



1997 ASSEMBLY BILL 632

December 2, 1997 - Introduced by Representatives WASSERMAN, F. LASEE, DOBYNS, GREEN, GROTHMAN, PORTER, SERATTI and ZIEGELBAUER, cosponsored by Senators WIRCH and PANZER. Referred to Committee on Income Tax Review.

1 **AN ACT to amend** 71.06 (1m), 71.06 (2) (c) (intro.), 71.06 (2) (d) (intro.), 71.06 (2e),
2 71.06 (2m), 71.06 (2s) (a), 71.06 (2s) (b), 71.125 (1), 71.64 (9) (b), 71.67 (4) (a) and
3 71.67 (5) (a); and **to create** 71.06 (1n), 71.06 (2) (e), 71.06 (2) (f) and 71.06 (2s)
4 (c) of the statutes; **relating to:** reducing the number of individual income tax
5 brackets, lowering the individual income tax top rate of taxation and creating
6 a task force to address issues related to the revenue shortfall caused by
7 reducing the number of brackets and lowering the top tax rate.

Analysis by the Legislative Reference Bureau

Under current law, there are 3 income tax brackets for single individuals, certain fiduciaries, heads of households and married persons. The brackets for single individuals, certain fiduciaries and heads of households are taxable income from \$0 to \$7,500; from more than \$7,500 to \$15,000; and more than \$15,000. The brackets for married persons filing jointly are taxable income from \$0 to \$10,000; from more than \$10,000 to \$20,000; and more than \$20,000. The brackets for married persons filing separately are taxable income from \$0 to \$5,000; from more than \$5,000 to \$10,000; and more than \$10,000.

The rate of taxation under current law, for taxable years beginning before January 1, 1998, for the lowest bracket for single individuals, certain fiduciaries, heads of households and married persons is 4.9% of taxable income, the rate for the middle bracket is 6.55% and the rate for the highest bracket is 6.93%.

ASSEMBLY BILL 632

For taxable years beginning after December 31, 1997, current law lowers the rate of taxation for all brackets by 1.0%. Therefore, for taxable years beginning after December 31, 1997, the rate of taxation under current law for the lowest bracket for single individuals, certain fiduciaries, heads of households and married persons is 4.85% of taxable income, the rate for the middle bracket is 6.48% and the rate for the highest bracket is 6.87%. For taxable years beginning after December 31, 1998, current law also indexes for inflation the maximum dollar amount in each tax bracket and the corresponding minimum dollar amount in the next bracket.

For taxable years beginning after December 31, 1998, this bill reduces the number of individual income tax brackets to 2 and lowers the rate of taxation for the highest bracket to 6.0%. Under the bill, the brackets and rates for single individuals, certain fiduciaries and heads of households are taxable income from \$0 to \$15,000, at a rate of 4.85%; and more than \$15,000, at a rate of 6.0%. The brackets and rates for married persons filing jointly are taxable income from \$0 to \$20,000, at a rate of 4.85%; and more than \$20,000, at a rate of 6.0%. The brackets and rates for married persons filing separately are taxable income from \$0 to \$10,000, at a rate of 4.85%; and more than \$10,000, at a rate of 6.0%.

This bill also delays the start of indexing for inflation the maximum dollar amount in each tax bracket and the corresponding minimum dollar amount in the next bracket until taxable years beginning after December 31, 1999.

The bill also creates a bipartisan revenue shortfall task force to develop and recommend legislation that will make up the revenue shortfall to the state caused by lowering the top individual income tax rate from 6.93% to 6.0%. The task force shall submit that proposed legislation to the legislature before January 1, 1999.

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.** 71.06 (1m) of the statutes, as created by 1997 Wisconsin Act 27, is
2 amended to read:

3 71.06 **(1m)** (title) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS;
4 ~~AFTER 1997~~ 1998. The tax to be assessed, levied and collected upon the taxable incomes
5 of all fiduciaries, except fiduciaries of nuclear decommissioning trust or reserve
6 funds, and single individuals and heads of households shall be computed at the
7 following rates for taxable years beginning after December 31, 1997, and before
8 January 1, 1999:

ASSEMBLY BILL 632

1 **SECTION 2.** 71.06 (1n) of the statutes is created to read:

2 71.06 **(1n)** FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; AFTER
3 1998.

4 The tax to be assessed, levied and collected upon the taxable incomes of all
5 fiduciaries, except fiduciaries of nuclear decommissioning trust or reserve funds, and
6 single individuals and heads of households shall be computed at the following rates
7 for taxable years beginning after December 31, 1998:

8 (a) On all taxable income from \$0 to \$15,000, 4.85%.

9 (b) On all taxable income exceeding \$15,000, 6.0%.

