



1995 ASSEMBLY BILL 1025

March 13, 1996 - Introduced by Representatives OWENS, FOTI, MUSSER, JENSEN, HAHN, WIRCH, GROTHMAN, DUFF, COLEMAN, ZUKOWSKI, LADWIG, F. LASEE, AINSWORTH, LORGE, SCHNEIDERS, GUNDERSON and OLSEN, cosponsored by Senator BUETTNER. Referred to Committee on Ways and Means.

1 **AN ACT to amend** 71.05 (22) (dm), 71.06 (1) (intro.) and 71.06 (2) (intro.); and **to**
2 **create** 71.05 (22) (ds) and 71.06 (2e) of the statutes; **relating to:** indexing for
3 inflation the individual income tax brackets and standard deduction.

Analysis by the Legislative Reference Bureau

Under current law, there are 3 income tax brackets for fiduciaries, single individuals and heads of households on which 3 different tax rates are imposed. A tax rate of 4.9% is imposed on all taxable income from \$0 to \$7,500; a rate of 6.55% is imposed on all taxable income exceeding \$7,500 but not exceeding \$15,000; and a rate of 6.93% is imposed on all taxable income exceeding \$15,000. Similar tax rates apply to different brackets for married persons who file joint returns and married persons who file separately. For joint returns, the brackets are for all taxable income from \$0 to \$10,000; for all taxable income exceeding \$10,000 but not exceeding \$20,000; and for all taxable income exceeding \$20,000. For married persons filing separately, the brackets are for all taxable income from \$0 to \$5,000; for all taxable income exceeding \$5,000 but not exceeding \$10,000; and for all taxable income exceeding \$10,000.

Also under current law, there is a sliding scale standard deduction for individual income taxpayers. The standard deduction is \$5,200 for a single individual who has Wisconsin adjusted gross income (WAGI) of less than \$7,500. The standard deduction for a single individual is then phased down as income increases, such that the standard deduction is \$0 for a single person who has WAGI of more than \$50,830. The standard deduction is \$7,040 for a head of household who has WAGI of less than \$7,500. The standard deduction for a head of household is then phased down as income increases, and for a head of household who has WAGI of more than \$25,000, the standard deduction is calculated as if the head of household is a single individual. The standard deduction is \$8,900 for a married couple filing jointly who has WAGI of less than \$10,000. The standard deduction for a married couple is then phased down as income increases, such that the standard deduction is \$0 for a

married couple who has WAGI of more than \$55,000. The standard deduction is \$4,230 for a married individual filing separately who has WAGI of less than \$4,750. The standard deduction for a married individual filing separately is then phased down as income increases, such that the standard deduction is \$0 for such a married individual who has WAGI of more than \$26,140.

Beginning with taxable year 1997, this bill indexes for inflation individual income tax brackets, the standard deduction and the dollar amounts of WAGI that relate to the standard deduction calculation. Under the bill, the top amount in each individual income tax bracket, the standard deduction and the dollar amounts of WAGI that relates to the standard deduction calculations are increased by the amount that the consumer price index, calculated by the federal department of labor, increases.

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.** 71.05 (22) (dm) of the statutes is amended to read:
2 71.05 (22) (dm) *Deduction limits; 1994 and thereafter.* Except as provided in
3 par. (f) and subject to par. (ds), for taxable years beginning on or after January 1,
4 1994, the Wisconsin standard deduction is whichever of the following amounts is
5 appropriate. For a single individual who has a Wisconsin adjusted gross income of
6 less than \$7,500, the standard deduction is \$5,200. For a single individual who has
7 a Wisconsin adjusted gross income of at least \$7,500 but not more than \$50,830, the
8 standard deduction is the amount obtained by subtracting from \$5,200 12% of
9 Wisconsin adjusted gross income in excess of \$7,500 but not less than \$0. For a single
10 individual who has a Wisconsin adjusted gross income of more than \$50,830, the
11 standard deduction is \$0. For a head of household who has a Wisconsin adjusted
12 gross income of less than \$7,500, the standard deduction is \$7,040. For a head of
13 household who has a Wisconsin adjusted gross income of at least \$7,500 but not more
14 than \$25,000, the standard deduction is the amount obtained by subtracting from

1 \$7,040 22.515% of Wisconsin adjusted gross income in excess of \$7,500 but not less
2 than \$0. For a head of household who has a Wisconsin adjusted gross income of more
3 than \$25,000, the standard deduction shall be calculated as if the head of household
4 were a single individual. For a married couple filing jointly that has an aggregate
5 Wisconsin adjusted gross income of less than \$10,000, the standard deduction is
6 \$8,900. For a married couple filing jointly that has an aggregate Wisconsin adjusted
7 gross income of at least \$10,000 but not more than \$55,000, the standard deduction
8 is the amount obtained by subtracting from \$8,900 19.778% of aggregate Wisconsin
9 adjusted gross income in excess of \$10,000 but not less than \$0. For a married couple
10 filing jointly that has an aggregate Wisconsin adjusted gross income of more than
11 \$55,000, the standard deduction is \$0. For a married individual filing separately
12 who has a Wisconsin adjusted gross income of less than \$4,750, the standard
13 deduction is \$4,230. For a married individual filing separately who has a Wisconsin
14 adjusted gross income of at least \$4,750 but not more than \$26,140, the standard
15 deduction is the amount obtained by subtracting from \$4,230 19.778% of Wisconsin
16 adjusted gross income in excess of \$4,750 but not less than \$0. For a married
17 individual filing separately who has a Wisconsin adjusted gross income of more than
18 \$26,140, the standard deduction is \$0. The secretary of revenue shall prepare a table
19 under which deductions under this paragraph shall be determined. That table shall
20 be published in the department's instructional booklets.

21 **SECTION 2.** 71.05 (22) (ds) of the statutes is created to read:

22 71.05 (22) (ds) *Standard deduction indexing.* For taxable years beginning on
23 or after January 1, 1997, the dollar amounts of the standard deduction that is
24 allowable under par. (dm) and all of the dollar amounts of Wisconsin adjusted gross
25 income under par. (dm) shall be increased each year by a percentage equal to the

1 percentage change between the U.S. consumer price index for all urban consumers,
2 U.S. city average, for the month of June of the current year and the U.S. consumer
3 price index for all urban consumers, U.S. city average, for the month of June of the
4 previous year, as determined by the federal department of labor. Each amount that
5 is revised under this paragraph shall be rounded up to the nearest multiple of \$10
6 if the revised amount is not a multiple of \$10 or, if the revised amount is a multiple
7 of \$5, such an amount shall be increased to the next higher multiple of \$10. The
8 department of revenue shall adopt by rule the changes in dollar amounts required
9 under this paragraph every year, and incorporate the changes in the income tax
10 forms and instructions.

11 **SECTION 3.** 71.06 (1) (intro.) of the statutes is amended to read:

12 71.06 (1) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS. (intro.)
13 The Subject to sub. (2e), the tax to be assessed, levied and collected upon the taxable
14 incomes of all fiduciaries, except fiduciaries of nuclear decommissioning trust or
15 reserve funds, and single individuals for taxable years beginning on or after August
16 1, 1986, and before January 1, 1994, and upon the taxable incomes of all fiduciaries,
17 except fiduciaries of nuclear decommissioning trust or reserve funds, and single
18 individuals and heads of households for taxable years beginning on or after January
19 1, 1994, shall be computed at the following rates:

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

21 71.06 (2) MARRIED PERSONS. (intro.) The Subject to sub. (2e), the tax to be
22 assessed, levied and collected upon the taxable incomes of all married persons for
23 calendar year 1987 and corresponding fiscal years and for calendar and fiscal years
24 thereafter shall be computed at the following rates:

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

