

*1999 DRAFTING REQUEST***Bill**Received: **09/25/98**Received By: **shoveme**Wanted: As **time permits**

Identical to LRB:

For: **Robert Ziegelbauer (608) 266-0315**By/Representing: **Adrienne**

This file may be shown to any legislator: NO

Drafter: **shoveme**

May Contact:

Alt. Drafters:

Subject: **Tax - individual income
Tax Credits - miscellaneous**

Extra Copies:

Topic:

Index for inflation certain individual income tax credits

Instructions:

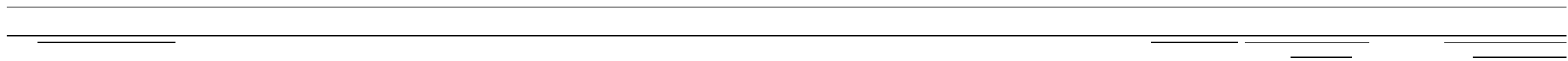
See Attached. Draft 1997 b3209 as a bill. It indexes for inflation the working families tax credit, dependent tax credit, senior citizen tax credit, married couples tax credit, school/prop. tax rent credit and standard deduction (although stnd deduction is already indexed)

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	shoveme 10/7/98	gilfokm 10/30/98		_____			State
/1			lpaasch 11/2/98	_____	lrb-docadmin 11/2/98	gretskl 01/12/99 lrb-docadmin 01/12/99	

FE Sent For: **11/4/98**.

<END>



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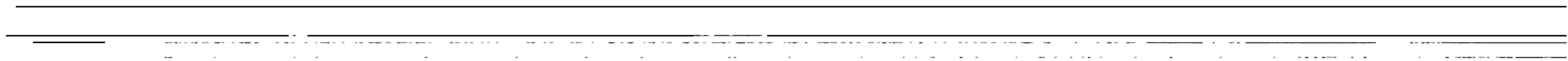
Drafting History:

Table with columns: Vers., Drafted, Reviewed, Typed, Proofed, Submitted, Jacketed, Required. Row 1: /?, shoveme 10/7/98, gilfokm 10/30/98, State. Row 2: /1, lpaasch 11/2/98, lrb_docadmin 11/2/98.

FE Sent For:

Handwritten note in a circle: 11-04-98 11/1

<END>



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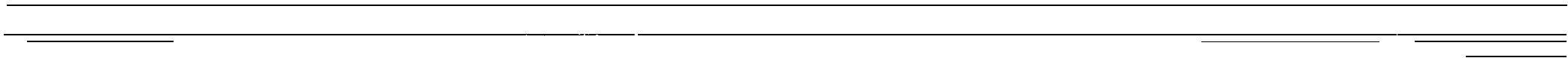
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/1MES10/7

11/2/98

~~11/2/98~~
JP

FE Sent For:

<END>





BOB ZIEGELBAUER

STATE REPRESENTATIVE • TWENTY FIFTH ASSEMBLY DISTRICT

DATE: September 22, 1998
TO: Marc Shovers, Attorney
Legislative Reference Bureau
FROM: Rep. Bob Ziegelbauer
Manitowoc: (920) 684-6783
RE: 1999-2000 Bill Requests

see
97 b3209/1
+ dn

Could you please draft a bill for the 1999-2000 Session?

The bill draft should include the following:

Permanent indexing of:

- Working Families Tax Credit
- Dependent Tax Credit
- Senior Citizen Tax Credit
- Standard Deduction
- Married Couples Tax Credit
- Property Tax / Rent Credit
- (For your use and information, attached you will find a Legislative Fiscal Bureau memo covering the above issues.)

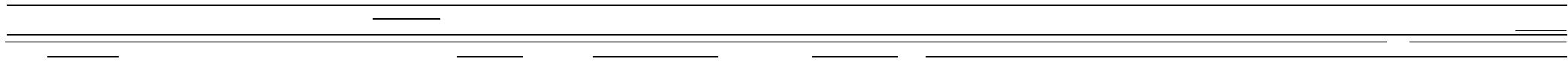
If you have any questions, please do not hesitate to call me in Manitowoc or my office.

Thank you in advance for your assistance.

BZ/lwk

*Now, to serve you better, call my office direct toll free at 1-888-529-0025
Please note my new E-mail address: Bob.Ziegelbauer@legis.state.wi.us
On July 26, 1997, the area code for northeastern Wisconsin changed from (474) to (920)
DISTRICT PHONE NUMBERS: (920) 684-6783 OR (920) 684-4362*

STATE CAPITOL: P.O. BOX 8953, MADISON, WI 53708 • (608) 266-0315 . FAX: (608) 266-0316
TOLL-FREE LEGISLATIVE HOTLINE: 1-800-362-9472 • E-mail: SA25@BMA.MAIL.COM
DISTRICT: P.O. BOX 325.1213 S. 8TH STREET, MANITOWOC, WI 54221-0325 ~~(414)~~ 684-6783 OR ~~(414)~~ 684-4362





Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

FEB 06 1998

Fiscal Analyst

, February 6, 1998

TO: Representative Robert Ziegelbauer
Room 207 North, State Capitol

FROM: Kelsie Doty, Fiscal Analyst

SUBJECT: Individual Income Tax: Indexing Beginning in Tax Year 1998, Reduce Income Tax Rates and Increase Property Tax/Rent Credit

At your request, I am providing information on a proposal to begin indexing the individual income tax brackets, sliding scale standard deduction and credits beginning in tax year 1998. In addition, the income tax rates would be reduced by 1% and the property tax/rent credit would be increased.

CURRENT INDIVIDUAL INCOME TAX STRUCTURE

Rates and Brackets

The individual income tax rates and brackets for tax year 1998 are outlined below. These tax rates were enacted as part of 1997 Wisconsin Act 27 (the 1997-99 biennial budget); the rates were 4.9%/6.55%/6.93% from tax years 1987 through 1997. The bracket structure has been in place since tax year 1987. As enacted under Act 27, the tax brackets will be indexed for changes in inflation beginning with tax year 1999.

<u>Taxable Income Bracket</u>			<u>Marginal Tax Rate</u>
<u>Single</u>	<u>Married-Joint</u>	<u>Married-Separate</u>	
Less than \$7,500	Less than \$10,000	Less than \$5,000	4.85%
7,500 to 15,000	10,000 to 20,000	5,000 to 10,000	6.48
15,000 and Over	20,000 and Over	10,000 and Over	6.87

Sliding Scale Standard Deduction

The current sliding scale standard deduction formulas are shown below. The existing formulas for the single, married-joint and married-separate standard deduction have been in effect since tax year 1988. The head-of-household standard deduction was provided beginning in tax year 1994. Act 27 also provided for the indexing of the standard deduction beginning in tax year 1999.

<u>Marital Status</u>	<u>Wisconsin AGI</u>	<u>Standard Deduction</u>
Single	WAGI less than \$7,500	\$5,200
	WAGI between \$7,500 and \$50,830	$\$5,200 - [12.0\% \times (\text{WAGI} - \$7,500)]$
	WAGI greater than \$50,830	\$0
Married-Joint	WAGI less than \$10,000	\$8,900
	WAGI between \$10,000 and \$55,000	$\$8,900 - [19.778\% \times (\text{WAGI} - \$10,000)]$
	WAGI greater than \$55,000	\$0
Married-Separate	WAGI less than \$4,750	\$4,230
	WAGI between \$4,750 and \$26,140	$\$4,230 - [19.778\% \times (\text{WAGI} - \$4,750)]$
	WAGI greater than \$26,140	\$0
Head-of-Household	WAGI less than \$7,500	\$7,040
	WAGI between \$7,500 and \$25,000	$\$7,040 - [22.515\% \times (\text{WAGI} - \$7,500)]$
	WAGI greater than \$25,000	Single Standard Deduction

The state's individual income tax generated \$4.56 billion in 1996-97. Under current law, individual income tax collections are estimated to be \$4.92 billion in 1997-98 and \$5.17 billion in 1998-99.

PROPOSAL

Standard Deduction and Rates and Brackets

The individual income tax rates and brackets and standard deduction formulas for tax year 1998 would be as follows if adjusted for inflation beginning in 1998. The estimated adjustments for inflation are based on indexing the tax brackets and the standard deduction income amounts and maximum deduction amounts for estimated changes in the consumer price index (CPI), rounded to the nearest \$10. These amounts reflect a 1.9% increase over the current structure. The income tax rate and bracket structure also reflects a reduction in the tax rates by approximately 1%.

**Proposed Income Tax Rate and Brackets
and Sliding Scale Standard Deduction
Tax Year 1998 Projection**

Tax Rates and Brackets

<u>Taxable Income Bracket</u>			<u>Marginal Tax Rate</u>
<u>Single</u>	<u>Married-Joint</u>	<u>Married-Senarate</u>	
Less than \$7,640	Less than \$10,190	Less than \$5,100	4.80%
7,640 to 15,290	10,190 to 20,380	5,100 to 10,190	6.42
15,290 and Over	20,380 and Over	10,190 and Over	6.80

Sliding Scale Standard Deduction

<u>Marital Status</u>	<u>Wisconsin AGI</u>	<u>Standard Deduction</u>
Single	WAGI less than \$7,640	\$5,300
	WAGI between \$7,640 and \$51,800	\$5,300 - [12.002% x (WAGI - \$7,640)]
	WAGI greater than \$51,800	\$0
Married-Joint	WAGI less than \$10,190	\$9,070
	WAGI between \$10,190 and \$56,050	\$9,070 - [19.778% x (WAGI - \$10,190)]
	WAGI greater than \$56,050	\$0
Married-Separate	WAGI less than \$4,840	\$4,310
	WAGI between \$4,840 and \$26,640	\$4,310 - [19.771% x (WAGI - \$4,840)]
	WAGI greater than \$26,640	\$0
Head-of-Household	WAGI less than \$7,640	\$7,170
	WAGI between \$7,640 and \$25,480	\$7,170 - [22.484% x (WAGI - \$7,640)]
	WAGI greater than \$25,480	Single Standard Deduction

Income Tax Credits

The state provides a number of tax credits that are based on statutorily set dollar amounts. Under this indexing proposal, the credits would also be indexed for changes in inflation.

