeds \$25,000,000. If the secretary certifies that the amount in the fund exceeds that amount, DOR determines the amount of the credit that may be claimed in that taxable year. The credit amount is determined by dividing the amount certified by the sum of all claimants, all spouses of claimants, and all dependents, and then modified so that the amount in the fund is expended as fully as possible and by ensuring that the credit amount is rounded down to the nearest whole number.

For further information see the *state* 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.** 16.50 (7) (b) of the statutes is amended to read:  
2           16.50 (7) (b) Following such notification, the governor shall submit a bill  
3 containing his or her recommendations for correcting the imbalance between  
4 projected revenues and authorized expenditures, including a recommendation as to  
5 whether moneys should be transferred from the budget stabilization fund to the  
6 general fund. If the legislature is not in a floorperiod at the time of the secretary's  
7 notification, the governor shall call a special session of the legislature to take up the

1 matter of the projected revenue shortfall and the governor shall submit his or her bill  
2 for consideration at that session.

3 SECTION 2. 16.518 of the statutes is created to read:

4 **16.518 Transfers to the budget stabilization fund and the tax relief**  
5 **fund.** (1) In this section, “summary” means the amount shown in the summary in  
6 s. 20.005 (1), as published in the biennial budget act or acts.

7 (2) Annually, the secretary shall calculate the difference between the amount  
8 of moneys projected to be deposited in the general fund during the fiscal year that  
9 are designated as “Taxes” in the summary and the amount of such moneys actually  
10 deposited in the general fund during the fiscal year.

11 (3) (a) Subject to par. (b), if the amount of moneys projected to be deposited in  
12 the general fund during the fiscal year that are designated as “Taxes” in the  
13 summary is less than the amount of such moneys actually deposited in the general  
14 fund during the fiscal year, the secretary shall annually transfer from the general  
15 fund to the budget stabilization fund 50% of the amount calculated under sub. (2).

16 (b) 1. If the balance of the budget stabilization fund on June 30 of the fiscal year  
17 is at least equal to 5% of the estimated expenditures from the general fund during  
18 the fiscal year, as reported in the summary, the secretary may not make the transfer  
19 under par. (a).

20 2. If the amount transferred under par. (a) would cause the general fund  
21 balance on June 30 of the fiscal year to be less than the general fund balance that is  
22 required under s. 20.003 (4) for that fiscal year, the secretary shall reduce the amount  
23 transferred under par. (a) to the amount that would cause the general fund balance  
24 to be equal to the minimum general fund balance that is required under s. 20.003 (4)  
25 for that fiscal year.

1           (4) Annually, the secretary shall transfer from the general fund to the tax relief  
2 fund the difference between the amount calculated under sub. (2) and the amount  
3 transferred to the budget stabilization fund under sub. (3).

4           **SECTION 3.** 20.875 (1) (a) of the statutes is repealed and recreated to read:

5           20.875 (1) (a) *General fund transfer.* A sum sufficient equal to the amount that  
6 is required to be transferred under s. 16.518 (3).

      \*\*\*\*NOTE: This SECTION involves a change in an appropriation that must be  
reflected in the revised schedule in s. 20.005, stats.

7           **SECTION 4.** 20.876 of the statutes is created to read:

8           **20.876 Tax relief fund. (1) TRANSFERS TO FUND.** There is appropriated to the  
9 tax relief fund:

10          (a) *General fund transfer.* A sum sufficient equal to the amount that is required  
11 to be transferred under s. 16.518 (4).

12          (2) **TRANSFERS FROM THE FUND.** There is appropriated from the tax relief fund  
13 to the general fund:

14          (q) *Tax relief fund transfer.* An amount equal to the amount certified to the  
15 secretary of administration under s. 71.07 (7m) (d).

      \*\*\*\*NOTE: This SECTION involves a change in an appropriation that must be  
reflected in the revised schedule in s. 20.005, stats.

