



State of Wisconsin  
2013 - 2014 LEGISLATURE



LRB-3911/2  
MES&JK;jld:jf

## 2013 ASSEMBLY BILL 872

March 17, 2014 – Introduced by Representatives C. TAYLOR, BERCEAU, HEBL, HESSELBEIN, POPE, SARGENT and OHNSTAD. Referred to Committee on Ways and Means.

1     **AN ACT to repeal** 71.05 (6) (a) 25., 71.06 (1q), 71.06 (2) (i), 71.06 (2) (j), 71.07 (5n),  
2           71.07 (9e) (aj), 71.10 (4) (cr), 71.21 (4) (b), 71.255 (6) (bm), 71.26 (2) (a) 11., 71.26  
3           (4) (b), 71.28 (5n), 71.30 (3) (dn), 71.34 (1k) (m), 71.45 (4) (b), 71.54 (1) (g) and  
4           71.54 (2) (b) 4.; **to renumber and amend** 71.26 (4) (a) and 71.45 (4) (a); **to**  
5           **amend** 71.01 (14), 71.03 (2) (a) 1., 71.05 (6) (b) 9., 71.05 (6) (b) 9m., 71.05 (6) (b)  
6           25., 71.05 (6) (b) 47. b., 71.05 (6) (b) 47. c., 71.05 (8) (b), 71.05 (23) (b) 1., 71.05  
7           (25) (b), 71.06 (1p) (intro.), 71.06 (1p) (a), 71.06 (1p) (b), 71.06 (1p) (c), 71.06 (2)  
8           (g) (intro.), 71.06 (2) (g) 1., 71.06 (2) (g) 2., 71.06 (2) (g) 3., 71.06 (2) (h) (intro.),  
9           71.06 (2) (h) 1., 71.06 (2) (h) 2., 71.06 (2) (h) 3., 71.06 (2e) (a), 71.06 (2e) (b), 71.06  
10          (2m), 71.06 (2s) (d), 71.07 (9e) (af) (intro.), 71.125 (1), 71.125 (2), 71.17 (6),  
11          71.255 (2m) (d), 71.255 (6) (a), 71.36 (1m) (a), 71.54 (1) (f) (intro.), 71.54 (2) (b)  
12          3., 71.54 (2m), 71.64 (9) (b) (intro.), 71.67 (5) (a) and 71.67 (5m); and **to create**  
13          71.05 (23) (be) of the statutes; **relating to:** reducing and increasing certain  
14          individual income tax rates and expanding the number of brackets to what

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1           existed before the enactment of 2013 Wisconsin Act 20, disregarding a  
2           taxpayer’s election to include another in its combined group, disallowing  
3           certain carry-forward amounts for combined reporting purposes, repealing the  
4           income and franchise tax credit for qualified production activities income,  
5           repealing the changes made to the earned income tax credit in 2011 Wisconsin  
6           Act 32, increasing the personal exemption for certain individuals, restoring  
7           indexing provisions to the homestead tax credit, and eliminating the individual  
8           income tax exclusion for long-term capital gains other than for farm assets.

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***Analysis by the Legislative Reference Bureau******Combined reporting***

Under current law, a taxpayer may elect to include in its combined group, for income and franchise tax reporting purposes, every corporation in its commonly controlled group, regardless of whether such corporations are engaged in the same unitary business of the taxpayer. Under current law, the Department of Revenue (DOR) may not disallow such an election, or disregard its effect. Under this bill, if DOR determines that such an election has the effect of tax avoidance, DOR must disregard the election’s tax effect or disallow the election.

Under current law, for each taxable year that a corporation that is a member of a combined group has net business loss carry-forward from a taxable year beginning before January 1, 2009, the corporation may, for 20 taxable years, use up to 5 percent of the net business loss carry-forward to offset the income of all other members of the combined group. The bill eliminates this provision.

***Qualified production activities income credit***

Under the federal Internal Revenue Code, a taxpayer may claim a deduction equal to 9 percent of the taxpayer’s qualified production activities income in the taxable year or 9 percent of the taxpayer’s total taxable income, whichever is less. For federal tax purposes, qualified production activities income is, generally, the amount of the taxpayer’s domestic production gross receipts that exceed the sum of the cost of goods sold and other expenses, losses, or deductions. Domestic production gross receipts are, generally, gross receipts derived from property that was manufactured, produced, grown, or extracted in the United States.

Under current law, an individual taxpayer may claim a state income tax credit equal to the taxpayer’s qualified production activities income derived from manufacturing property and agricultural property, multiplied by a certain percentage. A corporation or insurer may claim a state income and franchise tax credit equal to the lesser of its taxable income apportioned to this state or its qualified

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production activities income derived from manufacturing property or agricultural property located in this state, multiplied by a certain percentage. The percentage of qualified production activities income that a taxpayer may claim as a credit is 1.875 percent for 2013, 3.75 percent for 2014, 5.526 percent for 2015, and 7.5 percent for 2016 and for each year thereafter.

The bill eliminates the tax credit for qualified production activities income.