10 **SECTION 3.** 71.06 (2) (c) (intro.) of the statutes, as created by 1997 Wisconsin
11 Act 27, is amended to read:

12 71.06 **(2)** (c) For joint returns, for taxable years beginning after December 31,
13 1997 and before January 1, 1999:

14 **SECTION 4.** 71.06 (2) (d) (intro.) of the statutes, as created by 1997 Wisconsin
15 Act 27, is amended to read:

16 71.06 **(2)** (d) For married persons filing separately, for taxable years beginning
17 after December 31, 1997 and before January 1, 1999:

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

19 71.06 **(2)** (e) For joint returns, for taxable years beginning after December 31,
20 1998:

21 1. On all taxable income from \$0 to \$20,000, 4.85%.

22 2. On all taxable income exceeding \$20,000, 6.0%.

23 **SECTION 6.** 71.06 (2) (f) of the statutes is created to read:

24 71.06 **(2)** (f) For married persons filing separately, for taxable years beginning
25 after December 31, 1998:

ASSEMBLY BILL 632

1 1. On all taxable income from \$0 to \$10,000, 4.85%.

2 2. On all taxable income exceeding \$10,000, 6.0%.

3 **SECTION 7.** 71.06 (2e) of the statutes, as created by 1997 Wisconsin Act 27, is
4 amended to read:

5 71.06 **(2e)** BRACKET INDEXING. For taxable years beginning after December 31,
6 ~~1998~~ 1999, the maximum dollar amount in each tax bracket, and the corresponding
7 minimum dollar amount in the next bracket, under subs. (1m) and (2) (c) and (d) shall
8 be increased each year by a percentage equal to the percentage change between the
9 U.S. consumer price index for all urban consumers, U.S. city average, for the month
10 of August of the previous year and the U.S. consumer price index for all urban
11 consumers, U.S. city average, for the month of August of the year before the previous
12 year, as determined by the federal department of labor. Each amount that is revised
13 under this subsection shall be rounded to the nearest multiple of \$10 if the revised
14 amount is not a multiple of \$10 or, if the revised amount is a multiple of \$5, such an
15 amount shall be increased to the next higher multiple of \$10. The department of
16 revenue shall annually adjust the changes in dollar amounts required under this
17 subsection and incorporate the changes into the income tax forms and instructions.

18 **SECTION 8.** 71.06 (2m) of the statutes, as affected by 1997 Wisconsin Act 27, is
19 amended to read:

20 71.06 **(2m)** RATE CHANGES. If a rate under sub. (1), (1m), (1n) or (2) changes
21 during a taxable year, the taxpayer shall compute the tax for that taxable year by the
22 methods applicable to the federal income tax under section 15 of the internal revenue
23 code.

24 **SECTION 9.** 71.06 (2s) (a) of the statutes, as affected by 1997 Wisconsin Act 27,
25 section 2261fm is amended to read:

ASSEMBLY BILL 632

1 71.06 (2s) (a) For taxable years beginning after December 31, 1996, and ending
2 before January 1, 1998, with respect to nonresident individuals, including
3 individuals changing their domicile into or from this state, the tax brackets under
4 subs. (1) and (2) shall be multiplied by a fraction, the numerator of which is
5 Wisconsin adjusted gross income and the denominator of which is federal adjusted
6 gross income. In this paragraph, for married persons filing separately “adjusted
7 gross income” means the separate adjusted gross income of each spouse, and for
8 married persons filing jointly “adjusted gross income” means the total adjusted gross
9 income of both spouses. If an individual and that individual’s spouse are not both
10 domiciled in this state during the entire taxable year, the tax brackets under subs.
11 (1) and (2) on a joint return shall be multiplied by a fraction, the numerator of which
12 is their joint Wisconsin adjusted gross income and the denominator of which is their
13 joint federal adjusted gross income.

14 **SECTION 10.** 71.06 (2s) (b) of the statutes, as created by 1997 Wisconsin Act 27,
15 is amended to read:

16 71.06 (2s) (b) For taxable years beginning after December 31, 1997, and before
17 January 1, 1999, with respect to nonresident individuals, including individuals
18 changing their domicile into or from this state, the tax brackets under subs. (1m) and
19 (2) (c) and (d) shall be multiplied by a fraction, the numerator of which is Wisconsin
20 adjusted gross income and the denominator of which is federal adjusted gross
21 income. In this paragraph, for married persons filing separately “adjusted gross
22 income” means the separate adjusted gross income of each spouse, and for married
23 persons filing jointly “adjusted gross income” means the total adjusted gross income
24 of both spouses. If an individual and that individual’s spouse are not both domiciled
25 in this state during the entire taxable year, the tax brackets under subs. (1m) and

ASSEMBLY BILL 632**SECTION 10**

1 (2) (c) and (d) on a joint return shall be multiplied by a fraction, the numerator of
2 which is their joint Wisconsin adjusted gross income and the denominator of which
3 is their joint federal adjusted gross income.