16          **SECTION 5.** 25.17 (1) (te) of the statutes is created to read:

17          25.17 (1) (te) Tax relief fund (s. 25.63);

18          **SECTION 6.** 25.60 of the statutes is repealed and recreated to read:

19          **25.60 Budget stabilization fund.** There is created a separate nonlapsible  
20 trust fund designated as the budget stabilization fund, consisting of moneys  
21 transferred to the fund from the general fund under s. 16.518 (3).

22          **SECTION 7.** 25.63 of the statutes is created to read:

1           **25.63 Tax relief fund.** There is created a separate nonlapsible trust fund  
2 designated as the tax relief fund, consisting of moneys transferred to the fund from  
3 the general fund under s. 16.518 (4).

4           **SECTION 8.** 71.07 (7m) of the statutes is created to read:

5           **71.07 (7m) TAX RELIEF FUND TAX CREDIT.** (a) *Definitions.* In this subsection:

6           1. "Claimant" means an individual taxpayer who is not a dependent.

7           2. "Credit unit" means an amount calculated by the department by dividing the  
8 amount certified under par. (c) 3. by the sum of all claimants, all spouses of claimants,  
9 and all dependents.

10          3. "Department" means the department of revenue.

11          4. "Dependent" means an individual who is claimed by the claimant as a  
12 dependent under section 151 (c) of the Internal Revenue Code.

13          (b) *Filing claims.* Subject to the limitations and conditions provided in this  
14 subsection, a claimant, or a claimant and his or her spouse, may claim as a credit  
15 against the tax imposed under s. 71.02, up to the amount of those taxes, an amount  
16 determined by the department under par. (c). One credit amount may be claimed by  
17 each claimant, by the claimant's spouse, and for each dependent of a claimant. No  
18 credit may be claimed by a dependent.

19          (c) *Determination of credit amount.* 1. Not later than September 1 each year,  
20 the secretary of administration shall certify to the secretary of the department the  
21 amount that is in the tax relief fund under s. 25.63.

22          2. If the amount of the certification is \$25,000,000 or less, the amount that may  
23 be claimed in that taxable year is zero.

24          3. If the amount of the certification exceeds \$25,000,000, the department shall  
25 determine the credit amount for that taxable year. The credit amount shall be based

1 on the credit unit, but shall be modified such that the certified amount in the tax  
2 relief fund is expended as fully as possible and that the credit amount for each  
3 claimant, spouse of a claimant, and dependent of a claimant is rounded down to the  
4 nearest whole dollar amount.

5 (d) *Certification of amounts claimed.* Not later than August 15 of the year  
6 following the year in which the department determines a credit amount under par.  
7 (c) 3., the department shall determine the amount of revenue lost because of credits  
8 claimed in the taxable year to which that credit amount relates. The amount of  
9 revenue lost shall be certified to the secretary of administration.

10 (e) *Limitations and conditions.* 1. No credit may be allowed under this  
11 subsection unless it is claimed within the time period under s. 71.75 (2).

12 2. Part-year residents and nonresidents of this state are not eligible for the  
13 credit under this subsection.

14 (f) *Administration.* Subsection (9e) (d), to the extent that it applies to the credit  
15 under that subsection, applies to the credit under this subsection.

16 **SECTION 9.** 71.10 (4) (dt) of the statutes is created to read:

17 71.10 (4) (dt) Tax relief fund credit under s. 71.07 (7m).

18 **SECTION 9344. Initial applicability; revenue.**

19 (1) **TAX RELIEF FUND TAX CREDIT.** The treatment of sections 71.07 (7m) and 71.10  
20 (4) (dt) of the statutes first applies to taxable years beginning on January 1 of the year  
21 in which this subsection takes effect, except that if this subsection takes effect after  
22 July 31 the treatment of sections 71.07 (7m) and 71.10 (4) (dt) of the statutes first  
23 applies to taxable years beginning on January 1 of the year following the year in  
24 which this subsection takes effect.

25 (END)