***Changes to rates and brackets***

Under current law, there are four income tax brackets for single individuals, certain fiduciaries, heads of households, and married persons. The brackets are indexed for inflation. The rate of taxation under current law for the lowest bracket for single individuals, certain fiduciaries, heads of households, and married persons is 4.40 percent of taxable income; the rate for the second bracket is 5.84 percent; the rate for the third bracket is 6.27 percent; and the rate for the highest bracket is 7.65 percent. Before applying bracket indexing, the four brackets for individuals, certain fiduciaries, and heads of households, to which the above rates apply, are as follows: taxable income from \$0 to \$7,500; taxable income exceeding \$7,500 but not exceeding \$15,000; taxable income exceeding \$15,000 but not exceeding \$225,000; and taxable income exceeding \$225,000. This rate and bracket structure first applies to taxable year 2013, and was enacted in 2013 Wisconsin Act 20, the state budget bill.

This bill repeals the changes made to the rates and brackets in 2013 Wisconsin Act 20 and, for taxable years 2013 and thereafter, reduces and restores certain rates and restores the brackets that existed before the budget bill was enacted. Under the former law and this bill, which will take effect retroactively to taxable year 2013 once the bill is enacted, there are five income tax brackets for single individuals, certain fiduciaries, heads of households, and married persons. The brackets are indexed for inflation. The rate of taxation under former law for the lowest bracket for single individuals, certain fiduciaries, heads of households, and married persons is 4.60 percent of taxable income; the rate for the second bracket is 6.15 percent; the rate for the third bracket is 6.50 percent; the rate for the fourth bracket is 6.75 percent; and the rate for the highest bracket is 7.75 percent. This bill lowers the rates of taxation for the three lowest brackets to 4.0 percent, 5.84 percent, and 6.27 percent.

With regard to taxable year 2012, before indexing for inflation for 2013, for single individuals, certain fiduciaries, and heads of households, for example, the lowest bracket applies to taxable income of over \$0 up to \$10,570; the second bracket applies to taxable income over \$10,570 up to \$20,360; the third bracket applies to taxable income over \$20,360 up to \$158,500; the fourth bracket applies to taxable income over \$158,500 up to \$232,660; and the fifth, or top, bracket applies to taxable income over \$232,660.

***Personal exemptions***

Under current law, an individual income tax personal exemption exists in the amount of \$700 for each taxpayer who is required to file an income tax return and \$700 for the taxpayer's spouse, except if the spouse is filing separately or as a head of household. A taxpayer may also claim a \$700 exemption for each dependent for whom he or she is entitled to claim an exemption under the Internal Revenue Code. In general, an additional exemption of \$250 may be claimed by a taxpayer, and

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spouse, who has reached the age of 65 before the close of the taxable year to which his or her tax return relates.

This bill increases the personal exemption amount for certain taxpayers starting with taxable year 2014. Under the bill, if a single individual has Wisconsin adjusted gross income (WAGI) of less than \$12,000, his or her personal exemption is \$4,310. The personal exemption amount for such an individual phases down to approximately \$700 as his or her WAGI increases from \$12,000 to the maximum income threshold of \$60,000. If such an individual's WAGI is more than the maximum income threshold, the individual calculates his or her exemption under current law.

Similarly under the bill, the personal exemption amount for a head of household, a married couple filing jointly, and a married individual filing separately are all increased to \$4,310 per person for those whose WAGI, or joint WAGI in the case of a married couple filing jointly, is less than \$14,000 (head of household), \$20,000 (married joint), or \$10,000 (married separate). The exemption amount phases down to approximately \$700 (\$1,400 for a married couple filing jointly) as WAGI increases to the maximum income threshold, which is \$70,000 (head of household), \$100,000 (married joint), or \$50,000 (married separate). If a taxpayer's WAGI is more than the maximum income threshold, the taxpayer calculates his or her, or the couple's, exemption under current law. The bill does not make any change to the current law exemption provisions for dependents or individuals who are age 65 or above.

***Earned income tax credit***

Under current law, as created in 2011 Wisconsin Act 32, the earned income tax credit (EITC) is reduced for claimants with two or more qualifying children. The bill repeals those provisions and restores former law. Under the bill, the EITC, as a percentage of the federal credit, would be 4 percent for claimants with one qualifying child, 14 percent for claimants with two qualifying children, and 43 percent for claimants with three or more qualifying children.

***Homestead tax credit***

Under current law, as created in 2011 Wisconsin Act 32, the homestead tax credit formula factors (maximum income, maximum property taxes, and income threshold) are not indexed for inflation after 2010. The bill repeals those provisions and restores former law. Under the bill, the homestead tax credit formula factors would be indexed for inflation for 2013 and beyond.

***Exclusion of capital gains***

Under current law, there is an income tax exclusion for individuals, fiduciaries, members of limited liability companies and partnerships, and shareholders of tax-option corporations for 30 percent of the net long-term capital gains realized from the sale of assets held more than one year and the sale of all assets acquired from a decedent, and an exclusion for 60 percent of such gains realized from the sale of farm assets held more than one year and the sale of all farm assets acquired from a decedent.

Under this bill, the exclusion of 30 percent of such net long-term capital gains, and all assets acquired from a decedent, does not apply to taxable years beginning

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after December 31, 2013. The bill does not affect the exclusion of the gains realized from the sale of farm assets held more than one year and the sale of farm assets acquired from a decedent.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

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

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

1           **SECTION 1.** 71.01 (14) of the statutes is amended to read:

2           71.01 (14) "Wisconsin net operating loss" of persons other than corporations  
3 means "federal net operating loss" adjusted as prescribed in s. 71.05 (6) (a) and (b),  
4 (7) to (12) and (19) to (21), ~~except s. 71.05 (6) (b) 9.~~, except that no deductions  
5 allowable on schedule A for federal income tax purposes are allowable.