4 **SECTION 11.** 71.06 (2s) (c) of the statutes is created to read:

5 71.06 (2s) (c) For taxable years beginning after December 31, 1998, with
6 respect to nonresident individuals, including individuals changing their domicile
7 into or from this state, the tax brackets under subs. (1n) and (2) (e) and (f) shall be
8 multiplied by a fraction, the numerator of which is Wisconsin adjusted gross income
9 and the denominator of which is federal adjusted gross income. In this paragraph,
10 for married persons filing separately "adjusted gross income" means the separate
11 adjusted gross income of each spouse, and for married persons filing jointly "adjusted
12 gross income" means the total adjusted gross income of both spouses. If an individual
13 and that individual's spouse are not both domiciled in this state during the entire
14 taxable year, the tax brackets under subs. (1n) and (2) (e) and (f) on a joint return
15 shall be multiplied by a fraction, the numerator of which is their joint Wisconsin
16 adjusted gross income and the denominator of which is their joint federal adjusted
17 gross income.

18 **SECTION 12.** 71.125 (1) of the statutes, as affected by 1997 Wisconsin Act 27,
19 is amended to read:

20 71.125 (1) Except as provided in sub. (2), the tax imposed by this chapter on
21 individuals and the rates under s. 71.06 (1), (1m), (1n) and (2) shall apply to the
22 Wisconsin taxable income of estates or trusts, except nuclear decommissioning trust
23 or reserve funds, and that tax shall be paid by the fiduciary.

24 **SECTION 13.** 71.64 (9) (b) of the statutes, as affected by 1997 Wisconsin Act 27,
25 is amended to read:

ASSEMBLY BILL 632

1 71.64 (9) (b) The department shall from time to time adjust the withholding
2 tables to reflect any changes in income tax rates, any applicable surtax or any
3 changes in dollar amounts in s. 71.06 (1), (1m), (1n) and (2) resulting from statutory
4 changes, except that the department may not adjust the withholding tables to reflect
5 the changes in rates in s. 71.06 (1m), (1n) and (2) (c) ~~and~~, (d), (e) and (f) for any taxable
6 year that begins before January 1, 2000. The tables shall account for the working
7 families tax credit under s. 71.07 (5m). The tables shall be extended to cover from
8 zero to 10 withholding exemptions, shall assume that the payment of wages in each
9 pay period will, when multiplied by the number of pay periods in a year, reasonably
10 reflect the annual wage of the employe from the employer and shall be based on the
11 further assumption that the annual wage will be reduced for allowable deductions
12 from gross income. The department may determine the length of the tables and a
13 reasonable span for each bracket. In preparing the tables the department shall
14 adjust all withholding amounts not an exact multiple of 10 cents to the next highest
15 figure that is a multiple of 10 cents. The department shall also provide instructions
16 with the tables for withholding with respect to quarterly, semiannual and annual pay
17 periods.

18 **SECTION 14.** 71.67 (4) (a) of the statutes, as affected by 1997 Wisconsin Act 27,
19 is amended to read:

20 71.67 (4) (a) The administrator of the lottery division in the department under
21 ch. 565 shall withhold from any lottery prize of \$2,000 or more an amount determined
22 by multiplying the amount of the prize by the highest rate applicable to individuals
23 under s. 71.06 (1) ~~or~~, (1m) or (1n). The administrator shall deposit the amounts
24 withheld, on a monthly basis, as would an employer depositing under s. 71.65 (3) (a).

ASSEMBLY BILL 632**SECTION 15**

1 **SECTION 15.** 71.67 (5) (a) of the statutes, as affected by 1997 Wisconsin Act 27,
2 is amended to read:

3 71.67 **(5)** (a) *Wager winnings.* A person holding a license to sponsor and
4 manage races under s. 562.05 (1) (b) or (c) shall withhold from the amount of any
5 payment of pari-mutuel winnings under s. 562.065 (3) (a) or (3m) (a) an amount
6 determined by multiplying the amount of the payment by the highest rate applicable
7 to individuals under s. 71.06 (1) (a) to (c) ~~or (1m)~~ or (1n) if the amount of the payment
8 is more than \$1,000.

9 **SECTION 16. Nonstatutory provisions.**

10 (1) **REVENUE SHORTFALL TASK FORCE.** There is created a revenue shortfall task
11 force, which shall consist of the senate majority leader or his or her designee, the
12 senate minority leader or his or her designee, the speaker of the assembly or his or
13 her designee, the minority leader of the assembly or his or her designee and 4 electors
14 of this state appointed by the governor, 2 of whom are not adherents of the same
15 political party as the governor. All appointments or designations shall be made
16 before February 1, 1998. The task force shall develop and recommend legislation
17 that will make up the revenue shortfall to the state caused by lowering the top
18 individual income tax rate from 6.93% to 6.0% and that will have an initial
19 applicability of taxable years beginning after December 31, 1998. The task force
20 shall submit that proposed legislation to the legislature in the manner provided
21 under section 13.172 (2) of the statutes on or before January 1, 1999.

22 **SECTION 17. Effective dates.** This act takes effect on the day after publication,
23 except as follows:

