

**2005 DRAFTING REQUEST**

**Bill**

Received: **01/27/2006**

Received By: **mshovers**

Wanted: **As time permits**

Identical to LRB:

For: **Administration 6-2081**

By/Representing: **John Koskinen**

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

Drafter: **mshovers**

May Contact:

Addl. Drafters:

Subject: **Tax, Individual - income credit**

Extra Copies:

Submit via email: **YES**

Requester's email: **john.koskinen@wisconsin.gov**

Carbon copy (CC:) to:

---

**Pre Topic:**

No specific pre topic given

---

**Topic:**

Create the living wage individual income tax credit

---

**Instructions:**

See Attached. Supplemental EITC

---

**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>
/?				_____			State
/P1	mshovers 01/27/2006	wjackson 01/30/2006	rschlue 01/30/2006	_____	lemery 01/30/2006		State
/1	mshovers 02/17/2006	wjackson 02/17/2006	pgreensl 02/17/2006	_____	sbasford 02/17/2006	lnorthro 02/17/2006	

FE Sent For:

*at intro*  
*3/10*

## 2005 DRAFTING REQUEST

### Bill

Received: **01/27/2006**

Received By: **mshovers**

Wanted: **As time permits**

Identical to LRB:

For: **Administration 6-2081**

By/Representing: **John Koskinen**

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

Drafter: **mshovers**

May Contact:

Addl. Drafters:

Subject: **Tax, Individual - income credit**

Extra Copies:

Submit via email: **YES**

Requester's email: **john.koskinen@wisconsin.gov**

Carbon copy (CC:) to:

---

### Pre Topic:

No specific pre topic given

---

### Topic:

Create the living wage individual income tax credit

---

### Instructions:

See Attached. Supplemental EITC

---

### 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>
/?				_____			State
/P1	mshovers 01/27/2006	wjackson 01/30/2006	rschluet 01/30/2006	_____	lemery 01/30/2006		State
/1	mshovers 02/17/2006	wjackson 02/17/2006	pgreensl 02/17/2006	_____	sbasford 02/17/2006		

FE Sent For:

**2005 DRAFTING REQUEST**

**Bill**

Received: **01/27/2006**

Received By: **mshovers**

Wanted: **As time permits**

Identical to LRB:

For: **Administration 6-2081**

By/Representing: **John Koskinen**

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

Drafter: **mshovers**

May Contact:

Addl. Drafters:

Subject: **Tax, Individual - income credit**

Extra Copies:

Submit via email: **YES**

Requester's email: **john.koskinen@wisconsin.gov**

Carbon copy (CC:) to:

---

**Pre Topic:**

No specific pre topic given

---

**Topic:**

Create the living wage individual income tax credit

---

**Instructions:**

See Attached. Supplemental EITC

---

**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>
--------------	----------------	-----------------	--------------	----------------	------------------	-----------------	-----------------

/?							State
----	--	--	--	--	--	--	-------

/P1	mshovers	wjackson	rschluet	<u>2/A</u>	lemery		
	01/27/2006	01/30/2006	01/30/2006		01/30/2006		

FE Sent For:

*11 ME 5 2/17/06*  
*2/17*  
*1 wj 2/17*  
*PS*  
*PS /RS*  
**<END>**

**2005 DRAFTING REQUEST**

**Bill**

Received: **01/27/2006**

Received By: **mshovers**

Wanted: **As time permits**

Identical to LRB:

For: **Administration 6-2081**

By/Representing: **John Koskinen**

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

Drafter: **mshovers**

May Contact:

Addl. Drafters:

Subject: **Tax, Individual - income credit**

Extra Copies:

Submit via email: **YES**

Requester's email: **john.koskinen@wisconsin.gov**

Carbon copy (CC:) to:

---

**Pre Topic:**

No specific pre topic given

---

**Topic:**

Create the living wage individual income tax credit

---

**Instructions:**

See Attached. Supplemental EITC

---

**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>
--------------	----------------	-----------------	--------------	----------------	------------------	-----------------	-----------------

/?	mshovers	pl wlj 1/30					
1P1 MES 1/27/06							

FE Sent For:

*[Handwritten signature]*  
4506  
P6

<END>

**Shovers, Marc**

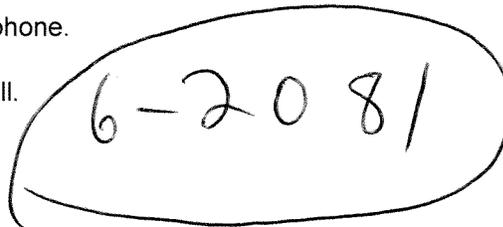
---

**From:** Koskinen, John - DOA [John.Koskinen@Wisconsin.gov]  
**Sent:** Wednesday, January 25, 2006 3:50 PM  
**To:** Shovers, Marc  
**Subject:** Drafting Request--Supplement EITC  
**Attachments:** Supplemental Earned Income Tax Credit.doc

This is the proposal I mentioned on the phone.

If you have any questions, feel free to call.

Thanks again.



6-2081

*call it* ~~Supplemental Earned Income Tax Credit~~  
 → Living Wage Credit

Objective: Provide a supplement to the earned income credit equal to the difference between the federal poverty level and the existing federal and state earned income tax credits.

Credit: Equals the difference between federal poverty levels, determined by household size. *+ income*

Income Definition: Income would be all taxable and nontaxable sources of income (including federal EIC) less state income liability.

**Wages**

- +taxable social security
- + non taxable social security
- + nontaxable child support
- + welfare payments
- + CARES payment *- 2,*
- + OTHER nontaxable sources of income *) 2,*
- + state EITC
- + federal EITC
- + refundable state credits
- state income taxes.

Income for Supplemental Earned Income Tax Credit.

Eligibility Requirement:

- 1) One person in household may receive the credit
- 2) Recipient must work at least 35 hours per week.

*compensated employment*

Phase-In: Move to 100% of poverty level in three steps.

	<u>Supplement to</u>
TY 2007	90% poverty level
TY 2008	95% poverty level
TY 2009	100% poverty level

Fiscal Effect

	<u>Supplement to</u>	<u>Fiscal Effect</u>	<u>Claimants</u>
TY 2007	90% poverty level	\$9.3 million	4,400
TY 2008	95% poverty level	\$14.8 million	5,900
TY 2009	100% poverty level	\$22.4 million	8,800

**Shovers, Marc**

---

**From:** Koskinen, John - DOA [John.Koskinen@Wisconsin.gov]  
**Sent:** Thursday, January 26, 2006 2:17 PM  
**To:** Shovers, Marc  
**Subject:** FW: Drafting Request--Supplement EITC

I have received these additional comments from the Governor's Office.

- 1) Remove the "Supplemental Earned Income Tax Credit" from the title. It should only be referred to as the Living Wage Credit
- 2) Under Income Definition please add "+ Federal Additional Child Tax Credit"
- 3) Under Eligibility Requirement please add "3) Must claim state EITC"
- 4) Add a line that would say "Allow DWD and DHFS to share information with DOR regarding this program" or something along those lines.

---

**From:** Koskinen, John - DOA [mailto:John.Koskinen@Wisconsin.gov]  
**Sent:** Wednesday, January 25, 2006 3:50 PM  
**To:** marc.shovers@legis.state.wi.us  
**Subject:** Drafting Request--Supplement EITC

This is the proposal I mentioned on the phone.

If you have any questions, feel free to call.

6-2081

Thanks again.



State of Wisconsin  
2005 - 2006 LEGISLATURE

LRB-4502/7

MES.../...

WLJ  
RMR

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

WANTED!  
TUES a.m.

gan

1 AN ACT ...; relating to: creating a refundable individual income tax living wage  
2 credit.

*Analysis by the Legislative Reference Bureau*

To be provided in a future version of this bill.

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

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

3 SECTION 1. 20.835 (2) (en) of the statutes is created to read:  
4 20.835 (2) (en) *Living wage tax credit*. A sum sufficient to pay the claims  
5 *certified* approved under s. 71.07 (8r).

6 SECTION 2. 71.07 (8r) of the statutes is created to read:  
7 71.07 (8r) LIVING WAGE TAX CREDIT. (a) *Definitions*. Except as provided in par.  
8 (c) 6. and 7., in this subsection:

9 1. "Claimant" means an individual who files a claim under this subsection.

1 2. "Household" means a claimant and an individual related to the claimant as  
2 husband or wife.

3 3. "Income" means income, as defined in s. 71.52 (6), received by the claimant  
4 in the year before the year to which the claim relates, plus all of the following  
5 amounts received by the claimant in the year before the year to which the claim  
6 relates, minus the net income tax imposed under s. 71.02 that is paid by the  
7 claimant in the year before the year to which the claim relates:

8 a. The amount of earned income tax credit under section 32 (b) (1) (A) to (C) of  
9 the Internal Revenue Code.

10 b. The amount of any refundable income tax credit under <sup>this section</sup> s. 71.07

11 c. The amount of any income tax refund paid by this state.

12 4. "Poverty line" means the nonfarm federal poverty line for the continental  
13 United States, as defined by the federal department of labor under 42 USC 9902 (2).

\*  
\*  
\*  
\*\*\*\*NOTE: Your instructions stated that you wanted to add to the definition of  
"income" "federal additional child tax credit." I searched the Internal Revenue Service  
data base for this credit and could not find it. Do you have a citation to the IRC for the  
credit? ID

14 (b) *Filing claims.* Subject to the limitations provided in this subsection, a  
15 claimant may claim as a credit against the tax imposed under s. 71.02 an amount,  
16 if positive, that is calculated by subtracting the claimant's income from the poverty  
17 line. If the allowable amount of the claim exceeds the income taxes otherwise due  
18 on the claimant's income, the amount of the claim not used as an offset against those  
19 taxes shall be certified by the department of revenue to the department of  
20 administration for payment to the claimant by check, share draft, or other draft from  
21 the appropriation under s. 20.835 (2) (en).

1 (c) *Limitations.* 1. No claimant may claim the credit under this subsection  
2 unless the claimant was eligible for, and claimed, the credit under sub. (9e) in the  
3 year before the year to which the claim relates.

4 2. No credit may be allowed under this subsection unless it is claimed within  
5 the time period under s. 71.75 (2).

6 3. If a part-year resident or a nonresident of this state files a claim under this  
7 subsection, the maximum credit amount shall be multiplied by a fraction, the  
8 numerator of which is the individual's and his or her spouse's Wisconsin adjusted  
9 gross income and the denominator of which is the individual's and his or her spouse's  
10 federal adjusted gross income. In this subdivision, for married persons filing  
11 separately "adjusted gross income" means the separate adjusted gross income of  
12 each spouse, and for married persons filing jointly "adjusted gross income" means the  
13 total adjusted gross income of both spouses.

14 4. Only one claimant per household per year may claim the credit under this  
15 subsection.

16 5. No individual may claim the credit under this subsection unless he or she  
17 works at least 35 hours per week in compensated employment.

\*\*\*NOTE: Over what time period must someone work 35 hours per week? As drafted, I think that one week would satisfy the condition. You may want to consider making the requirement a certain number of hours worked in the year before the year to which the claim relates. For example, a requirement of 1,820 hours could be achieved by working 35 hours per week multiplied by 52 weeks.

18 6. For taxable years beginning after December 31, 2006 and before January 1,  
19 2008, "poverty line" means 90 percent of the nonfarm federal poverty line for the  
20 continental United States, as defined by the federal department of labor under 42  
21 USC 9902 (2).

1 7. For taxable years beginning after December 31, 2007, and before January 1,  
2 2009, "poverty line" means 95 percent of the nonfarm federal poverty line for the  
3 continental United States, as defined by the federal department of labor under 42  
4 USC 9902 (2).

5 (d) *Administration.* 1. Subsection (9e) (d), to the extent that it applies to the  
6 credit under that subsection, applies to the credit under this subsection.

7 2. The department of workforce development and the department of health and  
8 family services shall provide any information in their possession that the  
9 department of revenue requests which would enable the department of revenue to  
10 administer the credit under this subsection.

11 **SECTION 3.** 71.08 (1) (intro.) of the statutes, as affected by 2005 Wisconsin Act  
12 25, is amended to read:

13 71.08 (1) IMPOSITION. (intro.) If the tax imposed on a natural person, married  
14 couple filing jointly, trust, or estate under s. 71.02, not considering the credits under  
15 ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (2fd), (3m), (3n), (3s),  
16 (3t), (5b), (5d), (6), (6e), (8r), and (9e), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx),  
17 (1fd), (2m), (3), (3n), and (3t) and 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx),  
18 (1fd), (2m), (3), (3n), and (3t) and subchs. VIII and IX and payments to other states  
19 under s. 71.07 (7), is less than the tax under this section, there is imposed on that  
20 natural person, married couple filing jointly, trust, or estate, instead of the tax under  
21 s. 71.02, an alternative minimum tax computed as follows:

22 **SECTION 4.** 71.10 (4) (i) of the statutes, as affected by 2005 Wisconsin Act 25,  
23 is amended to read:

24 71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland  
25 preservation credit under subch. IX, homestead credit under subch. VIII, farmland

1 tax relief credit under s. 71.07 (3m), farmers' drought property tax credit under s.  
2 71.07 (2fd), veterans and surviving spouses property tax credit under s. 71.07 (6e),  
3 earned income tax credit under s. 71.07 (9e), estimated tax payments under s. 71.09,  
4 living wage tax credit under s. 71.07 (8r), and taxes withheld under subch. X.

5 **SECTION 5. Initial applicability.**

6 (1) This act first applies to taxable years beginning on January 1 of the year  
7 in which this subsection takes effect, except that if this subsection takes effect on or  
8 after August 1 this act first applies to taxable years beginning on January 1 of the  
9 year following the year in which this subsection takes effect.

10 (END)

call  
Marcie  
Stock-

**Edit Suggestions from DOA for LRB-4502/P1 – Living Wage Tax Credit**

- "Household" is currently defined as a claimant and an individual related to the claimant as husband or wife. It should be clarified that household means a claimant and an individual related to the claimant as husband or wife residing in the same homestead as the claimant, as well as all other persons, related or unrelated, living in the homestead. This should sync up the definition with how the poverty threshold is calculated, as well as clarifying that two unrelated, unmarried adults living in the same household cannot claim the credit.
- The definition of "claimant" should include that when two or more individuals of a household are able to meet the qualifications for a claimant, they may determine between them as to who the claimant is. See sec. 71.52(1) for wording used for homestead credit purposes.
- The bill provides that "'Income' means income, as defined in s. 71.52(6), received by the claimant ..." Income should include all income received by all persons of a household while members of the household, not just the income of the claimant.
- You requested a citation for the federal additional child tax credit. This is section 24(d) of the IRC that allows a portion of the child tax credit to be refundable. To claim the additional child tax credit, federal Form 8812 must be completed and the credit is claimed on line 68 of the 2005 Form 1040(line 42 of Form 1040A).
- The poverty threshold is variable based on the year and size of family. An alternate reference to incorporate this would be the "Poverty Thresholds for [Year] by Size of Family and Number of Related Children Under 18 Years" as reported by the US Census Bureau, Housing and Household Economics Statistics Division, or its successor. The poverty threshold for 2005 should probably apply for taxable year 2006, etc.
- For Purposes of calculating this poverty threshold, all children living in the home should be included, regardless of whether or not they can be claimed as dependents. This can be clarified by using the definition of household as specified in bullet #1.
- Section 71.07(8r) should include a reference to sec. 71.08 as well as sec. 71.02 to allow the credit to offset both the regular tax and the alternative minimum tax.
- In paragraph (b), the credit is calculated by subtracting the claimant's income from the poverty line. Clarify that for purposes of calculating the credit, a person's income cannot be less than zero; i.e. the credit cannot be more than the poverty line.
- Use language from sec. 71.52(1) to revise the definition of claimant to clearly limit the credit to people domiciled in Wisconsin for the entire year.
- Change the work requirement from "works at least 35 hours per week in compensated employment" to "is in paid employment for at least 1,750 hours in the taxable year."
- Department of Revenue should be given statutory authority to require any information it deems necessary to verify the credit. Claimants should be required to provide such information as proscribed by the department.
- Allow the Department of Health and Family Services and the Department of Workforce Development to disclose information deemed necessary by the Department of Revenue for the purpose of verification of the credit.
- Change the effective date to apply beginning in taxable year 2007.

CRJ of 4/10/07  
"Household income"

I think the current v-ret to 42 USC 9002(2) is the same as

Not done per Brian

see par. (c) 3.

It's in there  
see par. (d) 2.



# Institute for Research on Poverty

[About IRP](#)
[Research](#)
[IRP Initiatives](#)
[News & Events](#)
[Publications](#)
[Links](#)
[FAQs](#)
[Site Map](#)
[Search](#)

[Home](#) > [FAQs](#) > Poverty Thresholds and Poverty Guidelines

University of Wisconsin-  
Madison

## Poverty Thresholds and Poverty Guidelines

[What are poverty thresholds and poverty guidelines?](#)  
[The Census Bureau's poverty thresholds for 2004](#)  
[How are the poverty guidelines used?](#)  
[What is the most recent poverty line?](#)

[Back to FAQs Home](#) | [next FAQ >>](#)

### What are poverty thresholds and poverty guidelines?

Each year, generally in the fall, the U.S. Census Bureau issues a report on poverty in the United States. Among other information, it provides statistics on how many people are poor, and on how poverty is distributed by age, by race or ethnicity, by region, and by family type. Individuals or families are poor if their annual pretax cash income falls below a federal measure of poverty that is also recalculated each year. The Census Bureau's most recent poverty report is for 2004. In 2005, the Census Bureau published a combined report, *Income, Poverty, and Health Insurance Coverage in the United States: 2004*.

Since 1965, there have been two slightly different versions of the federal poverty measure:

- the poverty thresholds, and
- the poverty guidelines.

The **poverty thresholds** are the original version of the federal poverty measure (developed by Mollie Orshansky of the Social Security Administration). They are updated each year by the Census Bureau. The thresholds are used mainly for **statistical purposes**--for instance, preparing the estimates of the number of Americans in poverty for each year's report. Values of the poverty thresholds for the years 1980-2004 for families of different sizes are available on the Census Bureau's web site. For example, for a four-person family unit with two children, the 2004 poverty threshold is \$19,157. For one- or two-person family units, the poverty thresholds differ by age; the 2004 threshold for one individual under age 65 is \$9,827, whereas for an individual 65 or over it is \$9,060.

The **poverty guidelines** are the other version of the federal poverty measure. They are issued each year in the *Federal Register* by the Department of Health and

"Poverty thresholds" is used in the bill because the definition of "poverty line" in the US Code refers to information OMB obtains from the U.S. Census Bureau

**Human Services (HHS).** The guidelines are a simplification of the poverty thresholds for use for **administrative** purposes—for instance, determining financial eligibility for certain federal programs. They are adjusted for families of different size.

Poverty guidelines for the years since 1982 and other historical information appear on the web page "[Poverty Guidelines, Research, and Measurement](#)" of the Office of the Assistant Secretary for Planning and Evaluation in the U.S. Department of Health and Human Services. Separate HHS poverty guidelines for Alaska and Hawaii reflect Office of Economic Opportunity administrative practice beginning in the 1966-1970 period.

Both the thresholds and the guidelines are the same for all mainland states, regardless of regional differences in the cost of living. Both are updated annually for price changes using the [Consumer Price Index](#) for All Urban Consumers (CPI-U). The poverty guidelines are sometimes loosely referred to as the "federal poverty level" or "poverty line," but these terms are ambiguous, and should be avoided in situations (e.g., legislative or administrative) where precision is important.

Academics, statisticians, and policy analysts at IRP and elsewhere believe that existing methods for determining the poverty measure and estimating who is poor could be greatly improved. Topics of [revising the poverty measure](#) and the [methodological issues involved](#) are discussed elsewhere on this site, and on the Census Bureau's web site under [Poverty Measurement Research](#).

[Return to top](#)

## The Census Bureau's poverty thresholds for 2004

The thresholds in the table are the basic value for family units with no related children under 18 years. Values change as the number of children increases, though the amount does not always rise. For example, the threshold for a family of 3 in which there are no children under 18 is \$14,776; for a family of 3 in which 2 are children under 18, the threshold is \$15,219. The threshold for a family of 5, no children under 18, is \$23,497; for a family of 5 in which 4 members are children under 18, the threshold is \$22,543.

Size of Family Unit	Poverty Threshold (weighted average)
One person (unrelated individual)	
Under 65 years	9,827
65 years and over	9,060
Two people	



State of Wisconsin  
2005 - 2006 LEGISLATURE

LRB-4502/Pl

MES:wj:rs

stays

PKR

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

today

Reyer

1 AN ACT to amend 71.08 (1) (intro.) and 71.10 (4) (i); and to create 20.835 (2) (en)  
2 and 71.07 (8r) of the statutes; relating to: creating a refundable individual  
3 income tax living wage credit.

*Analysis by the Legislative Reference Bureau*

To be provided in a future version of this bill.

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

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

4 SECTION 1. 20.835 (2) (en) of the statutes is created to read:  
5 20.835 (2) (en) *Living wage tax credit*. A sum sufficient to pay the claims  
6 approved under s. 71.07 (8r).

7 SECTION 2. 71.07 (8r) of the statutes is created to read:  
8 71.07 (8r) LIVING WAGE TAX CREDIT. (a) *Definitions*. Except as provided in par.

9 (c) ~~6 and 7~~ and 80 in this subsection:

INS/ANC

SECTION 2

INS 2-1 (NOT)

INS 2-3

INS 2-12

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

1. "Claimant" means an individual who files a claim under this subsection.

*20 Homestead has the meaning given in 4710.52(3)*

3 *3120* "Household" means a claimant and an individual related to the claimant as husband or wife.

*residing in the same homestead as the claimant and in the case of a married couple, residing in the same homestead. Also includes all other persons living in the homestead.*

4 *410* "Income" means income, as defined in s. 71.52 (6), received by the claimant in the year before the year to which the claim relates, plus all of the following

6 amounts received by *such individuals* the claimant in the year before the year to which the claim relates, minus the net income tax imposed under s. 71.02 that is paid by the claimant in the year before the year to which the claim relates:

- a. The amount of earned income tax credit under section 32 (b) (1) (A) to (C) of the Internal Revenue Code.
- b. The amount of any refundable income tax credit under this section.
- c. The amount of any income tax refund paid by this state.

5 *510* "Poverty line" means the nonfarm federal poverty line for the continental United States, as defined by the federal department of labor under 42 USC 9902 (2).

\*\*\*\*NOTE: Your instructions state that you want to add to the definition of "income," "federal additional child tax credit." I searched the Internal Revenue Service database for this credit and could not find it. Do you have a citation to the IRC for the credit?

(b) *Filing claims.* Subject to the limitations provided in this subsection, a claimant may claim as a credit against the tax imposed under s. 71.02 an amount, if positive, that is calculated by subtracting the *sum of the* claimant's income *and all income from all members of the claimant's household* from the poverty line. If the allowable amount of the claim exceeds the income taxes otherwise due on the claimant's income, the amount of the claim not used as an offset against those taxes shall be certified by the department of revenue to the department of administration for payment to the claimant by check, share draft, or other draft from the appropriation under s. 20.835 (2) (en).

1 (c) *Limitations.* 1. No claimant may claim the credit under this subsection  
2 unless the claimant was eligible for, and claimed, the credit under sub. (9e) in the  
3 year before the year to which the claim relates.

4 2. No credit may be allowed under this subsection unless it is claimed within  
5 the time period under s. 71.75 (2).

6 3. ~~If a part-year resident or a nonresident of this state files a claim under this~~  
7 ~~subsection, the maximum credit amount shall be multiplied by a fraction, the~~  
8 ~~numerator of which is the individual's and his or her spouse's Wisconsin adjusted~~  
9 ~~gross income and the denominator of which is the individual's and his or her spouse's~~  
10 ~~federal adjusted gross income. In this subdivision, for married persons filing~~  
11 ~~separately "adjusted gross income" means the separate adjusted gross income of~~  
12 ~~each spouse, and for married persons filing jointly "adjusted gross income" means the~~  
13 ~~total adjusted gross income of both spouses.~~

14 4. Only one claimant per household per year may claim the credit under this  
15 subsection.

16 5. No individual may claim the credit under this subsection unless he or she  
17 works ~~at least 35 hours per week in compensated employment~~

\*\*\*NOTE: Over what time period must someone work 35 hours per week? As drafted, I think that one week would satisfy the condition. You may want to consider making the requirement a certain number of hours worked in the year before the year to which the claim relates. For example, a requirement of 1,820 hours could be achieved by working 35 hours per week multiplied by 52 weeks.

IN 3  
3-18

18 7. For taxable years beginning after December 31, 2006, and before January  
19 1, 2008, "poverty line" means 90 percent of the nonfarm federal poverty line for the  
20 continental United States, as defined by the federal department of labor under 42  
21 USC 9902 (2).

1 ~~W/S~~<sup>S</sup> For taxable years beginning after December 31, 2007, and before January  
2 1, 2009, “poverty line” means 95 percent of the nonfarm federal poverty line for the  
3 continental United States, as defined by the federal department of labor under 42  
4 USC 9902 (2).

5 (d) *Administration.* 1. Subsection (9e) (d), to the extent that it applies to the  
6 credit under that subsection, applies to the credit under this subsection.

7 2. The department of workforce development and the department of health and  
8 family services shall provide any information in their possession that the  
9 department of revenue requests that would enable the department of revenue to  
10 administer the credit under this subsection.

11 ~~SECTION 3.~~ SECTION 3. 71.08 (1) (intro.) of the statutes, as affected by 2005 Wisconsin Act  
12 25, is amended to read:

13 71.08 (1) IMPOSITION. (intro.) If the tax imposed on a natural person, married  
14 couple filing jointly, trust, or estate under s. 71.02, not considering the credits under  
15 ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (2fd), (3m), (3n), (3s),  
16 (3t), (5b), (5d), (6), (6e), (8r), and (9e), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx),  
17 (1fd), (2m), (3), (3n), and (3t) and 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx),  
18 (1fd), (2m), (3), (3n), and (3t) and subchs. VIII and IX and payments to other states  
19 under s. 71.07 (7), is less than the tax under this section, there is imposed on that  
20 natural person, married couple filing jointly, trust, or estate, instead of the tax under  
21 s. 71.02, an alternative minimum tax computed as follows:

22 SECTION 4. 71.10 (4) (i) of the statutes, as affected by 2005 Wisconsin Act 25,  
23 is amended to read:

24 71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland  
25 preservation credit under subch. IX, homestead credit under subch. VIII, farmland

1 tax relief credit under s. 71.07 (3m), farmers' drought property tax credit under s.  
2 71.07 (2fd), veterans and surviving spouses property tax credit under s. 71.07 (6e),  
3 earned income tax credit under s. 71.07 (9e), estimated tax payments under s. 71.09,  
4 living wage tax credit under s. 71.07 (8r), and taxes withheld under subch. X.

5 **SECTION 5. Initial applicability.**

6 (1) This act first applies to taxable years beginning on January 1 <sup>2007</sup> ~~of the year~~  
7 ~~in which this subsection takes effect, except that if this subsection takes effect on or~~  
8 ~~after August 1 this act first applies to taxable years beginning on January 1 of the~~  
9 ~~year following the year in which this subsection takes effect.~~

10 (END)

2005-2006 DRAFTING INSERT  
FROM THE  
LEGISLATIVE REFERENCE BUREAU

LRB-4502/P1ins  
MES:wlj:rs

INSERT ANL

This bill creates a refundable individual income tax credit based on the difference between the federal poverty line and the sum of income received by the claimant, his or her spouse who resides with the claimant, and his or her dependents. The credit may only be claimed by an individual who was eligible for, and claimed in the previous year, the earned income tax credit.

To claim the credit, the bill requires that the claimant be domiciled in this state during the entire calendar year to which the claim relates, and also requires that the claimant works in paid employment for at least 1,750 hours in the taxable year to which the claim relates. If the amount of the credit exceeds the taxpayer's income tax liability, the difference will be refunded to the taxpayer by check.

INSERT 2-1

No ff and who was domiciled in this state during the entire calendar year to which the claim relates. When 2 individuals of a household are able to meet the qualifications for a claimant, they may determine between them as to who the claimant is. If they are unable to agree, the matter shall be referred to the secretary of revenue and the secretary's decision is final

INSERT 2-3

No ff residing in the same homestead as the claimant and also includes all of the claimant's dependents, as defined in section 152 of the Internal Revenue Code, who have the same principal abode as the claimant for more than 6 months during the year to which the claim relates.

INSERT 2-12

d. The refundable portion of the federal child tax credit under section 24 (d) of the Internal Revenue Code.

INSERT 3-18

6. In calculating the credit for which a claimant may be eligible under this subsection, the size of the family unit under the U.S. Bureau of the Census' poverty thresholds shall be the same as the size of the claimant's household.

**Basford, Sarah**

---

**From:** Koskinen, John - DOA [John.Koskinen@Wisconsin.gov]

**Sent:** Friday, February 17, 2006 2:19 PM

**To:** LRB.Legal

**Subject:** Draft Review: LRB 05-4502/1 Topic: Create the living wage individual income tax credit

Please Jacket LRB 05-4502/1 for the ASSEMBLY.

02/17/2006



State of Wisconsin  
LEGISLATIVE REFERENCE BUREAU

**RESEARCH APPENDIX -**  
**PLEASE DO NOT REMOVE FROM DRAFTING FILE**

Date Transfer Requested: 02/21/2006 (Per: MES)



Appendix A

The 2005 drafting file for LRB 05-4502/1  
has been copied/added to the 2005 drafting file for  
**LRB 05-4698**

☞ The attached 2005 draft was incorporated into the new 2005 draft listed above. For research purposes, this cover sheet and the attached drafting file were copied, and added, as an appendix, to the new 2005 drafting file. If introduced this section will be scanned and added, as a separate appendix, to the electronic drafting file folder.

☞ This cover sheet was added to rear of the original 2005 drafting file. The drafting file was then returned, intact, to its folder and filed.