



State of Wisconsin
2013 - 2014 LEGISLATURE



P4

LRB-0747/P3

MES:sac:cs

RMR

DOA:.....Quinn, BB0292 - Reduce individual income tax rates, increase the personal exemption, reduce standard deduction phase-out rates

FOR 2013-2015 BUDGET - NOT READY FOR INTRODUCTION

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do not gen

1 AN ACT ...; relating to: reducing the individual income tax rates.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

Under current law, there are five income tax brackets for single individuals, certain fiduciaries, heads of households, and married persons. The brackets are indexed for inflation. The rate of taxation under current law for the lowest bracket for single individuals, certain fiduciaries, heads of households, and married persons is 4.6 percent of taxable income; the rate for the second bracket is 6.15 percent; the rate for the third bracket is 6.5 percent; the rate for the fourth bracket is 6.75 percent; and the rate for the highest bracket is 7.75 percent.

With regard to taxable year 2012, for single individuals, certain fiduciaries, and heads of households, for example, the lowest bracket applies to taxable income of over \$0 up to \$10,570; the second bracket applies to taxable income over \$10,570 up to \$20,360; the third bracket applies to taxable income over \$20,360 up to \$158,500; the fourth bracket applies to taxable income over \$158,500 up to \$232,660; and the fifth, or top, bracket applies to taxable income over \$232,660.

For taxable years beginning after December 31, 2012, this bill lowers the rate of taxation in each in each of the first three brackets; the rates in the top two brackets remain unchanged. Under the bill, the tax rate in the lowest bracket is reduced from

4.60 percent to 4.50 percent; the rate in the next higher bracket is reduced from 6.15 percent to 5.95 percent; the rate in the next higher bracket is reduced from 6.50 percent to 6.38 percent. The brackets will continue to be indexed for inflation as is the case under current law.

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.** 71.06 (1p) (intro.) of the statutes is amended to read:

2 **71.06 (1p)** FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; ~~AFTER 2000~~
3 ~~2001 TO 2012.~~ (intro.) The tax to be assessed, levied and collected upon the taxable
4 incomes of all fiduciaries, except fiduciaries of nuclear decommissioning trust or
5 reserve funds, and single individuals and heads of households shall be computed at
6 the following rates for taxable years beginning after December 31, 2000, and before
7 January 1, 2013:

8 **SECTION 2.** 71.06 (1q) of the statutes is created to read:

9 **71.06 (1q)** FIDUCIARIES, SINGLE INDIVIDUALS, AND HEADS OF HOUSEHOLDS; AFTER
10 2012. (intro.) The tax to be assessed, levied, and collected upon the taxable incomes
11 of all fiduciaries, except fiduciaries of nuclear decommissioning trust or reserve
12 funds, and single individuals and heads of households shall be computed at the
13 following rates for taxable years beginning after December 31, 2012:

14 (a) On all taxable income from \$0 to \$7,500, 4.5 percent.

15 (b) On all taxable income exceeding \$7,500 but not exceeding \$15,000, 5.95
16 percent.

17 (c) On all taxable income exceeding \$15,000 but not exceeding \$112,500, 6.38
18 percent.

1 (d) On all taxable income exceeding \$112,500 but not exceeding \$225,000, 6.75
2 percent.

3 (e) On all taxable income exceeding \$225,000, 7.75 percent.

4 **SECTION 3.** 71.06 (2) (g) (intro.) of the statutes is amended to read:

5 71.06 (2) (g) (intro.) For joint returns, for taxable years beginning after
6 December 31, 2000, and before January 1, 2013:

7 **SECTION 4.** 71.06 (2) (h) (intro.) of the statutes is amended to read:

8 71.06 (2) (h) (intro.) For married persons filing separately, for taxable years
9 beginning after December 31, 2000, and before January 1, 2013:

10 **SECTION 5.** 71.06 (2) (i) of the statutes is created to read:

11 71.06 (2) (i) For joint returns, for taxable years beginning after
12 December 31, 2012:

13 1. On all taxable income from \$0 to \$10,000, 4.5 percent.

14 2. On all taxable income exceeding \$10,000 but not exceeding \$20,000, 5.95
15 percent.

16 3. On all taxable income exceeding \$20,000 but not exceeding \$150,000, 6.38
17 percent.

18 4. On all taxable income exceeding \$150,000 but not exceeding \$300,000, 6.75
19 percent.

20 5. On all taxable income exceeding \$300,000, 7.75 percent.

21 **SECTION 6.** 71.06 (2) (j) of the statutes is created to read:

22 71.06 (2) (j) For married persons filing separately, for taxable years beginning
23 after December 31, 2012:

24 1. On all taxable income from \$0 to \$5,000, 4.5 percent.

1 2. On all taxable income exceeding \$5,000 but not exceeding \$10,000, 5.95
2 percent.

3 3. On all taxable income exceeding \$10,000 but not exceeding \$75,000, 6.38
4 percent.

5 4. On all taxable income exceeding \$75,000 but not exceeding \$150,000, 6.75
6 percent.

7 5. On all taxable income exceeding \$150,000, 7.75 percent.

8 **SECTION 7.** 71.06 (2e) (a) of the statutes is amended to read:

9 71.06 (2e) (a) For taxable years beginning after December 31, 1998, and before
10 January 1, 2000, the maximum dollar amount in each tax bracket, and the
11 corresponding minimum dollar amount in the next bracket, under subs. (1m) and (2)

12 (c) and (d), and for taxable years beginning after December 31, 1999, and before

13 January 1, 2013, the maximum dollar amount in each tax bracket, and the

14 corresponding minimum dollar amount in the next bracket, under subs. (1n), (1p) (a)

15 to (c), ^{(1q) (a) to (c),} and (2) (e), (f), (g) 1. to 3., ^{(i) 1. to 3., and (j) 1. to 3.,} and (h) 1. to 3., shall be increased each year by a

16 percentage equal to the percentage change between the U.S. consumer price index

17 for all urban consumers, U.S. city average, for the month of August of the previous

18 year and the U.S. consumer price index for all urban consumers, U.S. city average,

19 for the month of August 1997, as determined by the federal department of labor,

20 except that for taxable years beginning after December 31, 2000, and before January

21 1, 2002, the dollar amount in the top bracket under subs. (1p) (c) and (d), (2) (g) 3.

22 and 4. and (h) 3. and 4. shall be increased by a percentage equal to the percentage

23 change between the U.S. consumer price index for all urban consumers, U.S. city

24 average, for the month of August of the previous year and the U.S. consumer price

25 index for all urban consumers, U.S. city average, for the month of August 1999, as

LPS: on line 15, "1q" is numeral one and lower case Q

1 determined by the federal department of labor, except that for taxable years
 2 beginning after December 31, 2011, the adjustment may occur only if the resulting
 3 amount is greater than the corresponding amount that was calculated for the
 4 previous year. Each amount that is revised under this paragraph shall be rounded
 5 to the nearest multiple of \$10 if the revised amount is not a multiple of \$10 or, if the
 6 revised amount is a multiple of \$5, such an amount shall be increased to the next
 7 higher multiple of \$10. The department of revenue shall annually adjust the changes
 8 in dollar amounts required under this paragraph and incorporate the changes into
 9 the income tax forms and instructions.

10 SECTION 8. 71.06 (2e) (b) of the statutes is amended to read:

11 71.06 (2e) (b) For taxable years beginning after December 31, 2009, and before

12 January 1, 2013, the maximum dollar amount in each tax bracket, and the

13 corresponding minimum dollar amount in the next bracket, under subs. (1p) (d) and

14 (2) (g) 4. and (h) 4., and the dollar amount in the top bracket under subs. (1p) (e) and

15 (2) (g) 5. and (h) 5., shall be increased each year by a percentage equal to the

16 percentage change between the U.S. consumer price index for all urban consumers,

17 U.S. city average, for the month of August of the previous year and the U.S. consumer

18 price index for all urban consumers, U.S. city average, for the month of August 2008,

19 as determined by the federal department of labor, except that for taxable years

20 beginning after December 31, 2011, the adjustment may occur only if the resulting

21 amount is greater than the corresponding amount that was calculated for the

22 previous year. Each amount that is revised under this paragraph shall be rounded

23 to the nearest multiple of \$10 if the revised amount is not a multiple of \$10 or, if the

24 revised amount is a multiple of \$5, such an amount shall be increased to the next

25 higher multiple of \$10. The department of revenue shall annually adjust the changes

(1p)(d),
(1p)(e),
(i) 4., and (j) 4.,
(i) 5., and (j) 5.,
LPS:
also lowercase
one Q

1 in dollar amounts required under this paragraph and incorporate the changes into
2 the income tax forms and instructions.

3 **SECTION 9.** 71.06 (2e) (c) of the statutes is created to read:

4 71.06 (2e) (c) Each amount that is revised under this subsection shall be
5 rounded to the nearest multiple of \$10 if the revised amount is not a multiple of \$10
6 or, if the revised amount is a multiple of \$5, such an amount shall be increased to the
7 next higher multiple of \$10. The department of revenue shall annually adjust the
8 changes in dollar amounts required under this subsection and incorporate the
9 changes into the income tax forms and instructions.

10 ~~**SECTION 10.** 71.06 (2e) (d) of the statutes is created to read:~~

11 ~~71.06 (2e) (d) For taxable years beginning after December 31, 2012, the dollar
12 amount in each tax bracket under subs. (1q) and (2) (i) and (j), shall be increased each
13 year by a percentage equal to the percentage change between the U.S. consumer
14 price index for all urban consumers, U.S. city average, for the month of August of the
15 previous year and the U.S. consumer price index for all urban consumers, U.S. city
16 average, for the month of August 2011, as determined by the federal department of
17 labor, except that for taxable years beginning after December 31, 2015, the
18 adjustment may occur only if the resulting amount is greater than the corresponding
19 amount that was calculated for the previous year.~~

20 **SECTION 11.** 71.06 (2m) of the statutes is amended to read:

21 71.06 (2m) RATE CHANGES. If a rate under sub. (1), (1m), (1n), (1p), (1q), or (2)
22 changes during a taxable year, the taxpayer shall compute the tax for that taxable
23 year by the methods applicable to the federal income tax under section 15 of the
24 internal revenue code Internal Revenue Code.

25 **SECTION 12.** 71.06 (2s) (d) of the statutes is amended to read:

1 71.06 (2s) (d) For taxable years beginning after December 31, 2000, with
2 respect to nonresident individuals, including individuals changing their domicile
3 into or from this state, the tax brackets under subs. (1p), (1q), and (2) (g) ~~and~~, (h), (i),
4 and (j) shall be multiplied by a fraction, the numerator of which is Wisconsin adjusted
5 gross income and the denominator of which is federal adjusted gross income. In this
6 paragraph, for married persons filing separately “adjusted gross income” means the
7 separate adjusted gross income of each spouse, and for married persons filing jointly
8 “adjusted gross income” means the total adjusted gross income of both spouses. If
9 an individual and that individual’s spouse are not both domiciled in this state during
10 the entire taxable year, the tax brackets under subs. (1p), (1q), and (2) (g) ~~and~~, (h),
11 (i), and (j) on a joint return shall be multiplied by a fraction, the numerator of which
12 is their joint Wisconsin adjusted gross income and the denominator of which is their
13 joint federal adjusted gross income.

14 **SECTION 13.** 71.125 (1) of the statutes is amended to read:

15 71.125 (1) Except as provided in sub. (2), the tax imposed by this chapter on
16 individuals and the rates under s. 71.06 (1), (1m), (1n), (1p), (1q), and (2) shall
17 apply to the Wisconsin taxable income of estates or trusts, except nuclear
18 decommissioning trust or reserve funds, and that tax shall be paid by the fiduciary.

19 **SECTION 14.** 71.125 (2) of the statutes is amended to read:

20 71.125 (2) Each electing small business trust, as defined in section 1361 (e) (1)
21 of the Internal Revenue Code, is subject to tax at the highest rate under s. 71.06 (1),
22 (1m), (1n) ~~or~~, (1p), or (1q), whichever taxable year is applicable, on its income as
23 computed under section 641 of the Internal Revenue Code, as modified by s. 71.05
24 (6) to (12), (19) and (20).

25 **SECTION 15.** 71.17 (6) of the statutes is amended to read:

Shovers, Marc

From: Quinn, Brian D - DOA <Brian.Quinn@wisconsin.gov>
Sent: Monday, January 28, 2013 4:26 PM
To: Shovers, Marc
Subject: RE: Income Tax Rate Cut Draft

Looks good.

Now, I've gotten instructions to prepare a draft with ever so slightly different rates of:

1st Bracket – 4.5% (same)
2nd Bracket – 5.94% (0.01% lower)
3rd Bracket – 6.36% (0.02% lower)

Yes, those are very modest changes. Everything else is the same.

Thanks,

Brian

From: Quinn, Brian D - DOA
Sent: Monday, January 28, 2013 9:38 AM
To: Shovers, Marc (Marc.Shovers@legis.wisconsin.gov)
Subject: FW: Re: Income Tax Rate Cut Draft

Marc,

This is what I got back from DOR.

Let me know if you need additional information from them. If need be you can go ahead and call Mike Wagner directly on it for additional input from their technical staff.

Thanks,

Brian

From: Wagner, Michael W - DOR
Sent: Monday, January 28, 2013 9:36 AM
To: Quinn, Brian D - DOA
Subject: RE: Re: Income Tax Rate Cut Draft

Brian,

Marc asked which year that DOR prefers, and thus which sections that DOR recommends be amended. Both sections should be amended since the top bracket with the 7.75% rate is in 71.06 (2e) (b) and the other brackets are in 71.06 (2e) (a)

Marcy Stock provided me with the following recommendation:

Section 71.06(2e)(a) should be amended to include subs. (1q)(a) to (c), and (2)(i)1. to 3. and (j)1. to 3.

Section 71.06(2e)(b) should be amended to include subs. (1q)(d) and (e), and (2)(i) 4. and 5. and (j)4. and 5.

Please let me know if you need anything else.

-Mike

From: Quinn, Brian D - DOA
Sent: Friday, January 25, 2013 2:12 PM
To: Wagner, Michael W - DOR
Subject: FW: Re: Income Tax Rate Cut Draft

This is what I got back from Marc Shovers. I'm pretty sure I know what the answer is, but I didn't want to speak for your department.

From: Shovers, Marc [<mailto:Marc.Shovers@legis.wisconsin.gov>]
Sent: Friday, January 25, 2013 1:59 PM
To: Quinn, Brian D - DOA
Subject: RE: Re: Income Tax Rate Cut Draft

Hey Brian. If DOR would prefer that way it's fine with me, but which statute would they like me to amend?

Section 71.06 (2e) (a) uses August 1997 as the base year, and applies to s. 71.06 (1n), (1p) (a) to (c), and (2) (e), (f), (g) 1. to 3. and (h) 1. to 3.

Section 71.06 (2e) (b) uses August 2008 as the base year, and applies to s. 71.06 (1p) (d) and (e) and (2) (g) 4. and 5. and (h) 4. and 5.

I'll just add in subs. (1q) and (2) (i) and (j) to either sub. (2e) (a) or (b), but I don't know which base year DOR prefers. That was one of the reasons I just put the new brackets in created sub. (2e) (d), with August 2011 as the base year.

Thanks.

Marc

From: Quinn, Brian D - DOA [<mailto:Brian.Quinn@wisconsin.gov>]
Sent: Thursday, January 24, 2013 1:16 PM
To: Shovers, Marc
Subject: Re: Income Tax Rate Cut Draft

Marc,

DOR feels that rather than recreate the indexing provisions, the best way to handle this is to leave the current indexing provisions in place as it is under current law and have the new rate schedule take effect in Tax Year 2013. While the new bracket in 2009 Act 28 required new indexing provisions since there was a new bracket added, this is just a change in what rates apply beginning in 2013 so there's no need to rip up the indexing provisions and recreate.

Do these instructions make sense? If not, let me know.

Thanks.

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State of Wisconsin
2013 - 2014 LEGISLATURE



LRB-074704

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DOA:.....Quinn, BB0292 - Reduce individual income tax rates

FOR 2013-2015 BUDGET — NOT READY FOR INTRODUCTION

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1 AN ACT ...; relating to: reducing the individual income tax rates.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

Under current law, there are five income tax brackets for single individuals, certain fiduciaries, heads of households, and married persons. The brackets are indexed for inflation. The rate of taxation under current law for the lowest bracket for single individuals, certain fiduciaries, heads of households, and married persons is 4.6 percent of taxable income; the rate for the second bracket is 6.15 percent; the rate for the third bracket is 6.5 percent; the rate for the fourth bracket is 6.75 percent; and the rate for the highest bracket is 7.75 percent.

With regard to taxable year 2012, for single individuals, certain fiduciaries, and heads of households, for example, the lowest bracket applies to taxable income of over \$0 up to \$10,570; the second bracket applies to taxable income over \$10,570 up to \$20,360; the third bracket applies to taxable income over \$20,360 up to \$158,500; the fourth bracket applies to taxable income over \$158,500 up to \$232,660; and the fifth, or top, bracket applies to taxable income over \$232,660.

For taxable years beginning after December 31, 2012, this bill lowers the rate of taxation in each in each of the first three brackets; the rates in the top two brackets remain unchanged. Under the bill, the tax rate in the lowest bracket is reduced from 4.60 percent to 4.50 percent; the rate in the next higher bracket is reduced from 6.15 percent to ~~6.05~~ percent; the rate in the next higher bracket is reduced from 6.50

2
5.94

percent to ~~6.00~~ ^{6.36} percent. The brackets will continue to be indexed for inflation as is the case under current law.

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.** 71.06 (1p) (intro.) of the statutes is amended to read:

2 **71.06 (1p) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; AFTER 2000**
3 2001 TO 2012. (intro.) The tax to be assessed, levied and collected upon the taxable
4 incomes of all fiduciaries, except fiduciaries of nuclear decommissioning trust or
5 reserve funds, and single individuals and heads of households shall be computed at
6 the following rates for taxable years beginning after December 31, 2000, and before
7 January 1, 2013:

8 **SECTION 2.** 71.06 (1q) of the statutes is created to read:

9 **71.06 (1q) FIDUCIARIES, SINGLE INDIVIDUALS, AND HEADS OF HOUSEHOLDS; AFTER**
10 2012. (intro.) The tax to be assessed, levied, and collected upon the taxable incomes
11 of all fiduciaries, except fiduciaries of nuclear decommissioning trust or reserve
12 funds, and single individuals and heads of households shall be computed at the
13 following rates for taxable years beginning after December 31, 2012:

14 (a) On all taxable income from \$0 to \$7,500, 4.5 percent.

15 (b) On all taxable income exceeding \$7,500 but not exceeding \$15,000, ~~5.00~~ ^{5.94}
16 percent.

17 (c) On all taxable income exceeding \$15,000 but not exceeding \$112,500, ~~6.00~~ ^{6.36}
18 percent.

19 (d) On all taxable income exceeding \$112,500 but not exceeding \$225,000, 6.75
20 percent.

1 (e) On all taxable income exceeding \$225,000, 7.75 percent.

2 SECTION 3. 71.06 (2) (g) (intro.) of the statutes is amended to read:

3 71.06 (2) (g) (intro.) For joint returns, for taxable years beginning after
4 December 31, 2000, and before January 1, 2013:

5 SECTION 4. 71.06 (2) (h) (intro.) of the statutes is amended to read:

6 71.06 (2) (h) (intro.) For married persons filing separately, for taxable years
7 beginning after December 31, 2000, and before January 1, 2013:

8 SECTION 5. 71.06 (2) (i) of the statutes is created to read:

9 71.06 (2) (i) For joint returns, for taxable years beginning after
10 December 31, 2012:

11 1. On all taxable income from \$0 to \$10,000, 4.5 percent.

12 2. On all taxable income exceeding \$10,000 but not exceeding \$20,000, $\sqrt[5]{5.95}$ ^{5.94}
13 percent.

14 3. On all taxable income exceeding \$20,000 but not exceeding \$150,000, $\sqrt[6]{6.33}$ ^{6.36}
15 percent.

16 4. On all taxable income exceeding \$150,000 but not exceeding \$300,000, 6.75
17 percent.

18 5. On all taxable income exceeding \$300,000, 7.75 percent.

19 SECTION 6. 71.06 (2) (j) of the statutes is created to read:

20 71.06 (2) (j) For married persons filing separately, for taxable years beginning
21 after December 31, 2012:

22 1. On all taxable income from \$0 to \$5,000, 4.5 percent.

23 2. On all taxable income exceeding \$5,000 but not exceeding \$10,000, $\sqrt[5]{5.95}$ ^{5.94}
24 percent.

6.36
0.36

1 3. On all taxable income exceeding \$10,000 but not exceeding \$75,000,
2 percent.

3 4. On all taxable income exceeding \$75,000 but not exceeding \$150,000, 6.75
4 percent.

5 5. On all taxable income exceeding \$150,000, 7.75 percent.

6 SECTION 7. 71.06 (2e) (a) of the statutes is amended to read:

7 71.06 (2e) (a) For taxable years beginning after December 31, 1998, and before
8 January 1, 2000, the maximum dollar amount in each tax bracket, and the
9 corresponding minimum dollar amount in the next bracket, under subs. (1m) and (2)
10 (c) and (d), and for taxable years beginning after December 31, 1999, the maximum
11 dollar amount in each tax bracket, and the corresponding minimum dollar amount
12 in the next bracket, under subs. (1n), (1p) (a) to (c), (1q) (a) to (c), and (2) (e), (f), (g)
13 1. to 3., and (h) 1. to 3., (i) 1. to 3., and (j) 1. to 3., shall be increased each year by a
14 percentage equal to the percentage change between the U.S. consumer price index
15 for all urban consumers, U.S. city average, for the month of August of the previous
16 year and the U.S. consumer price index for all urban consumers, U.S. city average,
17 for the month of August 1997, as determined by the federal department of labor,
18 except that for taxable years beginning after December 31, 2000, and before January
19 1, 2002, the dollar amount in the top bracket under subs. (1p) (c) and (d), (2) (g) 3.
20 and 4. and (h) 3. and 4. shall be increased by a percentage equal to the percentage
21 change between the U.S. consumer price index for all urban consumers, U.S. city
22 average, for the month of August of the previous year and the U.S. consumer price
23 index for all urban consumers, U.S. city average, for the month of August 1999, as
24 determined by the federal department of labor, except that for taxable years
25 beginning after December 31, 2011, the adjustment may occur only if the resulting

1 amount is greater than the corresponding amount that was calculated for the
2 previous year. ~~Each amount that is revised under this paragraph shall be rounded~~
3 ~~to the nearest multiple of \$10 if the revised amount is not a multiple of \$10 or, if the~~
4 ~~revised amount is a multiple of \$5, such an amount shall be increased to the next~~
5 ~~higher multiple of \$10. The department of revenue shall annually adjust the changes~~
6 ~~in dollar amounts required under this paragraph and incorporate the changes into~~
7 ~~the income tax forms and instructions.~~

8 **SECTION 8.** 71.06 (2e) (b) of the statutes is amended to read:

9 71.06 (2e) (b) For taxable years beginning after December 31, 2009, the
10 maximum dollar amount in each tax bracket, and the corresponding minimum dollar
11 amount in the next bracket, under subs. (1p) (d), (1q) (d), and (2) (g) 4. and, (h) 4., (i)
12 4., and (j) 4., and the dollar amount in the top bracket under subs. (1p) (e), (1q) (e),
13 and (2) (g) 5. and, (h) 5., (i) 5., and (j) 5., shall be increased each year by a percentage
14 equal to the percentage change between the U.S. consumer price index for all urban
15 consumers, U.S. city average, for the month of August of the previous year and the
16 U.S. consumer price index for all urban consumers, U.S. city average, for the month
17 of August 2008, as determined by the federal department of labor, except that for
18 taxable years beginning after December 31, 2011, the adjustment may occur only if
19 the resulting amount is greater than the corresponding amount that was calculated
20 for the previous year. ~~Each amount that is revised under this paragraph shall be~~
21 ~~rounded to the nearest multiple of \$10 if the revised amount is not a multiple of \$10~~
22 ~~or, if the revised amount is a multiple of \$5, such an amount shall be increased to the~~
23 ~~next higher multiple of \$10. The department of revenue shall annually adjust the~~
24 ~~changes in dollar amounts required under this paragraph and incorporate the~~
25 ~~changes into the income tax forms and instructions.~~

1 **SECTION 9.** 71.06 (2e) (c) of the statutes is created to read:

2 71.06 (2e) (c) Each amount that is revised under this subsection shall be
3 rounded to the nearest multiple of \$10 if the revised amount is not a multiple of \$10
4 or, if the revised amount is a multiple of \$5, such an amount shall be increased to the
5 next higher multiple of \$10. The department of revenue shall annually adjust the
6 changes in dollar amounts required under this subsection and incorporate the
7 changes into the income tax forms and instructions.

8 **SECTION 10.** 71.06 (2m) of the statutes is amended to read:

9 71.06 (2m) RATE CHANGES. If a rate under sub. (1), (1m), (1n), (1p), (1q), or (2)
10 changes during a taxable year, the taxpayer shall compute the tax for that taxable
11 year by the methods applicable to the federal income tax under section 15 of the
12 ~~internal revenue code~~ Internal Revenue Code.

13 **SECTION 11.** 71.06 (2s) (d) of the statutes is amended to read:

14 71.06 (2s) (d) For taxable years beginning after December 31, 2000, with
15 respect to nonresident individuals, including individuals changing their domicile
16 into or from this state, the tax brackets under subs. (1p), (1q), and (2) (g) ~~and~~, (h), (i),
17 and (j) shall be multiplied by a fraction, the numerator of which is Wisconsin adjusted
18 gross income and the denominator of which is federal adjusted gross income. In this
19 paragraph, for married persons filing separately "adjusted gross income" means the
20 separate adjusted gross income of each spouse, and for married persons filing jointly
21 "adjusted gross income" means the total adjusted gross income of both spouses. If
22 an individual and that individual's spouse are not both domiciled in this state during
23 the entire taxable year, the tax brackets under subs. (1p), (1q), and (2) (g) ~~and~~, (h),
24 (i), and (j) on a joint return shall be multiplied by a fraction, the numerator of which

1 is their joint Wisconsin adjusted gross income and the denominator of which is their
2 joint federal adjusted gross income.

3 **SECTION 12.** 71.125 (1) of the statutes is amended to read:

4 71.125 (1) Except as provided in sub. (2), the tax imposed by this chapter on
5 individuals and the rates under s. 71.06 (1), (1m), (1n), (1p), ~~(1q)~~, and (2) shall
6 apply to the Wisconsin taxable income of estates or trusts, except nuclear
7 decommissioning trust or reserve funds, and that tax shall be paid by the fiduciary.

8 **SECTION 13.** 71.125 (2) of the statutes is amended to read:

9 71.125 (2) Each electing small business trust, as defined in section 1361 (e) (1)
10 of the Internal Revenue Code, is subject to tax at the highest rate under s. 71.06 (1),
11 (1m), (1n) ~~or~~, (1p), or (1q), whichever taxable year is applicable, on its income as
12 computed under section 641 of the Internal Revenue Code, as modified by s. 71.05
13 (6) to (12), (19) and (20).

14 **SECTION 14.** 71.17 (6) of the statutes is amended to read:

15 71.17 (6) FUNERAL TRUSTS. If a qualified funeral trust makes the election under
16 section 685 of the Internal Revenue Code for federal income tax purposes, that
17 election applies for purposes of this chapter and each trust shall compute its own tax
18 and shall apply the rates under s. 71.06 (1), (1m), (1n) ~~or~~, (1p), or (1q).

19 **SECTION 15.** 71.64 (9) (b) (intro.) of the statutes is amended to read:

20 71.64 (9) (b) (intro.) The department shall from time to time adjust the
21 withholding tables to reflect any changes in income tax rates, any applicable surtax
22 or any changes in dollar amounts in s. 71.06 (1), (1m), (1n), (1p), ~~(1q)~~, and (2) resulting
23 from statutory changes, except as follows:

24 **SECTION 16.** 71.67 (5) (a) of the statutes is amended to read:



State of Wisconsin
2013 - 2014 LEGISLATURE



LRB-0747/P5
MES:sac:jf

DOA:.....Quinn, BB0292 – Reduce individual income tax rates

FOR 2013-2015 BUDGET – NOT READY FOR INTRODUCTION

1 **AN ACT ...; relating to: reducing the individual income tax rates.**

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

Under current law, there are five income tax brackets for single individuals, certain fiduciaries, heads of households, and married persons. The brackets are indexed for inflation. The rate of taxation under current law for the lowest bracket for single individuals, certain fiduciaries, heads of households, and married persons is 4.6 percent of taxable income; the rate for the second bracket is 6.15 percent; the rate for the third bracket is 6.5 percent; the rate for the fourth bracket is 6.75 percent; and the rate for the highest bracket is 7.75 percent.

With regard to taxable year 2012, for single individuals, certain fiduciaries, and heads of households, for example, the lowest bracket applies to taxable income of over \$0 up to \$10,570; the second bracket applies to taxable income over \$10,570 up to \$20,360; the third bracket applies to taxable income over \$20,360 up to \$158,500; the fourth bracket applies to taxable income over \$158,500 up to \$232,660; and the fifth, or top, bracket applies to taxable income over \$232,660.

For taxable years beginning after December 31, 2012, this bill lowers the rate of taxation in each in each of the first three brackets; the rates in the top two brackets remain unchanged. Under the bill, the tax rate in the lowest bracket is reduced from 4.60 percent to 4.50 percent; the rate in the next higher bracket is reduced from 6.15 percent to 5.94 percent; the rate in the next higher bracket is reduced from 6.50

percent to 6.36 percent. The brackets will continue to be indexed for inflation as is the case under current law.

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.** 71.06 (1p) (intro.) of the statutes is amended to read:

2 **71.06 (1p)** FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; ~~AFTER 2000~~
3 2001 TO 2012. (intro.) The tax to be assessed, levied and collected upon the taxable
4 incomes of all fiduciaries, except fiduciaries of nuclear decommissioning trust or
5 reserve funds, and single individuals and heads of households shall be computed at
6 the following rates for taxable years beginning after December 31, 2000, and before
7 January 1, 2013:

8 **SECTION 2.** 71.06 (1q) of the statutes is created to read:

9 **71.06 (1q)** FIDUCIARIES, SINGLE INDIVIDUALS, AND HEADS OF HOUSEHOLDS; AFTER
10 2012. (intro.) The tax to be assessed, levied, and collected upon the taxable incomes
11 of all fiduciaries, except fiduciaries of nuclear decommissioning trust or reserve
12 funds, and single individuals and heads of households shall be computed at the
13 following rates for taxable years beginning after December 31, 2012:

14 (a) On all taxable income from \$0 to \$7,500, 4.5 percent.

15 (b) On all taxable income exceeding \$7,500 but not exceeding \$15,000, 5.94
16 percent.

17 (c) On all taxable income exceeding \$15,000 but not exceeding \$112,500, 6.36
18 percent.

19 (d) On all taxable income exceeding \$112,500 but not exceeding \$225,000, 6.75
20 percent.

1 (e) On all taxable income exceeding \$225,000, 7.75 percent.

2 **SECTION 3.** 71.06 (2) (g) (intro.) of the statutes is amended to read:

3 71.06 (2) (g) (intro.) For joint returns, for taxable years beginning after
4 December 31, 2000, and before January 1, 2013:

5 **SECTION 4.** 71.06 (2) (h) (intro.) of the statutes is amended to read:

6 71.06 (2) (h) (intro.) For married persons filing separately, for taxable years
7 beginning after December 31, 2000, and before January 1, 2013:

8 **SECTION 5.** 71.06 (2) (i) of the statutes is created to read:

9 71.06 (2) (i) For joint returns, for taxable years beginning after
10 December 31, 2012:

11 1. On all taxable income from \$0 to \$10,000, 4.5 percent.

12 2. On all taxable income exceeding \$10,000 but not exceeding \$20,000, 5.94
13 percent.

14 3. On all taxable income exceeding \$20,000 but not exceeding \$150,000, 6.36
15 percent.

16 4. On all taxable income exceeding \$150,000 but not exceeding \$300,000, 6.75
17 percent.

18 5. On all taxable income exceeding \$300,000, 7.75 percent.

19 **SECTION 6.** 71.06 (2) (j) of the statutes is created to read:

20 71.06 (2) (j) For married persons filing separately, for taxable years beginning
21 after December 31, 2012:

22 1. On all taxable income from \$0 to \$5,000, 4.5 percent.

23 2. On all taxable income exceeding \$5,000 but not exceeding \$10,000, 5.94
24 percent.

1 3. On all taxable income exceeding \$10,000 but not exceeding \$75,000, 6.36
2 percent.

3 4. On all taxable income exceeding \$75,000 but not exceeding \$150,000, 6.75
4 percent.

5 5. On all taxable income exceeding \$150,000, 7.75 percent.

6 **SECTION 7.** 71.06 (2e) (a) of the statutes is amended to read:

7 71.06 (2e) (a) For taxable years beginning after December 31, 1998, and before
8 January 1, 2000, the maximum dollar amount in each tax bracket, and the
9 corresponding minimum dollar amount in the next bracket, under subs. (1m) and (2)
10 (c) and (d), and for taxable years beginning after December 31, 1999, the maximum
11 dollar amount in each tax bracket, and the corresponding minimum dollar amount
12 in the next bracket, under subs. (1n), (1p) (a) to (c), (1q) (a) to (c), and (2) (e), (f), (g)
13 1. to 3., ~~and~~ (h) 1. to 3., (i) 1. to 3., and (j) 1. to 3., shall be increased each year by a
14 percentage equal to the percentage change between the U.S. consumer price index
15 for all urban consumers, U.S. city average, for the month of August of the previous
16 year and the U.S. consumer price index for all urban consumers, U.S. city average,
17 for the month of August 1997, as determined by the federal department of labor,
18 except that for taxable years beginning after December 31, 2000, and before January
19 1, 2002, the dollar amount in the top bracket under subs. (1p) (c) and (d), (2) (g) 3.
20 and 4. and (h) 3. and 4. shall be increased by a percentage equal to the percentage
21 change between the U.S. consumer price index for all urban consumers, U.S. city
22 average, for the month of August of the previous year and the U.S. consumer price
23 index for all urban consumers, U.S. city average, for the month of August 1999, as
24 determined by the federal department of labor, except that for taxable years
25 beginning after December 31, 2011, the adjustment may occur only if the resulting

1 amount is greater than the corresponding amount that was calculated for the
2 previous year. ~~Each amount that is revised under this paragraph shall be rounded~~
3 ~~to the nearest multiple of \$10 if the revised amount is not a multiple of \$10 or, if the~~
4 ~~revised amount is a multiple of \$5, such an amount shall be increased to the next~~
5 ~~higher multiple of \$10. The department of revenue shall annually adjust the changes~~
6 ~~in dollar amounts required under this paragraph and incorporate the changes into~~
7 ~~the income tax forms and instructions.~~

8 **SECTION 8.** 71.06 (2e) (b) of the statutes is amended to read:

9 71.06 (2e) (b) For taxable years beginning after December 31, 2009, the
10 maximum dollar amount in each tax bracket, and the corresponding minimum dollar
11 amount in the next bracket, under subs. (1p) (d), (1q) (d), and (2) (g) 4. ~~and~~, (h) 4., (i)
12 4., and (j) 4., and the dollar amount in the top bracket under subs. (1p) (e), (1q) (e),
13 and (2) (g) 5. ~~and~~, (h) 5., (i) 5., and (j) 5., shall be increased each year by a percentage
14 equal to the percentage change between the U.S. consumer price index for all urban
15 consumers, U.S. city average, for the month of August of the previous year and the
16 U.S. consumer price index for all urban consumers, U.S. city average, for the month
17 of August 2008, as determined by the federal department of labor, except that for
18 taxable years beginning after December 31, 2011, the adjustment may occur only if
19 the resulting amount is greater than the corresponding amount that was calculated
20 for the previous year. ~~Each amount that is revised under this paragraph shall be~~
21 ~~rounded to the nearest multiple of \$10 if the revised amount is not a multiple of \$10~~
22 ~~or, if the revised amount is a multiple of \$5, such an amount shall be increased to the~~
23 ~~next higher multiple of \$10. The department of revenue shall annually adjust the~~
24 ~~changes in dollar amounts required under this paragraph and incorporate the~~
25 ~~changes into the income tax forms and instructions.~~

1 **SECTION 9.** 71.06 (2e) (c) of the statutes is created to read:

2 71.06 (2e) (c) Each amount that is revised under this subsection shall be
3 rounded to the nearest multiple of \$10 if the revised amount is not a multiple of \$10
4 or, if the revised amount is a multiple of \$5, such an amount shall be increased to the
5 next higher multiple of \$10. The department of revenue shall annually adjust the
6 changes in dollar amounts required under this subsection and incorporate the
7 changes into the income tax forms and instructions.

8 **SECTION 10.** 71.06 (2m) of the statutes is amended to read:

9 71.06 (2m) RATE CHANGES. If a rate under sub. (1), (1m), (1n), (1p), ~~(1q)~~, or (2)
10 changes during a taxable year, the taxpayer shall compute the tax for that taxable
11 year by the methods applicable to the federal income tax under section 15 of the
12 ~~internal revenue code~~ Internal Revenue Code.

13 **SECTION 11.** 71.06 (2s) (d) of the statutes is amended to read:

14 71.06 (2s) (d) For taxable years beginning after December 31, 2000, with
15 respect to nonresident individuals, including individuals changing their domicile
16 into or from this state, the tax brackets under subs. (1p), ~~(1q)~~, and (2) (g) ~~and~~, (h), ~~(i)~~,
17 ~~and~~ (j) shall be multiplied by a fraction, the numerator of which is Wisconsin adjusted
18 gross income and the denominator of which is federal adjusted gross income. In this
19 paragraph, for married persons filing separately “adjusted gross income” means the
20 separate adjusted gross income of each spouse, and for married persons filing jointly
21 “adjusted gross income” means the total adjusted gross income of both spouses. If
22 an individual and that individual’s spouse are not both domiciled in this state during
23 the entire taxable year, the tax brackets under subs. (1p), ~~(1q)~~, and (2) (g) ~~and~~, (h),
24 ~~(i)~~, ~~and~~ (j) on a joint return shall be multiplied by a fraction, the numerator of which

1 is their joint Wisconsin adjusted gross income and the denominator of which is their
2 joint federal adjusted gross income.

3 **SECTION 12.** 71.125 (1) of the statutes is amended to read:

4 71.125 (1) Except as provided in sub. (2), the tax imposed by this chapter on
5 individuals and the rates under s. 71.06 (1), (1m), (1n), (1p), (1q), and (2) shall
6 apply to the Wisconsin taxable income of estates or trusts, except nuclear
7 decommissioning trust or reserve funds, and that tax shall be paid by the fiduciary.

8 **SECTION 13.** 71.125 (2) of the statutes is amended to read:

9 71.125 (2) Each electing small business trust, as defined in section 1361 (e) (1)
10 of the Internal Revenue Code, is subject to tax at the highest rate under s. 71.06 (1),
11 (1m), (1n) ~~or~~, (1p), or (1q), whichever taxable year is applicable, on its income as
12 computed under section 641 of the Internal Revenue Code, as modified by s. 71.05
13 (6) to (12), (19) and (20).

14 **SECTION 14.** 71.17 (6) of the statutes is amended to read:

15 71.17 (6) FUNERAL TRUSTS. If a qualified funeral trust makes the election under
16 section 685 of the Internal Revenue Code for federal income tax purposes, that
17 election applies for purposes of this chapter and each trust shall compute its own tax
18 and shall apply the rates under s. 71.06 (1), (1m), (1n) ~~or~~, (1p), or (1q).

19 **SECTION 15.** 71.64 (9) (b) (intro.) of the statutes is amended to read:

20 71.64 (9) (b) (intro.) The department shall from time to time adjust the
21 withholding tables to reflect any changes in income tax rates, any applicable surtax
22 or any changes in dollar amounts in s. 71.06 (1), (1m), (1n), (1p), (1q), and (2) resulting
23 from statutory changes, except as follows:

24 **SECTION 16.** 71.67 (5) (a) of the statutes is amended to read:

