



State of Wisconsin
2021 - 2022 LEGISLATURE

LRB-2566/1
EKL:amn

2021 SENATE BILL 267

March 31, 2021 - Introduced by Senators CARPENTER, SMITH, BEWLEY, AGARD, ERPENBACH, JOHNSON, LARSON, PFAFF, RINGHAND, ROTH, ROYS, L. TAYLOR and WIRCH, cosponsored by Representatives MCGUIRE, SINICKI, BALDEH, BOWEN, CABRERA, CONLEY, DOYLE, HEBL, HESSELBEIN, HONG, MILROY, POPE, SHANKLAND, SHELTON, STUBBS, TUSLER, EMERSON and DRAKE. Referred to Committee on Labor and Regulatory Reform.

1 **AN ACT** *to amend* 71.05 (6) (b) 8.; and *to create* 71.05 (1) (d) of the statutes;
2 **relating to:** providing a temporary tax exemption for unemployment
3 compensation.

Analysis by the Legislative Reference Bureau

This bill exempts, for state income tax purposes in 2020 and 2021, up to \$10,200 of the unemployment compensation received by an individual during the year. In the case of married couples who both receive unemployment compensation and who file a joint return, the \$10,200 limitation applies separately to each spouse. The exemption applies only if the federal adjusted gross income (AGI) of the individual, or of both spouses if filing a joint return, is less than \$150,000.

Under current federal law, unemployment compensation is generally taxed, except that the American Rescue Plan Act of 2021 temporarily allows individuals whose federal AGI is less than \$150,000 to exclude up to \$10,200 of the unemployment compensation received in 2020 by the individual or, in the case of married couples filing a joint return, each spouse. Under current state law, unemployment compensation is exempt from state tax if the recipient's federal AGI does not exceed a base amount. The base amount is \$12,000 for single individuals or married individuals filing separate returns who live apart from their spouse for the entire year, \$18,000 for married couples filing joint returns, and zero for married individuals filing separate returns who live with their spouse during the year. If federal AGI exceeds the base amount, then the amount subject to tax under current state law is the lesser of the amount of unemployment compensation received or

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one-half of the amount that federal AGI exceeds the base amount. The bill maintains the existing provision.

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 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.** 71.05 (1) (d) of the statutes is created to read:

2 71.05 (1) (d) *Unemployment compensation.* 1. For taxable years beginning
3 after December 31, 2019, and before January 1, 2021, the unemployment
4 compensation received by the individual that is excluded from federal adjusted gross
5 income under section 85 (c) of the Internal Revenue Code.

6 2. For taxable years beginning after December 31, 2020, and before January
7 1, 2022, the unemployment compensation received in the taxable year by the
8 individual, limited to \$10,200. In the case of married spouses filing a joint return
9 who both receive unemployment compensation during the taxable year, the \$10,200
10 limitation shall apply separately to each spouse. This subdivision does not apply if
11 the federal adjusted gross income, as determined under section 85 (c) (2) of the
12 Internal Revenue Code, of the individual, or of the individual and his or her spouse
13 if married filing a joint return, is \$150,000 or more.

14 **SECTION 2.** 71.05 (6) (b) 8. of the statutes is amended to read:

15 71.05 (6) (b) 8. The difference between the amount included in federal adjusted
16 gross income for the current year and the amount calculated under section 85 of the
17 ~~internal revenue code~~ Internal Revenue Code (relating to unemployment

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1 compensation) as that section existed on December 31, 1985, to the extent that such

2 amount is not exempt under sub. (1) (d).

3 (END)