



**DALE KOOYENGA**  
STATE SENATOR · 5<sup>TH</sup> DISTRICT

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October 14, 2021

TO: Senate Committee on Financial Institutions and Revenue  
FR: Senator Dale Kooyenga  
RE: support for Senate Bill 339 – net capital loss deduction

Thank you for holding a hearing on Senate Bill 339, legislation relating to increasing the net capital loss deduction.

Under current law, an individual subtracts his or her capital losses from capital gains when computing the amount of gain subject to state income tax. For example, when a Wisconsinite sells stock for less than the purchase price, taxable capital gains are reduced on a dollar-for-dollar basis.

If the capital loss exceeded the capital gains, the individual may use up to \$500 of the net loss to offset ordinary income, thus reducing the amount of ordinary income subject to the tax. If the individual's net capital loss exceeded \$500, the individual may carry forward the excess to future years and offset up to \$500 of ordinary income each year until the loss is used up.

Federal Tax Law allows for similar deductions only the maximum offset amount is \$3,000 or \$1,500 for married individuals filing separately.

This legislation aligns state law with federal law as it relates to capital losses by increasing the maximum annual offset for Wisconsin income tax purposes from \$500 to \$3,000 or \$1,500 for married individuals filing separately.

Senate Amendment 1 was drafted at the request of the Department of Revenue to clarify how the deduction is made for taxable years prior to and after this bill would take effect.

Aligning state law with federal law eliminates confusion for taxpayers and brings Wisconsin one-step closer to conformity with the Internal Revenue Code.

Thank you for your time and consideration of this legislation. I respectfully ask for your support of Senate Bill 339.



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# SHAE SORTWELL

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STATE REPRESENTATIVE • 2<sup>nd</sup> ASSEMBLY DISTRICT

**Hearing Testimony**  
**Senate Committee on Financial Institutions and Revenue**  
**October 14, 2021**  
**Senate Bill 339**

Thank you Chairman Kooyenga and members of the Senate Committee on Financial Institutions and Revenue for taking the time to hear testimony on Senate Bill 339 – relating to increasing the net capital loss deduction.

The purpose of Senate Bill 339 is to align state law with federal law as it relates to capital losses by increasing the maximum annual offset for Wisconsin income tax purposes from \$500 to \$1,500 for married individuals filing separately and \$3,000 for all other individuals.

Capital losses are the opposite of capital gains. A capital loss is incurred when a capital asset, such as an investment or real estate, decreases in value. The loss is not realized until the asset is sold for a price that is lower than the original purchase price. In essence, a capital loss is the difference between the purchase price and the price at which the asset is sold, where the sale price is lower than the purchase price.

Under current law, an individual subtracts his or her capital losses from capital gains when computing the amount of gain subject to state income tax. For example, when a Wisconsinite sells stock for less than the purchase price, taxable capital gains are reduced on a dollar-for-dollar basis.

If the capital loss exceeded the capital gains, the individual may use up to \$500 of the net loss to offset ordinary income, thus reducing the amount of ordinary income subject to the tax. If the individual's net capital loss exceeded \$500, the individual may carry forward the excess to future years and offset up to \$500 of ordinary income each year until the loss is used up.

Aligning state law with federal law eliminates confusion for taxpayers and brings Wisconsin one step closer to conformity with the Internal Revenue Code.

Lastly, Amendment 1 to this bill was requested by the Department of Revenue (DOR) for technical purposes on how the capital losses are carried forward in future taxable years. Please also note in DOR's fiscal estimate that the decreased revenue impact will decline over time.

I appreciate the committee's time and support and will answer any questions you may have.