



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-1190/P4
MES:wlj&amn

DOA:.....Quinn, BB0165 - Family and individual reinvestment credit

FOR 2019-2021 BUDGET -- NOT READY FOR INTRODUCTION

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

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

1. Family and individual reinvestment income tax credit

This bill creates a new family and individual reinvestment income tax credit for taxable years beginning in 2019. The credit is nonrefundable and may be claimed only up to the amount of the taxpayer's income tax liability. Under the bill, for a single individual or an individual who files as a head of household whose adjusted gross income is less than \$80,000, for a married couple filing jointly whose combined AGI is less than \$125,000, or for a married individual filing separately whose AGI is less than \$62,500, the credit is equal to 10 percent of the claimant's net tax liability or \$100 (\$50 for married separate filers), whichever is greater. Net tax liability is a claimant's income tax liability after the application of most nonrefundable income tax credits. Under the bill, the credit phases out to zero as a single individual or head of household filer's AGI increases from \$80,000 to \$100,000. A similar phaseout occurs for a married joint filer whose combined AGI increases from \$125,000 to \$150,000 and a married separate filer whose AGI increases from \$62,500 to \$75,000. Also, under the bill, no new claims for the working families tax credit may be filed for a taxable year that begins after December 31, 2018.

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

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

SECTION 1. 71.07 (5m) (e) of the statutes is created to read:

71.07 (5m) (e) *Sunset.* No credit may be claimed under this subsection for taxable years beginning after December 31, 2018.

SECTION 2. 71.07 (5me) of the statutes is created to read:

71.07 (5me) FAMILY AND INDIVIDUAL REINVESTMENT CREDIT. (a) *Definitions.* In this subsection:

1. "Claimant" means an individual who is eligible to claim the credit under this subsection.

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

3. "Net tax liability" means a claimant's income tax liability after he or she completes the computations for nonrefundable credits listed in s. 71.10 (4) (a) to (gy).

(b) *Filing claims.* For taxable years beginning after December 31, 2018, and subject to the limitations provided in this subsection, a claimant may claim as a credit against the tax imposed under s. 71.02, up to the amount of those taxes, one of the following amounts:

1. If the claimant is single or files as a head of household and his or her adjusted gross income is less than \$80,000 in the year to which the claim relates, the greater of \$100 or an amount equal to 10 percent of his or her net tax liability.

2. If the claimant is single or files as a head of household and his or her adjusted gross income is at least \$80,000 but less than \$100,000 in the year to which the claim relates, an amount that is calculated as follows:

a. Calculate the value of a fraction, the denominator of which is \$20,000 and the numerator of which is the difference between the claimant's adjusted gross income and \$80,000.

b. Subtract from 1.0 the amount that is calculated under subd. 2. a.

c. Multiply the amount that is calculated under subd. 2. b. by 10 percent.

d. Multiply the amount of the claimant's net income tax liability by the amount that is calculated under subd. 2. c.

3. If the claimant is married and filing jointly and the sum of the claimant's adjusted gross income and his or her spouse's adjusted gross income is less than \$125,000 in the year to which the claim relates, the greater of \$50 or an amount equal to 10 percent of the married couple's net tax liability.

4. If the claimant is married and filing jointly and the sum of the claimant's adjusted gross income and his or her spouse's adjusted gross income is at least \$125,000 but less than \$150,000 in the year to which the claim relates, an amount that is calculated as follows:

a. Calculate the value of a fraction, the denominator of which is \$25,000 and the numerator of which is the difference between the married couple's adjusted gross income and \$125,000.

b. Subtract from 1.0 the amount that is calculated under subd. 4. a.

c. Multiply the amount that is calculated under subd. 4. b. by 10 percent.

d. Multiply the amount of the married couple's net income tax liability by the amount that is calculated under subd. 4. c.

5. If the claimant is married and filing separately and his or her adjusted gross income is less than \$62,500 in the year to which the claim relates, the greater of \$25 or an amount equal to 10 percent of his or her net tax liability.

6. If the claimant is married and filing separately and his or her adjusted gross income is at least \$62,500 but less than \$75,000 in the year to which the claim relates, an amount that is calculated as follows:

a. Calculate the value of a fraction, the denominator of which is \$12,500 and the numerator of which is the difference between the claimant's adjusted gross income and \$75,000.

b. Subtract from 1.0 the amount that is calculated under subd. 6. a.

c. Multiply the amount that is calculated under subd. 6. b. by 10 percent.

d. Multiply the amount of the claimant's net income tax liability by the amount that is calculated under subd. 6. c.

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

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

3. Except as provided in subd. 4., only one credit per household is allowed each year.

4. If a married couple files separately, each spouse may claim the credit calculated under par. (b) 5. or 6., except a married person living apart from the other spouse and treated as single under section 7703 (b) of the Internal Revenue Code may claim the credit under par. (b) 1. or 2.

5. The credit under this subsection may not be claimed by a person who may be claimed as a dependent on the individual income tax return of another taxpayer.

(d) *Administration.* The department of revenue may enforce the credit under this subsection and may take any action, conduct any proceeding, and proceed as it is authorized in respect to taxes under this chapter. The income tax provisions in this chapter relating to assessments, refunds, appeals, collection, interest, and penalties apply to the credit under this subsection.

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

71.10 (4) (gye) Family and individual reinvestment credit under s. 71.07 (5me).

(END)