



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

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

Date Transfer Requested: 06/30/2005 (Per: MES)



Appendix – Part 05 of 05

 The 2005 drafting file for

LRB 05b0689

LRB 05b0780

LRB 05b0673

LRB 05b0759

LRB 05b0750

has been copied/added to the 2005 drafting file for

LRB 05b0783

 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.

2005 DRAFTING REQUEST

Senate Amendment (SA-AB100)

Received: 06/28/2005

Received By: jkreye

Wanted: As time permits

Identical to LRB:

For: Judith Robson (608) 266-2253

By/Representing: andy

This file may be shown to any legislator: NO

Drafter: jkreye

May Contact:

Addl. Drafters:

Subject: Tax, Business - crp inc, fran

Extra Copies:

Submit via email: YES

Requester's email: Sen.Robson@legis.state.wi.us

Carbon copy (CC:) to: joseph.kreye@legis.state.wi.us

Pre Topic:

No specific pre topic given

Topic:

Limiting the corporate income tax deduction for compensation paid to an employee

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	jkreye 06/28/2005	lkunkel 06/28/2005		_____			
/1			rschluet 06/28/2005	_____	Inorthro 06/28/2005	Inorthro 06/28/2005	

FE Sent For:

<END>

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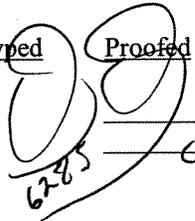
Topic:

Limiting the corporate income tax deduction for compensation paid to an employee ✓

Instructions:

See Attached

Drafting History:

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1?	jkreye	1/mk 6/28					

FE Sent For:

<END>

b-0750

Kreye, Joseph

From: Hanaman, Cathlene
Sent: Tuesday, June 28, 2005 11:06 AM
To: Kreye, Joseph
Subject: FW: Senate Democratic Amendment

Joe—it's your request. From 2003.

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

From: Engel, Andrew
Sent: Tuesday, June 28, 2005 10:34 AM
To: Gratz, Nadine; Hanaman, Cathlene
Subject: Senate Democratic Amendment

Would like to have the following bill drafted as an amendment:



Co-Sponsorship
Memo for LRB 29...

Thanks!

Andy Engel
Office of Senator Robson

TO: All Legislators
FROM: Representative Mark Pocan & Senator Fred Risser
DATE: June 26, 2003
RE: Co-Sponsorship of LRB-2907/1 and LRB-1860/1 – Wisconsin Income Equity Act (relating to: limiting the corporate income tax deduction for compensation paid to and employee.)

Current law allows a corporation to deduct up to \$1 million from its income tax the compensation paid to each of its executive officers. The Wisconsin Income Equity Act would change current law so that a corporation's deduction would be limited to 25 times its lowest paid full-time. So, for example, if the lowest paid full-time employee is paid \$15,000 per year, the corporate deduction would now be \$375,000 for executive pay rather than the current \$1 million deduction.

The purpose of this bill is to not dictate what corporations should pay their CEO's, but rather reward companies that choose to pay it's lowest paid employees a higher salary and not automatically reward corporations with a \$1 million deduction. At a time of excessive CEO salaries (the CEO-to-worker pay gap has skyrocketed from 42-to-1 in 1980 to 411-to-1 twenty-one years later), the state of Wisconsin should encourage corporate responsibility.

If you would like to sign on to this bill please call Rep. Pocan's office at 266-8570 or Senator Risser's office at 266-1627 by **3:00 PM Thursday, July 10, 2003**. The co-sponsor lists from both offices will be combined for the Assembly (LRB-2907/1) and Senate (LRB-1860/1) drafts of the bill, unless a legislator otherwise specifies.

Analysis by the Legislative Reference Bureau

Under current law, a corporation may deduct from its income tax the compensation paid to its officers and employees. The corporate income tax deduction for compensation paid to executive officers cannot exceed \$1,000,000.

This bill further limits any single corporate income tax deduction for compensation paid to an employee or officer to an amount not to exceed the compensation paid to a corporation's lowest paid full-time employee multiplied by 25.

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

2003 ASSEMBLY BILL 434

July 15, 2003 - Introduced by Representatives POCAN, BERCEAU, BLACK, BOYLE, J. LEHMAN, MILLER, MUSSER, PLOUFF, SCHNEIDER, SINICKI and TAYLOR, cosponsored by Senators RISSER, CARPENTER and CHVALA. Referred to Committee on Ways and Means.

1 **AN ACT to amend** 71.26 (3) (e) 1. of the statutes; **relating to:** limiting the
2 corporate income tax deduction for compensation paid to an employee.

Analysis by the Legislative Reference Bureau

Under current law, a corporation may deduct from its income tax the compensation paid to its officers and employees. The corporate income tax deduction for compensation paid to executive officers cannot exceed \$1,000,000.

This bill further limits any single corporate income tax deduction for compensation paid to an employee or officer to an amount not to exceed the compensation paid to a corporation's lowest paid full-time employee multiplied by 25.

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.** 71.26 (3) (e) 1. of the statutes is amended to read:
4 71.26 (3) (e) 1. So that payments for wages, salaries, commissions and bonuses
5 of employees and officers may be deducted only if the name, address and amount paid
6 to each resident of this state to whom compensation of \$600 or more has been paid

ASSEMBLY BILL 434

1 during the taxable year is reported or if the department of revenue is satisfied that
2 failure to report has resulted in no revenue loss to this state. A deduction for wages,
3 salaries, commissions, and bonuses paid to an employee or officer shall not exceed
4 an amount equal to the product of the wages, salaries, commissions, and bonuses
5 paid to the corporation's lowest paid full-time employee multiplied by 25.

6 **SECTION 2. Initial applicability.**

7 (1) This act first applies to taxable years beginning on January 1, 2003.

8 (END)

2005

Date (time) *in 6-28-05*
needed _____

LRB b 0750 1 1

BUDGET AMENDMENT

ULC: MK: _____

[Not for compile]

See form AMENDMENTS — COMPONENTS & ITEMS.

SENATE AMENDMENT
TO 2005 AB 100

D-N

At the locations indicated, amend the engrossed bill as follows:

#. Page *646*, line *4*...: *after* *after that line insert* *INSERT A*

#. Page *1038*, line *6*...: *after that line insert*
>(9m) COMPENSATION DEDUCTIONS^(S) the treatment of
section 71.26(3)(e) 10 of the statute 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 section
71.26(3)(e) 10 of the statute first applies to
taxable years beginning on January 1 of the
year following the year in which this subsection
takes effect.

#. Page, line:
#. Page, line:
#. Page, line:
#. Page, line:

2003 SENATE BILL 213

July 22, 2003 - Introduced by Senators RISSER, CARPENTER and CHVALA, cosponsored by Representatives POCAN, BERCEAU, BLACK, BOYLE, J. LEHMAN, MILLER, MUSSER, PLOUFF, SCHNEIDER, SINICKI and TAYLOR. Referred to Committee on Homeland Security, Veterans and Military Affairs and Government Reform.

1 **AN ACT to amend 71.26 (3) (e) 1. of the statutes; relating to:** limiting the
2 corporate income tax deduction for compensation paid to an employee.

Analysis by the Legislative Reference Bureau

Under current law, a corporation may deduct from its income tax the compensation paid to its officers and employees. The corporate income tax deduction for compensation paid to executive officers cannot exceed \$1,000,000.

This bill further limits any single corporate income tax deduction for compensation paid to an employee or officer to an amount not to exceed the compensation paid to a corporation's lowest paid full-time employee multiplied by 25.

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 10 71.26 (3) (e) 1. of the statutes is amended to read:

4 71.26 (3) (e) 1. So that payments for wages, salaries, commissions and bonuses
5 of employees and officers may be deducted only if the name, address and amount paid
6 to each resident of this state to whom compensation of \$600 or more has been paid

SENATE BILL 213

SECTION 1

1 during the taxable year is reported or if the department of revenue is satisfied that
2 failure to report has resulted in no revenue loss to this state. A deduction for wages,
3 salaries, commissions, and bonuses paid to an employee or officer shall not exceed
4 an amount equal to the product of the wages, salaries, commissions, and bonuses
5 paid to the corporation's lowest paid full-time employee multiplied by 25. ^LⓈ

6 **SECTION 2. Initial applicability.**

7 (1) This act first applies to taxable years beginning on January 1, 2003.

8 (END)

STATE OF WISCONSIN - LEGISLATIVE REFERENCE BUREAU

LRB

Research (608-266-0341)

Library (608-266-7040)

Legal (608-266-3561)

LRB

(date)

h0750/ldj
vk:lmk

Senator Robson (i)

This ^{amendment} limits the corporate income tax
compensation

deduction for compensation paid to an employee and
based

is based on 2003 Senate Bill 213 and its companion,¹

2003 Assembly Bill 434

vk



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

LRBb0750/1dn

JK:lmk:rs

June 28, 2005

Senator Robson:

This amendment limits the corporate income tax deduction for compensation paid to an employee and is based on 2003 Senate Bill 213 and its companion, 2003 Assembly Bill 434.

Joseph T. Kreye
Senior Legislative Attorney
Phone: (608) 266-2263
E-mail: joseph.kreye@legis.state.wi.us



State of Wisconsin
2005 - 2006 LEGISLATURE

LRBb0750/1
JK:lmk:rs

SENATE AMENDMENT,
TO 2005 ASSEMBLY BILL 100

1 At the locations indicated, amend the engrossed bill as follows:

2 1. Page 646, line 4: after that line insert:

3 "SECTION 1363m. 71.26 (3) (e) 1. of the statutes is amended to read:

4 71.26 (3) (e) 1. So that payments for wages, salaries, commissions and bonuses
5 of employees and officers may be deducted only if the name, address and amount paid
6 to each resident of this state to whom compensation of \$600 or more has been paid
7 during the taxable year is reported or if the department of revenue is satisfied that
8 failure to report has resulted in no revenue loss to this state. A deduction for wages,
9 salaries, commissions, and bonuses paid to an employee or officer shall not exceed
10 an amount equal to the product of the wages, salaries, commissions, and bonuses
11 paid to the corporation's lowest paid full-time employee multiplied by 25."

12 2. Page 1038, line 6: after that line insert:

1 “(9m) COMPENSATION DEDUCTION. The treatment of section 71.26 (3) (e) 1. of the
2 statutes first applies to taxable years beginning on January 1 of the year in which
3 this subsection takes effect, except that if this subsection takes effect after July 31
4 the treatment of section 71.26 (3) (e) 1. of the statutes first applies to taxable years
5 beginning on January 1 of the year following the year in which this subsection takes
6 effect.”.

7

(END)