Dependent Credit. Current law also provides a \$50 credit for each dependent of the taxpayer. This credit would be \$51 if indexed for inflation in 1998.

Married Couple Credit. The married couple credit is provided to two-earner married couples and, in 1998, is equal to 2.17% of the earned income of the secondary wage earner, up

to a maximum of \$14,000 in income (the maximum credit is \$304). The married couple credit percentage will increase over the next three years to 3.0% in 2001 and thereafter. The maximum income amount would be indexed under the proposal and would equal \$14,270 in 1998; the maximum credit would be \$310.

Senior Citizen Credit. Act 27 also provided for the phase-out of the senior citizen tax credit beginning in tax year 1997. The credit (\$25 for each taxpayer age 65 and older) begins to phase out for married taxpayers filing joint returns with income over \$40,000, for single taxpayers with income over \$30,000 and for married-separate taxpayers with income over \$20,000. The credit phases out over the next \$1,000 in income until it is eliminated. Under indexing, the credit would remain equal to \$25 due to the projected low rate of inflation in 1998. However, the income amounts at which the credit would begin to phase out would increase to \$40,760 for married-joint taxpayers, \$30,570 for single taxpayers and \$20,380 for married-separate taxpayers under indexing. The credit would phase out over the next \$1,020 in income until it is eliminated.

Itemized Deduction Credit. The itemized deduction credit is 5% of the difference between allowable itemized deductions and the standard deduction, as a result, the credit would be adjusted for inflation indirectly if the standard deduction is indexed (because indexing would increase the amount of the standard deduction, the itemized deduction credit would decline).

Working Families Credit. Act 27 created a working families tax credit which is equal to a taxpayer's net tax liability for taxpayers with income up to \$9,000 (\$18,000 if married filing joint returns), effective in tax year 1998. Taxpayers with income exceeding \$10,000 (\$19,000 if married-joint) are not eligible for the credit. The income amounts would also be indexed for inflation under the proposal. As a result, taxpayers with income up to \$9,170 (\$18,340 if married-joint) would be eligible for the working families credit and the credit would not be available to taxpayers with income exceeding \$10,190 (\$19,360 if married-joint).

Property Tax/Rent Credit. Under current law the PTRC is equal to 10% of the property taxes, or rent constituting property taxes, paid on a principal residence up to a maximum of \$2,000 in property taxes (the maximum credit is \$200). Under the proposal, the maximum amount of property taxes, or rent constituting property taxes, would be increased to \$3,300 and the credit percentage would be increased to 11%. The maximum credit would be \$330. If the \$3,000 maximum property tax amount were also adjusted for inflation beginning in 1998, it would equal \$3,060 and the maximum credit would be \$337.

Fiscal Estimate

It is estimated that if the proposal outlined above were enacted beginning with tax year 1998 (indexing, reduce tax rates by approximately 1% and increase the PTRC), it would reduce general fund revenues by \$150.9 million in tax year 1998. As part of the indexing provisions adopted under Act 27, the Department of Revenue is directed to not adjust the withholding tables to reflect indexing or the rate reduction until tax year 2000. If the proposal outlined in this memorandum were to contain a similar provision, the estimated cost for the 1997-99 biennium

would be \$150.9 million in 1998-99. However, if the Act 27 provision is not applied to this proposal, there would be an additional one-time cost of an estimated \$9.7 million in the 1998-99 fiscal year due to changes in the withholding tables. It should also be noted that because of the cumulative effect of indexing adjustments, the cost of this proposal would increase each year.

Distributional Information

The attachment to this memorandum shows distributional information on the effect of this proposal on taxpayers in tax year 1998. This information is based on the 1995 Wisconsin tax sample, which has data from over 20,000 tax returns, weighted to reflect all taxpayers in 1995. However, changes in the number of taxpayers and the kinds and amounts of income they claim over time cannot be shown. To the extent possible, changes in tax laws between 1995 and 1998 have been included. The total amount of tax decrease shown in the attachment and the estimated fiscal effect differ because the attachment reflects 1995 data and the fiscal estimate is for the 1998 tax year.

I hope this information is helpful. Please contact me with any questions you may have.