6           **SECTION 2.** 71.03 (2) (a) 1. of the statutes is amended to read:

7           71.03 (2) (a) 1. Every individual domiciled in this state during the entire  
8 taxable year who has a gross income at or above a threshold amount which shall be  
9 determined annually by the department of revenue. The threshold amounts shall  
10 be determined for categories of individuals based on filing status and age, and shall  
11 include categories for single individuals; individuals who file as a head of household;  
12 married couples who file jointly; and married persons who file separately. The  
13 threshold amounts shall also be determined by taking into account the exemption  
14 amounts in s. 71.05 (23) (b) 1. and 3. and (be). The department of revenue shall  
15 establish a threshold amount for each category of individual at an amount at which  
16 no individual in that category whose gross income is below that amount has a state  
17 income tax liability.

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1           **SECTION 3.** 71.05 (6) (a) 25. of the statutes is repealed.

2           **SECTION 4.** 71.05 (6) (b) 9. of the statutes is amended to read:

3           71.05 **(6)** (b) 9. On assets held more than one year and on all assets acquired  
4 from a decedent, 30 percent of the capital gain as computed under the internal  
5 revenue code, not including capital gains for which the federal tax treatment is  
6 determined under section 406 of P.L. 99-514; not including amounts treated as  
7 ordinary income for federal income tax purposes because of the recapture of  
8 depreciation or any other reason; and not including amounts treated as capital gain  
9 for federal income tax purposes from the sale or exchange of a lottery prize. For  
10 purposes of this subdivision, the capital gains and capital losses for all assets shall  
11 be netted before application of the percentage. This subdivision does not apply to  
12 taxable years that begin after December 31, 2013.

13           **SECTION 5.** 71.05 (6) (b) 9m. of the statutes is amended to read:

14           71.05 **(6)** (b) 9m. On farm assets held more than one year and on all farm assets  
15 acquired from a decedent, to the extent that they are not subtracted under subd. 9.  
16 ~~or~~ 10., 60 percent of the capital gain as computed under the Internal Revenue Code,  
17 not including capital gains for which the federal tax treatment is determined under  
18 section 406 of P.L. 99-514; not including amounts treated as ordinary income for  
19 federal income tax purposes because of the recapture of depreciation or any other  
20 reason; and not including amounts treated as capital gain for federal income tax  
21 purposes from the sale or exchange of a lottery prize. In this subdivision, “farm  
22 assets” means livestock, farm equipment, farm real property, and farm depreciable  
23 property. For purposes of this subdivision, the capital gains and capital losses for all  
24 assets shall be netted before application of the percentage.

25           **SECTION 6.** 71.05 (6) (b) 25. of the statutes is amended to read:

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1           71.05 (6) (b) 25. All gains that are not excluded from taxation under subd. 9.,  
2           ~~on business assets or 9m.~~ on assets used in farming, including shares in a corporation  
3           or trust that meets the standards under s. 182.001 (1), or both, held more than one  
4           year, that are sold or otherwise disposed of to persons who are related to the seller  
5           or transferor by blood, marriage or adoption within the 3rd degree of kinship as  
6           determined under s. 990.001 (16), as computed under the Internal Revenue Code, not  
7           including amounts treated as ordinary income for federal income tax purposes  
8           because of the recapture of depreciation or any other reason.

9           **SECTION 7.** 71.05 (6) (b) 47. b. of the statutes, as affected by 2013 Wisconsin Act  
10          20, is amended to read:

11          71.05 (6) (b) 47. b. With respect to partners and members of limited liability  
12          companies, for taxable years beginning after December 31, 2010, and before January  
13          1, 2014, for 2 consecutive taxable years beginning with the taxable year in which the  
14          partnership's or limited liability company's business locates to this state from  
15          another state or another country and begins doing business in this state, as defined  
16          in s. 71.22 (1r), and subject to the limitations provided under subd. 47. d. and e., the  
17          partner's or member's distributive share of taxable income as calculated under  
18          section 703 of the Internal Revenue Code; plus the items of income and gain under  
19          section 702 of the Internal Revenue Code, including taxable state and municipal  
20          bond interest and excluding nontaxable interest income or dividend income from  
21          federal government obligations; minus the items of loss and deduction under section  
22          ~~756702~~ 702 of the Internal Revenue Code, except items that are not deductible under  
23          s. 71.21; plus guaranteed payments to partners under section 707 (c) of the Internal  
24          Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL),  
25          (2dm), (2dr), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3s), (3t),

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1 (3w), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5r), (5rm), and (8r); and plus or minus, as  
2 appropriate, transitional adjustments, depreciation differences, and basis  
3 differences under s. 71.05 (13), (15), (16), (17), and (19), multiplied by the  
4 apportionment fraction determined in s. 71.04 (4) and subject to s. 71.04 (7) or by  
5 separate accounting. No amounts subtracted under this subd. 47. b. may be included  
6 in the modification under par. (b) ~~9- or~~ 9m.

7 **SECTION 8.** 71.05 (6) (b) 47. c. of the statutes, as affected by 2013 Wisconsin Act  
8 20, is amended to read:

9 71.05 **(6)** (b) 47. c. With respect to shareholders of a tax-option corporation, for  
10 taxable years beginning after December 31, 2010, and before January 1, 2014, for 2  
11 consecutive taxable years beginning with the taxable year in which the tax-option  
12 corporation's business locates to this state from another state or another country and  
13 begins doing business in this state, as defined in s. 71.22 (1r), and subject to the  
14 limitations provided under subd. 47. d. and e., the shareholder's distributive share  
15 of the entity's net income or loss as determined under this chapter, including interest  
16 income from federal, state, and municipal government obligations, multiplied by the  
17 apportionment fraction determined in s. 71.25 (6m) and subject to s. 71.25 (9) or by  
18 separate accounting. No amounts subtracted under this subdivision may be  
19 included in the modification under par. (b) ~~9- or~~ 9m.

20 **SECTION 9.** 71.05 (8) (b) of the statutes, as affected by 2013 Wisconsin Act 20,  
21 is amended to read:

22 71.05 **(8)** (b) A Wisconsin net operating loss may be carried back against  
23 Wisconsin taxable income of the previous 2 years and then carried forward against  
24 Wisconsin taxable incomes of the next 20 taxable years, if the taxpayer was subject  
25 to taxation under this chapter in the taxable year in which the loss was sustained,



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1 to the extent not offset against other income of the year of loss and to the extent not  
2 offset against Wisconsin modified taxable income of the 2 years preceding the loss  
3 and of any year between the loss year and the taxable year for which the loss  
4 carry-forward is claimed. In this paragraph, "Wisconsin modified taxable income"  
5 means Wisconsin taxable income with the following exceptions: a net operating loss  
6 deduction or offset for the loss year or any taxable year before or thereafter is not  
7 allowed, the deduction for long-term capital gains under subs. (6) (b) ~~9~~ and 9m. and  
8 (25) is not allowed, the amount deductible for losses from sales or exchanges of  
9 capital assets may not exceed the amount includable in income for gains from sales  
10 or exchanges of capital assets and "Wisconsin modified taxable income" may not be  
11 less than zero.

12 **SECTION 10.** 71.05 (23) (b) 1. of the statutes is amended to read:

13 71.05 (23) (b) 1. A personal exemption of \$700 if the taxpayer is required to file  
14 a return under s. 71.03 (2) (a) 1. or 2. and \$700 for the taxpayer's spouse, except if  
15 the spouse is filing separately or as a head of household. The exemption under this  
16 subdivision may not be claimed by a taxpayer who is eligible for, and claims, the  
17 exemption under par. (be).

18 **SECTION 11.** 71.05 (23) (be) of the statutes is created to read:

19 71.05 (23) (be) For taxable years beginning after December 31, 2013, a personal  
20 exemption calculated as follows if the taxpayer is required to file a return under s.  
21 71.03 (2) (a) 1. or 2.:

22 1. For a single individual who has a Wisconsin adjusted gross income of less  
23 than \$12,000, an exemption of \$4,310. For a single individual who has a Wisconsin  
24 adjusted gross income of at least \$12,000, the exemption is the amount obtained by  
25 subtracting from \$4,310 7.52 percent of Wisconsin adjusted gross income in excess

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1 of \$12,000 but not less than \$0, except that if the single individual's Wisconsin  
2 adjusted gross income is more than \$60,000, the individual may not claim the  
3 exemption under this paragraph but the individual may claim the exemption under  
4 par. (b).

5 2. For a head of household who has a Wisconsin adjusted gross income of less  
6 than \$14,000, an exemption of \$4,310. For a head of household who has a Wisconsin  
7 adjusted gross income of at least \$14,000, the exemption is the amount obtained by  
8 subtracting from \$4,310 6.45 percent of Wisconsin adjusted gross income in excess  
9 of \$14,000 but not less than \$0, except that if the head of household's Wisconsin  
10 adjusted gross income is more than \$70,000, the individual may not claim the  
11 exemption under this paragraph but the head of household may claim the exemption  
12 under par. (b).

13 3. For a married couple filing jointly that has an aggregate Wisconsin adjusted  
14 gross income of less than \$20,000, an exemption of \$4,310 for each spouse. For a  
15 married couple filing jointly that has an aggregate Wisconsin adjusted gross income  
16 of at least \$20,000, the exemption is the amount obtained by subtracting, for each  
17 spouse, from \$4,310 4.51 percent of aggregate Wisconsin adjusted gross income in  
18 excess of \$20,000 but not less than \$0, except that if the married couple's Wisconsin  
19 aggregate adjusted gross income is more than \$100,000, the couple may not claim the  
20 exemption under this paragraph but the married couple may claim the exemption  
21 under par. (b).

22 4. For a married individual filing separately who has a Wisconsin adjusted  
23 gross income of less than \$10,000, an exemption of \$4,310. For a married individual  
24 filing separately who has a Wisconsin adjusted gross income of at least \$10,000, the  
25 exemption is the amount obtained by subtracting from \$4,310 9.03 percent of

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1 Wisconsin adjusted gross income in excess of \$10,000 but not less than \$0, except that  
2 if the individual's Wisconsin adjusted gross income is more than \$50,000, the  
3 individual may not claim the exemption under this paragraph but the individual  
4 may claim the exemption under par. (b).

5 **SECTION 12.** 71.05 (25) (b) of the statutes, as affected by 2013 Wisconsin Act 20,  
6 is amended to read:

7 71.05 (25) (b) For taxable years beginning after December 31, 2015, for an  
8 investment in a qualified Wisconsin business made after December 31, 2010, and  
9 held for at least 5 uninterrupted years, a claimant may subtract from federal  
10 adjusted gross income the amount of the claimant's qualifying gain in the year to  
11 which the claim relates, to the extent that it is not subtracted under sub. (6) (b) 9.  
12 or 9m.

13 **SECTION 13.** 71.06 (1p) (intro.) of the statutes, as affected by 2013 Wisconsin  
14 Act 20, is amended to read:

15 71.06 (1p) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; ~~2001 TO~~  
16 ~~2012~~ AFTER 2000. (intro.) The tax to be assessed, levied and collected upon the taxable  
17 incomes of all fiduciaries, except fiduciaries of nuclear decommissioning trust or  
18 reserve funds, and single individuals and heads of households shall be computed at  
19 the following rates for taxable years beginning after December 31, 2000, ~~and before~~  
20 ~~January 1, 2013:~~

21 **SECTION 14.** 71.06 (1p) (a) of the statutes is amended to read:

22 71.06 (1p) (a) On all taxable income from \$0 to \$7,500, ~~4.6%~~ 4.40 percent.

23 **SECTION 15.** 71.06 (1p) (b) of the statutes is amended to read:

24 71.06 (1p) (b) On all taxable income exceeding \$7,500 but not exceeding  
25 \$15,000, ~~6.15%~~ 5.84 percent.

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1           **SECTION 16.** 71.06 (1p) (c) of the statutes is amended to read:

2           71.06 **(1p)** (c) On all taxable income exceeding \$15,000 but not exceeding  
3           \$112,500, ~~6.5%~~ 6.27 percent.

4           **SECTION 17.** 71.06 (1q) of the statutes, as created by 2013 Wisconsin Act 20, is  
5           repealed.

6           **SECTION 18.** 71.06 (2) (g) (intro.) of the statutes, as affected by 2013 Wisconsin  
7           Act 20, is amended to read:

8           71.06 **(2)** (g) (intro.) For joint returns, for taxable years beginning after  
9           December 31, 2000, ~~and before January 1, 2013~~:

10          **SECTION 19.** 71.06 (2) (g) 1. of the statutes is amended to read:

11          71.06 **(2)** (g) 1. On all taxable income from \$0 to \$10,000, ~~4.6%~~ 4.0 percent.

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

13          71.06 **(2)** (g) 2. On all taxable income exceeding \$10,000 but not exceeding  
14          \$20,000, ~~6.15%~~ 5.84 percent.

15          **SECTION 21.** 71.06 (2) (g) 3. of the statutes is amended to read:

16          71.06 **(2)** (g) 3. On all taxable income exceeding \$20,000 but not exceeding  
17          \$150,000, ~~6.5%~~ 6.27 percent.

18          **SECTION 22.** 71.06 (2) (h) (intro.) of the statutes, as affected by 2013 Wisconsin  
19          Act 20, is amended to read:

20          71.06 **(2)** (h) (intro.) For married persons filing separately, for taxable years  
21          beginning after December 31, 2000, ~~and before January 1, 2013~~:

22          **SECTION 23.** 71.06 (2) (h) 1. of the statutes is amended to read:

23          71.06 **(2)** (h) 1. On all taxable income from \$0 to \$5,000, ~~4.6%~~ 4.0 percent.

24          **SECTION 24.** 71.06 (2) (h) 2. of the statutes is amended to read:

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1           71.06 (2) (h) 2. On all taxable income exceeding \$5,000 but not exceeding  
2           \$10,000, ~~6.15%~~ 5.84 percent.

3           **SECTION 25.** 71.06 (2) (h) 3. of the statutes is amended to read:

4           71.06 (2) (h) 3. On all taxable income exceeding \$10,000 but not exceeding  
5           \$75,000, ~~6.5%~~ 6.27 percent.

6           **SECTION 26.** 71.06 (2) (i) of the statutes, as created by 2013 Wisconsin Act 20,  
7           is repealed.

8           **SECTION 27.** 71.06 (2) (j) of the statutes, as created by 2013 Wisconsin Act 20,  
9           is repealed.

10          **SECTION 28.** 71.06 (2e) (a) of the statutes, as affected by 2013 Wisconsin Act 20,  
11          is amended to read:

12           71.06 (2e) (a) For taxable years beginning after December 31, 1998, and before  
13           January 1, 2000, the maximum dollar amount in each tax bracket, and the  
14           corresponding minimum dollar amount in the next bracket, under subs. (1m) and (2)  
15           (c) and (d), and for taxable years beginning after December 31, 1999, the maximum  
16           dollar amount in each tax bracket, and the corresponding minimum dollar amount  
17           in the next bracket, under subs. (1n), (1p) (a) to (c), ~~(1q) (a) and (b)~~, and (2) (e), (f), (g)  
18           1. to 3., and (h) 1. to 3., ~~(i) 1. and 2., and (j) 1. and 2.,~~ shall be increased each year by  
19           a percentage equal to the percentage change between the U.S. consumer price index  
20           for all urban consumers, U.S. city average, for the month of August of the previous  
21           year and the U.S. consumer price index for all urban consumers, U.S. city average,  
22           for the month of August 1997, as determined by the federal department of labor,  
23           except that for taxable years beginning after December 31, 2000, and before January  
24           1, 2002, the dollar amount in the top bracket under subs. (1p) (c) and (d), (2) (g) 3.  
25           and 4. and (h) 3. and 4. shall be increased by a percentage equal to the percentage

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1 change between the U.S. consumer price index for all urban consumers, U.S. city  
2 average, for the month of August of the previous year and the U.S. consumer price  
3 index for all urban consumers, U.S. city average, for the month of August 1999, as  
4 determined by the federal department of labor, except that for taxable years  
5 beginning after December 31, 2011, the adjustment may occur only if the resulting  
6 amount is greater than the corresponding amount that was calculated for the  
7 previous year.

8 **SECTION 29.** 71.06 (2e) (b) of the statutes, as affected by 2013 Wisconsin Act 20,  
9 is amended to read:

10 71.06 **(2e)** (b) For taxable years beginning after December 31, 2009, the  
11 maximum dollar amount in each tax bracket, and the corresponding minimum dollar  
12 amount in the next bracket, under subs. (1p) (d), ~~(1q) (e)~~, and (2) (g) 4., and (h) 4., ~~(i)~~  
13 ~~3., and (j) 3.~~, and the dollar amount in the top bracket under subs. (1p) (e), ~~(1q) (d)~~,  
14 and (2) (g) 5., and (h) 5., ~~(i) 4., and (j) 4.~~, shall be increased each year by a percentage  
15 equal to the percentage change between the U.S. consumer price index for all urban  
16 consumers, U.S. city average, for the month of August of the previous year and the  
17 U.S. consumer price index for all urban consumers, U.S. city average, for the month  
18 of August 2008, as determined by the federal department of labor, except that for  
19 taxable years beginning after December 31, 2011, the adjustment may occur only if  
20 the resulting amount is greater than the corresponding amount that was calculated  
21 for the previous year.

22 **SECTION 30.** 71.06 (2m) of the statutes, as affected by 2013 Wisconsin Act 20,  
23 is amended to read:

24 71.06 **(2m)** RATE CHANGES. If a rate under sub. (1), (1m), (1n), (1p), ~~(1q)~~, or (2)  
25 changes during a taxable year, the taxpayer shall compute the tax for that taxable

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1 year by the methods applicable to the federal income tax under section 15 of the  
2 Internal Revenue Code.

3 **SECTION 31.** 71.06 (2s) (d) of the statutes, as affected by 2013 Wisconsin Act 20,  
4 is amended to read:

5 71.06 **(2s)** (d) For taxable years beginning after December 31, 2000, with  
6 respect to nonresident individuals, including individuals changing their domicile  
7 into or from this state, the tax brackets under subs. (1p), ~~(1q)~~, and (2) (g), and (h), ~~(i)~~,  
8 ~~and (j)~~ shall be multiplied by a fraction, the numerator of which is Wisconsin adjusted  
9 gross income and the denominator of which is federal adjusted gross income. In this  
10 paragraph, for married persons filing separately “adjusted gross income” means the  
11 separate adjusted gross income of each spouse, and for married persons filing jointly  
12 “adjusted gross income” means the total adjusted gross income of both spouses. If  
13 an individual and that individual’s spouse are not both domiciled in this state during  
14 the entire taxable year, the tax brackets under subs. (1p), ~~(1q)~~, and (2) (g), and (h),  
15 ~~(i)~~, ~~and (j)~~ on a joint return shall be multiplied by a fraction, the numerator of which  
16 is their joint Wisconsin adjusted gross income and the denominator of which is their  
17 joint federal adjusted gross income.

18 **SECTION 32.** 71.07 (5n) of the statutes, as affected by 2013 Wisconsin Act 54,  
19 is repealed.

20 **SECTION 33.** 71.07 (9e) (af) (intro.) of the statutes is amended to read:

21 71.07 **(9e)** (af) (intro.) For taxable years beginning after December 31, 1995,  
22 ~~and before January 1, 2011~~, any natural person may credit against the tax imposed  
23 under s. 71.02 an amount equal to one of the following percentages of the federal  
24 basic earned income credit for which the person is eligible for the taxable year under  
25 section 32 (b) (1) (A) to (C) of the Internal Revenue Code:

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1           **SECTION 34.** 71.07 (9e) (aj) of the statutes is repealed.

2           **SECTION 35.** 71.10 (4) (cr) of the statutes is repealed.

3           **SECTION 36.** 71.125 (1) of the statutes, as affected by 2013 Wisconsin Act 20,  
4 is amended to read:

5           71.125 (1) Except as provided in sub. (2), the tax imposed by this chapter on  
6 individuals and the rates under s. 71.06 (1), (1m), (1n), (1p), ~~(1q)~~, and (2) shall apply  
7 to the Wisconsin taxable income of estates or trusts, except nuclear decommissioning  
8 trust or reserve funds, and that tax shall be paid by the fiduciary.

9           **SECTION 37.** 71.125 (2) of the statutes, as affected by 2013 Wisconsin Act 20,  
10 is amended to read:

11           71.125 (2) Each electing small business trust, as defined in section 1361 (e) (1)  
12 of the Internal Revenue Code, is subject to tax at the highest rate under s. 71.06 (1),  
13 (1m), (1n), or (1p), ~~or (1q)~~, whichever taxable year is applicable, on its income as  
14 computed under section 641 of the Internal Revenue Code, as modified by s. 71.05  
15 (6) to (12), (19) and (20).

16           **SECTION 38.** 71.17 (6) of the statutes, as affected by 2013 Wisconsin Act 20, is  
17 amended to read:

18           71.17 (6) FUNERAL TRUSTS. If a qualified funeral trust makes the election under  
19 section 685 of the Internal Revenue Code for federal income tax purposes, that  
20 election applies for purposes of this chapter and each trust shall compute its own tax  
21 and shall apply the rates under s. 71.06 (1), (1m), (1n), or (1p), ~~or (1q)~~.

22           **SECTION 39.** 71.21 (4) (b) of the statutes is repealed.

23           **SECTION 40.** 71.255 (2m) (d) of the statutes is amended to read:

24           71.255 (2m) (d) The department ~~may not~~ shall disregard the tax effect of an  
25 election under this subsection, or disallow the election, with respect to any controlled



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1 group member or members for any year of the election period, if the department  
2 determines that the election has the effect of tax avoidance.

3 **SECTION 41.** 71.255 (6) (a) of the statutes is amended to read:

4 71.255 (6) (a) Except as provided in pars. (b), ~~(bm)~~, and (c) no tax credit,  
5 Wisconsin net business loss carry-forward, or other post-apportionment deduction  
6 earned by one member of the combined group, but not fully used by or allowed to that  
7 member, may be used in whole or in part by another member of the combined group  
8 or applied in whole or in part against the total income of the combined group. A  
9 member of a combined group may use a carry-forward of a credit, Wisconsin net  
10 business loss carry-forward, or other post-apportionment deduction otherwise  
11 allowable under s. 71.26 or 71.45, that was incurred by that same member in a  
12 taxable year beginning before January 1, 2009.

13 **SECTION 42.** 71.255 (6) (bm) of the statutes is repealed.

14 **SECTION 43.** 71.26 (2) (a) 11. of the statutes is repealed.

15 **SECTION 44.** 71.26 (4) (a) of the statutes is renumbered 71.26 (4) and amended  
16 to read:

17 71.26 (4) ~~Except as provided in par. (b), a~~ A corporation, except a tax-option  
18 corporation or an insurer to which s. 71.45 (4) applies, may offset against its  
19 Wisconsin net business income any Wisconsin net business loss sustained in any of  
20 the next 15 preceding taxable years, if the corporation was subject to taxation under  
21 this chapter in the taxable year in which the loss was sustained, to the extent not  
22 offset by other items of Wisconsin income in the loss year and by Wisconsin net  
23 business income of any year between the loss year and the taxable year for which an  
24 offset is claimed. For purposes of this subsection Wisconsin net business income or  
25 loss shall consist of all the income attributable to the operation of a trade or business

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1 in this state, less the business expenses allowed as deductions in computing net  
2 income. The Wisconsin net business income or loss of corporations engaged in  
3 business within and without the state shall be determined under s. 71.25 (6) and (10)  
4 to (12). Nonapportionable losses having a Wisconsin situs under s. 71.25 (5) (b) shall  
5 be included in Wisconsin net business loss; and nonapportionable income having a  
6 Wisconsin situs under s. 71.25 (5) (b), whether taxable or exempt, shall be included  
7 in other items of Wisconsin income and Wisconsin net business income for purposes  
8 of this subsection.

9 **SECTION 45.** 71.26 (4) (b) of the statutes is repealed.

10 **SECTION 46.** 71.28 (5n) of the statutes, as affected by 2013 Wisconsin Act 54,  
11 is repealed.

12 **SECTION 47.** 71.30 (3) (dn) of the statutes is repealed.

13 **SECTION 48.** 71.34 (1k) (m) of the statutes is repealed.

14 **SECTION 49.** 71.36 (1m) (a) of the statutes is amended to read:

15 71.36 **(1m)** (a) A tax-option corporation may deduct from its net income all  
16 amounts included in the Wisconsin adjusted gross income of its shareholders, ~~the~~  
17 ~~capital gain deduction under s. 71.05 (6) (b) 9.~~ and all amounts not taxable to  
18 nonresident shareholders under ss. 71.04 (1) and (4) to (9) and 71.362.

19 **SECTION 50.** 71.45 (4) (a) of the statutes is renumbered 71.45 (4) and amended  
20 to read:

21 71.45 **(4)** ~~Except as provided in par. (b), insurers~~ Insurers computing tax under  
22 this subchapter may subtract from Wisconsin net income any Wisconsin net business  
23 loss sustained in any of the next 15 preceding taxable years to the extent not offset  
24 by Wisconsin net business income of any year between the loss year and the taxable  
25 year for which an offset is claimed and computed without regard to sub. (2) (a) 8. and

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1 9. and this subsection and limited to the amount of net income, but no loss incurred  
2 for a taxable year before taxable year 1987 by a nonprofit service plan of sickness care  
3 under ch. 148, or dental care under s. 447.13 may be treated as a net business loss  
4 of the successor service insurer under ch. 613 operating by virtue of s. 148.03 or  
5 447.13.

6 **SECTION 51.** 71.45 (4) (b) of the statutes is repealed.

7 **SECTION 52.** 71.54 (1) (f) (intro.) of the statutes is amended to read:

8 71.54 (1) (f) ~~2001 to 2011~~ and thereafter. (intro.) Subject to sub. (2m), the  
9 amount of any claim filed in 2001 ~~to 2011~~ and thereafter and based on property taxes  
10 accrued or rent constituting property taxes accrued during the previous year is  
11 limited as follows:

12 **SECTION 53.** 71.54 (1) (g) of the statutes is repealed.

13 **SECTION 54.** 71.54 (2) (b) 3. of the statutes is amended to read:

14 71.54 (2) (b) 3. Subject to sub. (2m), in calendar years ~~1990 to 2010~~ year 1990  
15 or any subsequent calendar year, \$1,450.

16 **SECTION 55.** 71.54 (2) (b) 4. of the statutes is repealed.

17 **SECTION 56.** 71.54 (2m) of the statutes is amended to read:

18 71.54 (2m) INDEXING FOR INFLATION; 2010 AND THEREAFTER. (a) For calendar years  
19 beginning after December 31, 2009, ~~and before January 1, 2011~~, the dollar amounts  
20 of the threshold income under sub. (1) (f) 1. and 2., the maximum household income  
21 under sub. (1) (f) 3. and the maximum property taxes under sub. (2) (b) 3. shall be  
22 increased each year by a percentage equal to the percentage change between the U.S.  
23 consumer price index for all urban consumers, U.S. city average, for the 12-month  
24 average of the U.S. consumer price index for the month of August of the year before  
25 the previous year through the month of July of the previous year and the U.S.

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1 consumer price index for all urban consumers, U.S. city average, for the 12-month  
2 average of the U.S. consumer price index for August 2007 through July 2008, as  
3 determined by the federal department of labor, except that the adjustment may occur  
4 only if the percentage is a positive number. Each amount that is revised under this  
5 paragraph shall be rounded to the nearest multiple of \$10 if the revised amount is  
6 not a multiple of \$10 or, if the revised amount is a multiple of \$5, such an amount  
7 shall be increased to the next higher multiple of \$10. The department of revenue  
8 shall annually adjust the changes in dollar amounts required under this paragraph  
9 and incorporate the changes into the income tax forms and instructions.

10 (b) The department of revenue shall annually adjust the slope under sub. (1)  
11 (f) 2. such that, as a claimant's income increases from the threshold income as  
12 calculated under par. (a), to an amount that exceeds the maximum household income  
13 as calculated under par. (a), the credit that may be claimed is reduced to \$0 and the  
14 department of revenue shall incorporate the changes into the income tax forms and  
15 instructions.

16 **SECTION 57.** 71.64 (9) (b) (intro.) of the statutes, as affected by 2013 Wisconsin  
17 Act 20, is amended to read:

18 71.64 (9) (b) (intro.) The department shall from time to time adjust the  
19 withholding tables to reflect any changes in income tax rates, any applicable surtax  
20 or any changes in dollar amounts in s. 71.06 (1), (1m), (1n), (1p), ~~(1q)~~, and (2) resulting  
21 from statutory changes, except as follows:

22 **SECTION 58.** 71.67 (5) (a) of the statutes, as affected by 2013 Wisconsin Act 20,  
23 is amended to read:

24 71.67 (5) (a) *Wager winnings.* A person holding a license to sponsor and  
25 manage races under s. 562.05 (1) (b) or (c) shall withhold from the amount of any

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1 payment of pari-mutuel winnings under s. 562.065 (3) (a) or (3m) (a) an amount  
2 determined by multiplying the amount of the payment by the highest rate applicable  
3 to individuals under s. 71.06 (1) (a) to (c), (1m), (1n), or (1p), ~~or (1q)~~ if the amount of  
4 the payment is more than \$1,000.

5 **SECTION 59.** 71.67 (5m) of the statutes, as affected by 2013 Wisconsin Act 20,  
6 is amended to read:

7 71.67 (5m) WITHHOLDING FROM PAYMENTS TO PURCHASE ASSIGNMENT OF LOTTERY  
8 PRIZE. A person that purchases an assignment of a lottery prize shall withhold from  
9 the amount of any payment made to purchase the assignment the amount that is  
10 determined by multiplying the amount of the payment by the highest rate applicable  
11 to individuals under s. 71.06 (1) (a) to (c), (1m), (1n), or (1p), ~~or (1q)~~. Subsection (5)  
12 (b), (c) and (d), as it applies to the amounts withheld under sub. (5) (a), applies to the  
13 amount withheld under this subsection.

14 **SECTION 60. Initial applicability.**

15 (1) The treatment of section 71.255 (2m) (d) of the statutes first applies  
16 retroactively to taxable years beginning on January 1, 2009.

17 (2) The treatment of sections 71.01 (14), 71.05 (6) (a) 25. and (b) 9m., 25., and  
18 47. b. and c., (8) (b), and (25) (b) (intro.), 71.07 (5n), 71.10 (4) (cr), 71.21 (4) (b), 71.26  
19 (2) (a) 11., 71.28 (5n), 71.30 (3) (dn), 71.34 (1k) (m), and 71.36 (1m) (a) of the statutes  
20 first applies to taxable years beginning on January 1, 2014.

21 (3) The treatment of section 71.06 (1p) (intro.), (a), (b), and (c), (1q), (2) (g)  
22 (intro.), 1., 2., and 3., (h) (intro.), 1., 2., and 3., (i), and (j), and (2e) (a) and (b) of the  
23 statutes first applies retroactively to taxable years beginning on January 1, 2013.

24 **SECTION 61. Effective dates.** This act takes effect on the day after publication,  
25 except as follows:

