



2005 ASSEMBLY BILL 402

May 5, 2005 - Introduced by Representatives KERKMAN, LOEFFELHOLZ, OWENS, ALBERS, BIES, BOYLE, DAVIS, FREESE, GIELOW, GRONEMUS, GUNDERSON, HAHN, HINES, HONADEL, HUNDERTMARK, JENSEN, JESKEWITZ, KRAWCZYK, KREIBICH, LEMAHIEU, LOTHIAN, MCCORMICK, MEYER, MURSAU, MUSSER, NASS, NISCHKE, OTT, PETROWSKI, PETTIS, PRIDEMORE, SUDER, TOWNSEND, VAN ROY, VOS, VRAKAS and WOOD, cosponsored by Senators KEDZIE, DARLING, HARSDORF, KANAVAS, A. LASEE, LASSA, LAZICH, LEIBHAM, ROESSLER and STEPP. Referred to Committee on Ways and Means.

1 **AN ACT** *to create* 71.07 (6e) and 71.10 (4) (ce) of the statutes; **relating to:**
2 creating a nonrefundable individual income tax credit for certain amounts of
3 taxable social security benefits.

Analysis by the Legislative Reference Bureau

In general, under current law, 50 percent of certain social security benefits are taxed by this state once the recipient's income reaches \$34,000 for a single individual or \$44,000 for a married couple filing jointly, while the federal government taxes 85 percent of these same benefits. The remaining 50 percent of such benefits that are not taxed by this state are exempt from taxation.

This bill creates a nonrefundable individual income tax credit for taxable amounts of social security benefits. Over the course of five years, beginning with 2006, the bill phases in the credit. The credit amount is calculated to be the amount of a claimant's taxable social security benefits that he or she receives in the year to which the claim relates, multiplied by the taxpayer's marginal tax rate. In 2006, this amount is then multiplied by 20 percent; in 2007, by 40 percent; in 2008, 60 percent; in 2009, 80 percent; and in 2010 and thereafter, by 100 percent.

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:

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1 **SECTION 1.** 71.07 (6e) of the statutes is created to read:

2 71.07 **(6e)** SOCIAL SECURITY BENEFITS TAX CREDIT. (a) *Definitions.* In this
3 subsection:

4 1. “Claimant” means an individual who is eligible for, and claims, the deduction
5 under s. 71.05 (6) (b) 21.

6 2. “Eligible amount” means the amount of a claimant’s taxable social security
7 benefits that he or she receives in the year to which the claim relates.

8 (b) *Filing claims.* Subject to the limitations provided in this subsection, a
9 claimant may claim as a credit against the tax imposed under s. 71.02, up to the
10 amount of those taxes, an amount calculated as follows:

11 1. For taxable years beginning after December 31, 2005, and before January
12 1, 2007, 20 percent of the claimant’s eligible amount, multiplied by the claimant’s
13 marginal tax rate.

14 2. For taxable years beginning after December 31, 2006, and before January
15 1, 2008, 40 percent of the claimant’s eligible amount, multiplied by the claimant’s
16 marginal tax rate.

17 3. For taxable years beginning after December 31, 2007, and before January
18 1, 2009, 60 percent of the claimant’s eligible amount, multiplied by the claimant’s
19 marginal tax rate.

20 4. For taxable years beginning after December 31, 2008, and before January
21 1, 2010, 80 percent of the claimant’s eligible amount, multiplied by the claimant’s
22 marginal tax rate.

23 5. For taxable years beginning after December 31, 2009, 100 percent of the
24 claimant’s eligible amount, multiplied by the claimant’s marginal tax rate.

