



Legislative Fiscal Bureau

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TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 232: Individual Income Tax Withholding Requirements for Employees of a County Fair Association

Assembly Bill 232 would modify a current exemption from individual income tax withholding requirements related to employees of a county fair association. AB 232 was introduced on April 10, 2007, and referred to the Assembly Committee on Rural Affairs. The Committee on Rural Affairs recommended AB 232 for passage on June 14, 2007, on a vote of 9 to 0. The bill was then referred to the Joint Committee on Finance and to the Joint Survey Committee on Tax Exemptions.

CURRENT LAW

Under current law, employers must generally withhold from an employee's wages an amount determined by the Department of Revenue based on withholding tables prepared by the Department. Current law provides an exemption from this requirement for a county fair association in regard to any employee receiving less than \$100 annually in wages or salary from such association.

SUMMARY OF BILL

AB 232 would increase the exemption from the income tax withholding requirements for a county fair association to apply to any employee receiving less than \$500 annually in wages or salary from the association. The increased exemption amount would first apply to taxable years beginning on January 1 of the year in which the bill takes effect, except that if the bill takes effect after July 31, the higher exemption amount would first apply to taxable years beginning on January 1 of the following year. The bill would take effect on the day after publication.

FISCAL EFFECT

While AB 232 would increase a current exemption from withholding requirements, it would not change the actual tax liability of an employee of a county fair association. As a result, the bill would delay the receipt of income tax revenues from wages or salaries paid to an affected county fair association employee to the time when such an employee filed an income tax return. However, it is expected that the delay would have a minimal fiscal effect on state tax revenues.

Prepared by: Faith Russell