KD/dls

Attachments

11

ATTACHMENT 1

Distribution of Taxpayers with a Tax Decrease in 1998 Under a Proposal to Reduce Income Tax Rates, Increase the PTRC and Index for Inflation Beginning in 1998

Wisconsin Adjusted <u>Gross Income</u>	<u>Taxpayers With a Tax Decrease</u>					<u>Count of All Returns</u>	<u>% of All Returns in AGI Class</u>
	<u>Count</u>	<u>Percent of Count</u>	<u>Amount of Tax Decrease</u>	<u>Percent of Amount</u>	<u>Average Decrease</u>		
Under \$5,000	15,100	0.9%	-\$52,000	0.04%	-\$3	363,300	4.2%
5,000 to 10,000	92,000	5.3	-1,266,000	1.00	-14	282,300	32.6
10,000 to 15,000	179,100	10.4	-3,867,000	3.06	-22	247,700	72.3
15,000 to 20,000	182,100	10.5	-7,031,000	5.58	-39	218,200	83.5
20,000 to 25,000	182,700	10.6	-7,694,000	6.10	-42	182,900	99.9
25,000 to 30,000	151,100	8.7	-7,569,000	5.99	-50	151,500	99.7
30,000 to 40,000	254,700	14.7	-15,498,000	12.28	-61	254,700	100.0
40,000 to 50,000	211,200	12.2	-17,229,000	13.64	-82	211,200	100.0
50,000 to 75,000	298,200	17.3	-33,846,000	26.80	-114	298,400	99.9
75,000 to 100,000	92,000	5.3	-14,286,000	11.31	-155	92,100	99.9
100,000 to 200,000	53,400	3.1	-10,677,000	8.46	-200	53,600	99.6
200,000 to 300,000	8,800	0.5	-2,519,000	1.99	-286	9,000	97.8
300,000 and Over	<u>8,200</u>	<u>0.5</u>	<u>-4,734,000</u>	<u>3.75</u>	<u>-577</u>	<u>8,600</u>	<u>95.3</u>
TOTALS	1,728,600	100.0%	-\$126,268,000	100.0%	-\$73	2,373,500	72.8%

SOURCE: 1995 Wisconsin Tax Sample

- Approximately 1.7 million taxpayers, or 72.8% of all taxpayers, would have a tax decrease under this proposal.
- Taxpayers with AGI between \$30,000 and \$75,000 would make up 44.2% of the taxpayers with a tax decrease and would receive 52.7% of the total reduction.
- The average tax decrease would range from \$3 for taxpayers with income below \$5,000 to \$577 for taxpayers with income above \$300,000. Overall, the average tax decrease would be \$73.
- Almost all taxpayers with income between \$20,000 and \$200,000 would have a tax benefit under the proposal. The taxpayers who would not receive a benefit would include those who have no tax liability under current law and those who pay the alternative minimum tax.





gm
RMNR

~~PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION~~

D-note

gem

1 AN ACT ...; relating to: indexing for inflation the working families tax credit, the
2 dependent tax credit, the senior citizen tax credit, the married couples tax
3 credit and the school property tax ~~credit~~ credit.

Analysis by the Legislative Reference Bureau

Under the current law individual income tax system, the sliding scale standard deduction and the tax brackets are indexed for inflation, for taxable years beginning after December 31, 1998. Current law also contains a number of tax credits that are based on statutorily set dollar amounts.

This bill indexes for inflation the following individual income tax credits: the working families tax credit, the dependent tax credit, the senior citizen tax credit, the married couples tax credit and the school property tax ~~credit~~ credit. The indexing provisions created in the bill first apply to taxable years beginning after December 31, 1998.

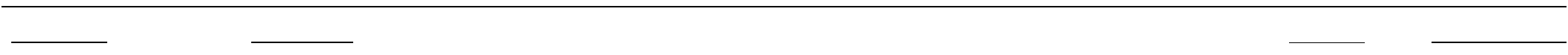
For further information see the state fiscal estimate, which will be printed as an appendix to this bill.

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

(END)



1



**ASSEMBLY AMENDMENT,
TO ASSEMBLY SUBSTITUTE AMENDMENT 1,
TO 1997 ASSEMBLY BILL 768**

1 At the locations indicated, amend the substitute amendment as follows:

2 1. Page 16, line 8: delete that line.

3 **2.** Page 16, line 9: delete "education costs" and substitute "increasing the
4 school property tax credit; indexing for inflation the working families tax credit, the
5 dependent tax credit, the senior citizen tax credit, the married couples tax credit and
6 the school property tax credit;"

7 3. Page 16, line 20: delete "a property tax exemption for computers;"

8 4. Page 16, line 21: delete "state aid payments to".

9 **5.** Page 16, line 22: delete "municipalities;"

10 6. Page 46, line 7: delete lines 7 to 9.

11 **7.** Page 56, line 7: delete lines 7 to 12.

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8. Page 81, line 12: delete lines 12 to 16.

9. Page 188, line 18: delete the material beginning with that line and ending with page 190, line 4.

10. Page 199, line 14: delete lines 14 to 17.

11. Page 204, line 18: delete the material beginning with that line and ending with page 206, line 16.

12. Page 206, line 16: after that line insert:

"SECTION 284as. 71.05 (22) (ds) of the statutes, as created by 1997 Wisconsin Act 27, is amended to read:

71.05 (22) (ds) *Standard deduction indexing.* For taxable years beginning after December 31, ~~1998~~ 1997, the dollar amounts of the standard deduction that is allowable under par. (dm) and all of the dollar amounts of Wisconsin adjusted gross income under par. (dm) shall be increased each year by a percentage equal to the percentage change between the U.S. consumer price index for a 11 urban consumers, U.S. city average, for the month of August of the previous year and the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August of the year before the previous year, as determined by the federal department of labor. Each amount that is revised under this paragraph shall be rounded to the nearest multiple of \$10 if the revised amount is not a multiple of \$10 or, if the revised amount is a multiple of \$5, such an amount shall be increased to the next higher multiple of \$10. The department of revenue shall annually adjust the changes in dollar amounts required under this paragraph and incorporate the changes into the income tax forms and instructions."

1 **13.** Page 207, line 15: delete the material beginning with that line and ending
2 with page 208, line 20.

3 **14.** Page 209, line 13: after that line insert:

4 ~~SECTION 284t.~~ 71.07 (5m) (bm) of the statutes is created to read:

5 71.07 (5m) (bm) **Indexing for inflation.** For taxable years beginning after
6 December 31, ~~1997~~¹⁹⁹⁸, the dollar amounts relating to the denominator of a fraction
7 under par. (b), and all of the dollar amounts of Wisconsin adjusted gross income
8 under par. (b), shall be increased each year by a percentage equal to the percentage
9 change between the U.S. consumer price index for all urban consumers, U.S. city
10 average, for the month of August of the previous year and the U.S. consumer price
11 index for all urban consumers, U.S. city average, for the month of August of the year
12 before the previous year, as determined by the federal department of labor. Each
13 amount that is revised under this paragraph shall be rounded to the nearest multiple
14 of \$10 if the revised amount is not a multiple of \$10 or, if the revised amount is a
15 multiple of \$5, such an amount shall be increased to the next higher multiple of \$10.
16 The department of revenue shall annually adjust the changes in dollar amounts
17 required under this paragraph and incorporate the changes into the income tax
18 forms and instructions.

19 ~~SECTION 284tc.~~ 71.07 (6) (am) 2. (intro.) of the statutes, ~~as created by 1997~~
20 ~~(Wisconsin Act 27)~~ is amended to read:

21 71.07 (6) (am) 2. (intro.) Married persons filing a joint return, except those who
22 reduce their gross income under section 911 or 931 of the Internal Revenue Code,
23 may claim as a credit against the tax imposed under s. 71.02, up to the amount of
24 those taxes, an amount equal to one of the following and subject to nar. (as):

Proof of stats.

1 **SECTION ~~284th~~ 71.07 (6) (as)** of the statutes is created to read: 1998

2 71.07 (6) (as) For taxable years beginning after December 31, ~~1997~~, the dollar
3 amounts under par. (am) **2.**, shall be increased each year by a percentage equal to the
4 percentage change between the U.S. consumer price index for all urban consumers,
5 U.S. city average, for the month of **August of the** previous year and the U.S. consumer
6 price index for all urban consumers, U.S. city average, for the month of August of the
7 year before the previous year, as determined by the federal department of labor.
8 Each amount that is revised under this paragraph shall be rounded to the nearest
9 multiple of \$10 if the revised amount is not a multiple of \$10 or, if the revised amount
10 is a multiple of \$5, such an amount shall be increased to the next higher multiple of
11 \$10. The department of revenue shall annually adjust the changes in dollar amounts
12 required under this paragraph and incorporate the changes into the income tax
13 forms and instructions.

14 **SECTION ~~284th~~ 71.07 (8) (bm)** of the statutes is created to read: 1998

15 71.07 (8) (bm) For taxable years beginning after December 31, ~~1997~~, the dollar
16 amounts under pars. (a) and (b), including the dollar amounts of Wisconsin adjusted
17 gross income under par. (a), shall be increased each year by a percentage equal to the
18 percentage change between the U.S. consumer price index for all urban consumers,
19 U.S. city average, for the month of August of the previous year and the U.S. consumer
20 price index for all urban consumers, U.S. city average, for the month of August of the
21 year before the previous year, as determined by the federal department of labor.
22 Each amount that is revised under this paragraph shall be rounded to the nearest
23 multiple of \$1 if the revised amount is not a multiple of \$1 or, if the revised amount
24 is a multiple of 50 cents, such an amount shall be increased to the next higher
25 multiple of \$1. The department of revenue shall annually adjust the changes in

.....

1 dollar amounts required under this paragraph and incorporate the changes into the
2 income tax forms and instructions.

3 ~~SECTION 284tk.~~ 71.07 (9) (b) of the statutes is amended to read:

4 ~~71.07 (9) (b), Subject For taxable years beginning before January 1, 1998,~~
5 ~~subject to the limitations under this subsection, a claimant may claim as a credit~~
6 ~~against, but not to exceed the amount of, taxes under s. 71.02, 10% of the first \$2,000~~
7 ~~of property taxes or rent constituting property taxes, or 10% of the first \$1,000 of~~
8 ~~property taxes or rent constituting property taxes of a married person filing~~
9 ~~separately.~~

10 ~~SECTION 284tL.~~ 71.07 (9) (be) of the statutes is created to read:

11 ~~71.07 (9) (be) For taxable years beginning after December 31, 1997, subject to~~
12 ~~par. (bm) and to the limitations under this subsection, a claimant may claim as a~~
13 ~~credit against, but not to exceed the amount of, taxes imposed under s. 71.02, 11.0%~~
14 ~~of the first \$3,000 of property taxes or rent constituting property taxes, or 11.0% of~~
15 ~~the first \$1,500 of property taxes or rent constituting property taxes of a married~~
16 ~~person filing separately.~~

17 ~~SECTION 284tm.~~ 71.07 (9) (bm) of the statutes is created to read:

18 71.07 (9) (bm) For taxable years beginning after December 31, 1998, the dollar
19 amounts under par. ~~(b)~~ ^{(b)1.} shall be increased each year by a percentage equal to the
20 percentage change between the U.S. consumer price index for all urban consumers,
21 U.S. city average, for the month of August of the previous year and the U.S. consumer
22 price index for all urban consumers, U.S. city average, for the month of August of the
23 year before the previous year, as determined by the federal department of labor.
24 Each amount that is revised under this paragraph shall be rounded to the nearest
25 multiple of \$10 if the revised amount is not a multiple of \$10 or, if the revised amount

1 is a multiple of \$5, such an amount shall be increased to the next higher multiple of
2 \$10. The department of revenue shall annually adjust the changes in dollar amounts
3 required under this paragraph and incorporate the changes into the income tax
4 forms and instructions."

5 **15.** Page 235, line 13: delete the material beginning with that line and ending
6 with page 236, line 2.

7 **16.** Page 244, line 9: delete the material beginning with that line and ending
8 with page 246, line 21.

9 **17.** Page 294, line 3: delete lines 3 to 7.

10 **18.** Page 295, line 19: delete the material beginning with that line and ending
11 with page 296, line 2.

12 **19.** Page 555, line 17: delete lines 17 to 22.

13 **20.** Page 555, line 23: delete lines 23 to 25.

14 **21.** Page 556, line 1: delete lines 1 to 3.

15 **22.** Page 571, line 6: delete lines 6 to 11.

16 **23.** Page 572, line 5: delete lines 5 to 7.

17 **24.** Page 579, line 4: delete lines 4 to 6.

18 **25.** Page 579, line 7: delete lines 7 and 8.

19 (END)

D-note



DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

-0353/1
LRBb3209/1dn
MES: *[initials]*
gm

Wednesday, May 6, 1998

If this bill is not enacted
by July 1999, you may need
to change the initial applicability
to taxable years beginning after

71.05

The indexing provisions in this amendment are based on the current law indexing provisions that relate to the standard deduction in s. ~~71.07~~ (22) (ds). ~~Advanced the initial applicability of s. 71.07 (22) (ds) from 1/1/99 to 1/1/98. Is this your intent?~~ Also, because the dollar amounts to which the indexing applies in the personal exemption; credit and senior citizens exemption credit in s. 71.07 (8) (a) and (b) are so low, I changed the rounding provisions to the nearest \$1 instead of the usual nearest \$10. Is this OK? Finally, I did not index the school property tax credit until 1/1/99 because the increases you called for first apply to taxable years beginning on 1/1/98. Is this OK? You may want to have this amendment reviewed by LFB since because your instructions are based on Kelsie Doty's memo.

Marc E. Shovers
Senior Legislative Attorney
266-0129

December 31, 1999. You may want to check with the department of revenue to determine exactly when this change needs to be made.

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**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-0353/1dn
MES:gm:lp

November 2, 1998

The indexing provisions in this amendment are based on the current law indexing provisions that relate to the standard deduction in s. 71.05 (22) (ds). If this bill is not enacted by July 1999, you may need to change the initial applicability to taxable years beginning after December 31, 1999. You may want to check with the department of revenue to determine exactly when this change needs to be made. Also, because the dollar amounts to which the indexing applies in the personal exemptions credit and senior citizens exemption credit in s. 71.07 (8) (a) and (b) are so low, I changed the rounding provisions to the nearest \$1 instead of the usual nearest \$10. Is this OK?

Marc E. Shovers
Senior Legislative Attorney
266-0129

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**SUBMITTAL
FORM**

**LEGISLATIVE REFERENCE BUREAU
Legal Section Telephone: 266-3561
5th Floor, 100 N. Hamilton Street**

The attached draft is submitted for your inspection. Please check each part carefully, proofread each word, and **sign** on the appropriate line(s) below.

Date: 11/2/98

To: Representative Ziegelbauer

Relating to LRB drafting number: LRB-0353

Topic

Index for inflation certain individual income tax credits

Subject(s)

Tax - individual income, Tax Credits - miscellaneous

1. **JACKET** the draft for introduction 1/11 per Louanne
in the Senate or the Assembly __ (check **only one**). Only the requester under whose name the drafting request is entered in the **LRB's** drafting records may authorize the draft to be submitted. Please allow one day for the preparation of the required copies.

2. **REDRAFT.** See the changes indicated or attached _____
A revised draft will be submitted for your approval with changes incorporated.

3. Obtain **FISCAL ESTIMATE NOW**, prior to introduction Bob Ziegelbauer
If the analysis indicates that a fiscal estimate is required because the proposal makes an appropriation or increases or decreases existing appropriations or state or general local government fiscal liability or revenues, you have the option to request the fiscal estimate prior to introduction. If you choose to introduce the proposal without the fiscal estimate, the fiscal estimate will be requested automatically upon introduction. It takes about 10 days to obtain a fiscal estimate. Requesting the fiscal estimate prior to introduction retains your flexibility for possible redrafting of the proposal.

If you have any questions regarding the above procedures, please call 266-356 1. If you have any questions relating to the attached draft, please feel free to call me.

Marc E. Shovers, Senior Legislative Attorney
Telephone: (608) 266-O 129

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State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

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MADISON, WI 53701-2037

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(608) 266-3561
(608) 266-0341
(608) 266-5646

STEPHEN R MILLER
CHIEF

March 30, 1999

LRB
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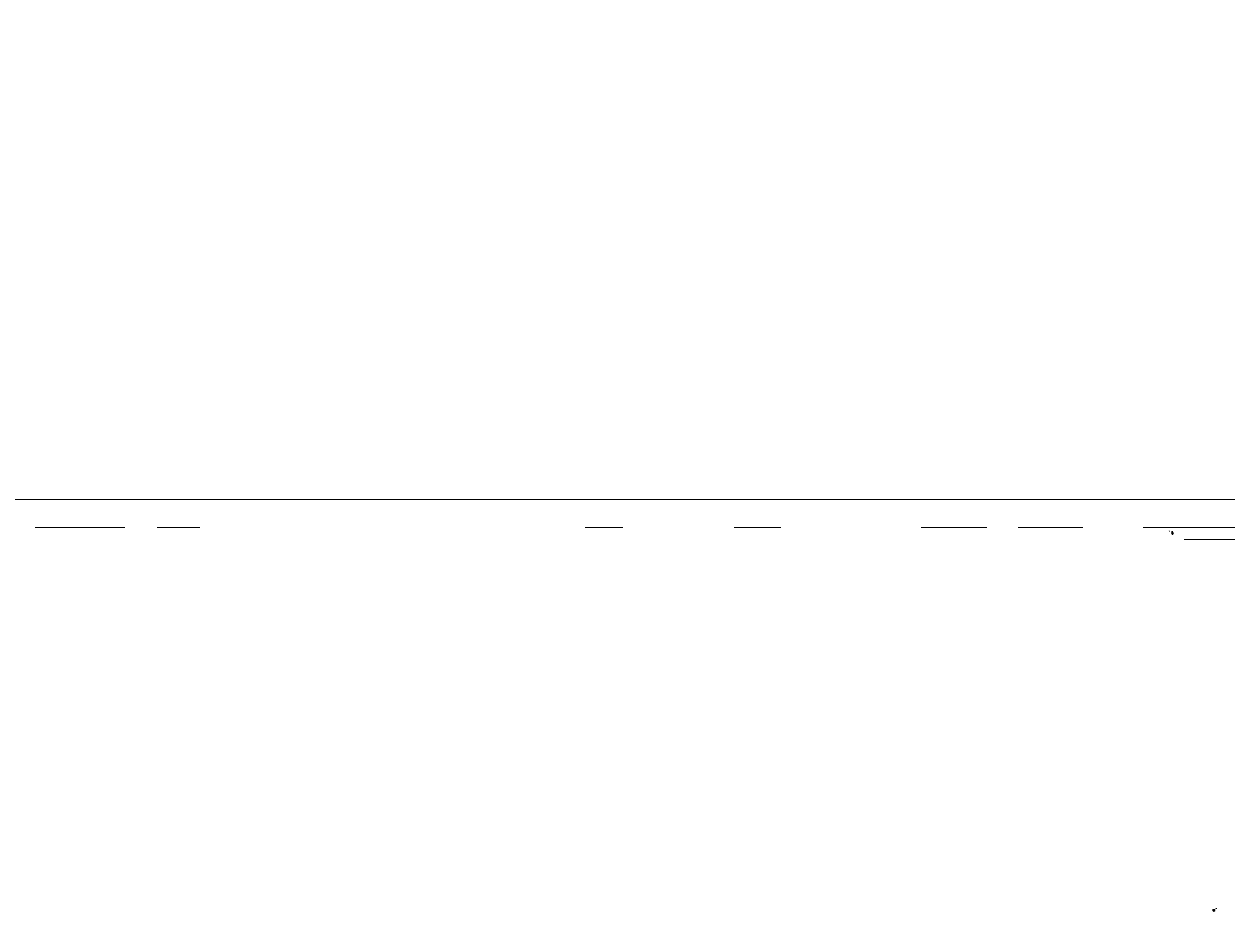
MEMORANDUM

To: Representative Ziegelbauer

From: Marc E. Shovers, Sr. Legislative Attorney, (608) 2664129

Subject: Technical Memorandum to **1999 AB 40** (LRB 99-0353/1)

We received the attached technical memorandum relating to your bill. This copy is for your information and your file. If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.



addendum

MEMORANDUM

March 17, 1999

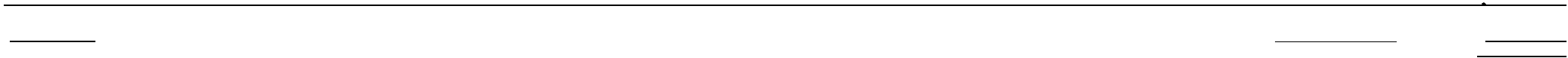
TO: Marc Shovers
Legislative Reference Bureau

FROM: Yeang-Eng Braun *YEB*
Department of Revenue *0353*

SUBJECT: Technical Memorandum on AB 40 - Index Individual Income Tax Credits for Inflation

The Department wishes to raise several administrative concerns regarding AB 40.

1. Sections 1, 3, 4 and 5 contain conflicting language regarding rounding of inflation-adjusted figures. Sections 1, 3 and 5 provide that amounts shall be rounded to the nearest multiple of \$10 if the revised amount is not a multiple of \$10, or if the revised amount is a multiple of \$5 such amount shall be increased to the next higher multiple of \$10. Since a multiple of \$10 is also a multiple of \$5, it could be interpreted that when the revised amount is \$10 (which is a multiple of \$5), it should be increased to the next higher multiple of \$10. Section 4 also has this conflicting language, but with \$1 and 50 cent amounts. Language can be inserted stating that only multiples of \$5 (50 cents) that are not multiples of \$10 (\$1) will be rounded to the next higher multiple of \$10 (\$1).
2. Section 1 indexes the Wisconsin adjusted gross income (**WAGI**) amounts that are the phase-out floors and ceilings for both single and married-joint filers for the Working Families Credit. Currently, the **WAGI** figures for married-joint filers are twice as large as the amounts for single filers. Consequently, any percentage increase due to indexing will result in a greater change for the **WAGI** figures applying to married-joint filers than the figures applying to single filers. After rounding, this may result in a phase-out floor and ceiling for **married-joint** filers that is more than twice the figures for single filers. If the sponsor wishes to retain the current relationship in which the phase-out floor and ceiling for joint filers are double the figures for single filers, the bill can be amended to index the floor and the ceiling for single filers, round these figures, and set the floor and ceiling for married-joint filers equal to twice the indexed figures for single filers. A similar concern can be raised with Section 4 of the bill, which indexes the phase-out floors and ceilings for the elderly credit.
3. The indexing of both the base elderly credit and the phase-out floors and ceilings for this credit in Section 4 make it likely that the elderly credit will phase out at a different rate than the statutory rate of 2.5%. For example, increasing the elderly credit parameters for single persons by 1.62% (the indexing percentage used for 1999) results in a base credit of



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\$25.41, a phase-out floor of \$30,486.00, and a phase-out ceiling of \$31,502.20. Rounding these figures to the nearest \$1 results in a base credit of \$25, a phase-out floor of \$30,486, and a phase-out ceiling of \$31,502. However, when using the 2.5% statutory phase-out rate, the phase-out ceiling is \$31,486. The difference between the two phase-out ceilings means that the phase-out rate is lower than 2.5% when the ceiling is indexed and rounded. Language can be inserted that indexes only the base credit amount and the phase-out floor amounts. The phase-out ceiling can then be calculated using the new base amount and phase-out floor and the existing 2.5% rate.

4. Section 4 rounds the phase-out floors and ceilings associated with the elderly credit to the nearest \$1. The sponsor may find it more appropriate to round these amounts to the nearest \$10.
5. Section 5 indexes the base amount of the school property tax/rent credit. Currently the base amount for married-separate filers is one-half of that for married-joint filers. Consequently, any percentage increase due to indexing will result in a greater change in the base credit for married-joint filers than the base credit for married-separate filers. After rounding, this may result in a base credit that is more than twice the base credit for married-separate filers. If the sponsor wishes to retain the current relationship in the base credit amounts for married-joint and married-separate filers, the bill can be amended to index the base amount for joint filers, round this figure, and set the base credit for separate filers equal to one-half the indexed amount for joint filers.
6. The bill does not indicate the base year from which indexing shall be applied. For the initial year of indexing (tax year 1999), the indexed figures are calculated based on tax year 1998 credit and WAGI figures. However, for future years it is not clear whether indexing is to be calculated from the prior tax year or from 1998. Language can be inserted that uses the federal indexing method of section 1 (f) (3) to (6) and 63 (c) (4) of the Internal Revenue Code, which is based on a set base year.
7. The proposed legislation makes no provision of the funding of the costs involved in administering the activities required. If the author wishes to provide funding, appropriation language needs to be developed and costs allocated in the following manner:

	<u>Chapter 20</u>	<u>Amount</u>	<u>FTE Positions</u>
One-time cost	20.566 (1) (a)	\$6,400	None

If you have questions regarding this technical memorandum, please contact Craig Kammholz at 261-8984. Contact Pat Lashore at 266-3347 for questions concerning administrative costs.

YEB:CDK:skr
t:\fsn99-00\ck\lab40.tec

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