

No. 149, S.]

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**CHAPTER 526.**

AN ACT to repeal 71.09 (2m) (e); to renumber 71.09 (2m) (g) to be 71.09 (2m) (e); to amend 71.09 (2m) (a) and (b), (6) (f) and (g); to repeal and recreate 71.09 (2m) (d) and (f); and to create 71.05 (13) and 71.09 (2n) of the statutes, relating to an optional standard deduction for income tax purposes from incomes of persons other than corporations and to the optional tax on gross receipts.

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

SECTION 1. 71.05 (13) of the statutes is created to read:

71.05 (13) (a) In lieu of the deductions allowed in this section for interest paid, Wisconsin income taxes, United States income taxes, "deductible" dividends, contributions, medical expenses, dues to labor unions and professional societies and the deductions permitted in subsection (10), there shall be allowed to natural persons an optional standard deduction equal to 9 per cent of gross income, but in no case to exceed \$450.

(b) The election by a taxpayer to take the optional standard deduction for any year shall be irrevocable. If the gross income as shown on the return is subsequently adjusted, the amount of the optional standard deduction shall be adjusted accordingly within the limits prescribed by paragraph (a).

(c) In the case of husband and wife, the optional standard deduction shall not be allowed to either if the net income of one of the spouses is determined without regard to the optional standard deduction. For the purposes of this subsection the determination of whether an individual is married shall be made as of the close of his taxable year.

(d) In the case of a taxable year of less than 12 months on account of a change in the accounting period, the optional standard deduction shall not be allowed.

SECTION 2. 71.09 (2m) (a) and (b) of the statutes are amended to read:

71.09 (2m) (a) In lieu of the \* \* \* taxes on net taxable incomes computed at the rates applicable to persons other than corporations, prescribed by \* \* \* chapter 71, an optional tax is imposed on total gross receipts in an amount determined from the table prescribed in paragraph (d). Such optional tax basis may be elected only by natural persons with respect to income of the calendar year \* \* \* 1949 and subsequent years and under the following conditions:

1. Such person's gross receipts for the income year may not exceed \* \* \* \$5,000.
2. Such person must report on the calendar year basis.
3. Such person must report on the cash basis.
4. The cash basis would clearly reflect such person's taxable income were the optional method of reporting not elected.
5. Inventories would not be a material factor in the determination of such person's taxable income were the optional method of reporting not elected.
6. Such person must not have moved into or out of the state within the income year.
7. In the case of husband and wife, both of whom are required to file returns, such person's spouse must also have elected the optional tax basis for the same income year.

(b) The election herein provided may be made annually by the filing of a return on the optional tax basis at the time and in the manner provided by this chapter. Married persons living together as husband and wife, whose combined gross receipts do not exceed \* \* \* \$5,000 may, under the conditions set forth in paragraph (a), file a single joint return on the optional tax basis. Except when a return is filed under the optional tax basis when election of such basis was not allowable by reason of the conditions enumerated in paragraph (a), any person, having filed his return on either the optional tax basis or the net income basis, may not subsequently file a return for the same year on a different basis.

SECTION 3. 71.09 (2m) (d) of the statutes is repealed and recreated to read:

71.09 (2m) (d) The commissioner of taxation is authorized and directed to prepare a table from which the optional tax specified in paragraph (a) shall be determined. Such table shall be published in the department's official rules and be placed on the optional gross receipts tax blanks. The form and the tax computations of said table shall be substantially as follows:

1. The title thereof shall be "Optional Tax Table".

2. The first 2 columns shall contain the minimum and maximum amounts respectively of the gross receipts in brackets of not more than \$100, and extending to include the maximum amount reportable under paragraph (a) 1.

3. The third column shall show the amount of the tax payable for each bracket by a person who claims no personal exemption or exemption for dependents. Said tax shall be computed at the rates provided in chapter 71 for all taxes and surtaxes on net income of persons other than corporations, which rates shall be applied to the amount of receipts at the middle of each bracket after deducting from such amount 9 per cent thereof. The amount of tax for each bracket shall be computed only to the nearest 5 cents.

4. Columns shall be provided showing the amount of tax payable for each bracket by persons having the several exemption statutes provided by chapter 71. The amounts of such tax shall be computed by deducting from the amounts shown in column 3 the respective amounts of personal exemptions and exemption for dependents allowed by chapter 71. Columns need not be provided for persons having the exemption status of a single person with one or more dependents or for persons having the exemption status of husband and wife and having more than 6 dependents, or for any person having a comparable exemption status under the provisions of chapter 71, but instead specific directions, consistent with the provisions of this section, for the computation of the taxes of such persons shall be provided in the form of footnotes to the tax table.

SECTION 4. 71.09 (2m) (e) of the statutes is repealed.

SECTION 5. 71.09 (2m) (g) is renumbered 71.09 (2m) (e) of the statutes.

SECTION 6. 71.09 (2m) (f) of the statutes is repealed and recreated to read:

71.09 (2m) (f) The proper division of the optional tax, assessed and collected in lieu of the normal income tax and any other tax or surtax on net income, shall be made as between such taxes by the department of taxation.

SECTION 7. 71.09 (2n) of the statutes is created to read:

71.09 (2n) For the calendar years 1947 and 1948 the provisions of subsection 71.09 (2m) and (6) (f) and (g), statutes of 1947 shall apply to the optional tax on gross receipts.

SECTION 8. 71.09 (6) (f) and (g) of the statutes are amended to read:

71.09 (6) (f) Paragraph (e) \* \* \* shall not apply to persons reporting their income for taxation on the optional basis provided by section 71.09 (2m), but instead the personal exemption status as of \* \* \* *December 31* of the year for which the return is made shall be applicable \* \* \* as to those taxpayers whose status, insofar as it affects the personal exemption for husband and wife, head of family, or dependents, changes during the taxable year, *provided, however, that in the case of a person whose spouse dies during the taxable year, the personal exemption status shall be that of a married person.*

(g) Except when a joint return is filed as provided in section 71.09 (2m), (b), a married person reporting income for taxation on the optional basis provided by section 71.09 (2m) must claim either all or none of the personal exemptions provided by section 71.09 (6) (b), (c) and (d) and his tax will \* \* \* be determined \* \* \* *accordingly from the optional tax table.*

SECTION 9. Section 1 of this act shall be applicable only to incomes received during the calendar year 1949 or corresponding fiscal year and to calendar years or corresponding fiscal years thereafter, and all of the other provisions of this act shall apply only to returns for the calendar year 1949 and subsequent years.

Approved July 26, 1949.