

1999 DRAFTING REQUEST

Bill

Received: **01/21/99**

Received By: **shoveme**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget 6-1805**

By/Representing: **Gates-Hendrix**

This file may be shown to any legislator: **NO**

Drafter: **shoveme**

May Contact: **Tom Reid at DOR**

Alt. Drafters:

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

Extra Copies:

Topic:

DOA:.....Gates-Hendrix - Eliminate certain tax credits; increase homestead; federalize soc. security treatment and the std deduction; change income tax rates, brackets; delay indexing, withholding changes; create a personal exemption

Instructions:

See Attached

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>
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Page 2

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FE Sent For:

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JS
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<p><i>1/28/99</i> <i>IS</i> <i>IS/JF</i> <i>1/29/99</i> <i>1/29/99</i></p> <p>FE Sent For: <i>1/28/99</i> <i>1/28-99</i> <i>KMG</i></p> <p style="text-align: center;"><END></p>							

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/P1 /P1 MES	shoveme 1/21/99	1/1-1-22/99 1/21/99	IS 1/22/99	IS/LP 1/22/99	Submit		

FE Sent For:

<END>

Shovers, Marc

From: Gates-Hendrix, Sherrie [sherrie.gateshendrix@doa.state.wi.us]
Sent: Thursday, January 21, 1999 10:45 AM
To: Shovers, Marc
Cc: Braun, Yeang Eng; Reid, Thomas; 'stephen.miller@legis.sate.wi.us'; Zeuske, Cathy
Subject: income tax package

Here's the mostly final tax package. We should have it finalized by tomorrow afternoon (Friday):

- * Eliminate the School Property Tax Rent Credit
- * Eliminate the Working Families Tax Credit
- * Eliminate Misc Deductions from the Itemized Deductions Credit *§67(b) of IRC?*
- * Federalize Social Security Treatment
- * Federalize Unemployment Comp Treatment
- * Suspend Indexing for TY2000 and TY2001 *for both std deduction & brackets*
- * Federalize the Standard Deduction (amounts, caps, phase-ins); index like federal
- * Effective January 1, 2000 -- cut top rate for those making \$150,000 joint/\$112,500 single/\$75,000 separate to 6.7%= create a 4th bracket
- * Effective January 1, 2000 -- cut the rates for the existing brackets to 6.64%/ 6.25%/ 4.68%
- * Effective January 1, 2001 -- cut the rates for the existing brackets to 6.53%/6.13%/4.59%
- * Delay the withholding change scheduled for the already-enacted 2.5% rate cut until July 1, 2000
- * Implement withholding for the 6.53%/6.25%/4.59% on July 1, 2000 (no adjustment for anything before that date)
- * Create a personal exemption for the taxpayer and spouse equal to \$700

Other tentative elements of the package:

- * eliminate the dependent credit and add dependents to the \$700 credit (we will probably do this one)
- * cap non-medical deductions under the Itemized Deductions Credit -- possibly at \$25,000 or more

If you need more specific information, please call.
Thanks.

if no dates, init app = 1/100

Conversation w/ TOM Reid 6-8474

Medical deductions I kept
most allowed ~~under~~

→ have taxpayer add up all
currently allowed under 71.07(5)(a) 1-6
Subtotal, compare to 25K; take smaller amt

(7 other limitations
~~71.07(5)(a) 7~~
71.07(5)(a) 15

and add in
allowable
med. deductions

§ 213? but not
counts already
available for
~~sub~~ subtract
med.

If DOA

decides to cap
non-medical
deductions under the
Itemized Fed. Cr.

we need a better
more more
complete
cite to IRC

Post-It* Fax Note	7671	Date	1/21/99	# of pages	1
To	Marc Shovers	From	Dennis Glick		
Co./Dept.	LRB	Co.	DOZ		
Phone #	6-0129	Phone #	6-5773		
Fax #	4-8522	Fax #	6-8704		

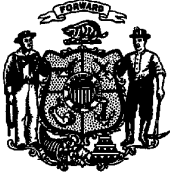
Marc,

Following are the standard deductions for tax years 2000 and 2001. Beginning in 2002, these amounts would be indexed.

Parameter	Single	Head of Household	Joint	Separate
TY2000 Maximum	\$7,200	\$9,300	\$12,970	\$6,160
Phase-out floor	\$10,380	\$10,380	\$14,570	\$6,920
Phase-out ceiling	\$70,380	\$30,350*	\$80,150	\$38,070
Phase-out rate	12%	22.515%	19.778%	19.778%
TY2001 Maximum	\$7,360	\$9,500	\$13,270	\$6,300
Phase-out floor	\$10,660	\$10,660	\$14,950	\$7,100
Phase-out ceiling	\$72,170	\$31,050*	\$82,040	\$38,950
Phase-out rate	12%	22.515%	19.778%	19.778%

* Income level at which head of household deduction equals single deduction; at higher incomes, the phase-out rate for single filers applies, as under current law.

Please call me at 266-5773 if you have any questions.



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-1917/P1

MES...
hmg

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FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

*WANTED:
Fri., 1/22*

*about
Gen. Cat.*
1 AN ACT ~~relating to~~; relating to: eliminating the school property tax ~~credit~~ credit,
2 eliminating the working families tax credit, eliminating miscellaneous from
3 the itemized deductions credit, federalizing the treatment of social security and
4 unemployment compensation, federalizing the standard deduction,
5 suspending the indexing of the standard deduction and individual income tax

1 brackets, changing individual income tax rates and brackets and creating a
2 personal individual income tax exemption.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

To be provided in a future version of the bill.

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

3 **SECTION 1.** 71.01 (16) of the statutes is amended to read:

4 71.01 (16) "Wisconsin taxable income" of natural persons means Wisconsin
5 adjusted gross income less the Wisconsin standard deduction, less the personal
6 exemption described under s. 71.05 (6) (b) 29, with losses, depreciation, recapture of
7 benefits, offsets, depletion, deductions, penalties, expenses and other negative
8 income items determined according to the manner that income is or would be
9 allocated, except that the negative income items on individual or separate returns
10 for net rents and other net returns which are marital property attributable to the
11 investment, rental, licensing or other use of nonmarital property shall be allocated
12 to the owner of the property.

History: 1987 a. 312; 1987 a. 411 ss. 6 to 8, 26, 27, 31; 1989 a. 31, 100, 336; 1991 a. 39, 269; 1993 a. 16, 112, 437; 1995 a. 27, 380, 428; 1997 a. 27, 37, 237. History: 1987 a. 312; 1987 a. 411 ss. 6 to 8, 26, 27, 31; 1989 a. 31, 100, 336; 1991 a. 39, 269; 1993 a. 16, 112, 437; 1995 a. 27, 380, 428; 1997 a. 27, 37, 237.

13 ✓ **SECTION 2.** 71.05 (6) (b) 8. of the statutes is repealed.

14 ✓ **SECTION 3.** 71.05 (6) (b) 21. of the statutes is repealed.

15 ✓ **SECTION 4.** 71.05 (6) (b) 29. of the statutes is created to read:

16 71.05 (6) (b) 29. A personal exemption of \$700 for an individual who is required
17 to file a return under s. 71.03 (2) (a) 1. and 2. and \$700 for such an individual's spouse.

****NOTE: I'm not sure how you wanted to limit the personal exemption. I assumed you did not want it to be available to individuals for whom a taxpayer is entitled to an

exemption under section 151 of the IRC. Although this subdivision is a subtract modification in s. 71.05 (6) (b), Tom Reid and I think that, because of the amendment to the definition of "Wisconsin taxable income" in s. 71.01 (16), it will come after the standard deduction in the order of computation.

1 **SECTION 5.** 71.05 (22) (dm) of the statutes is amended to read:

2 71.05 (22) (dm) *Deduction limits; 1994 and thereafter to 1999.* Except as
3 provided in par. (f), for taxable years beginning ~~on or after January 1, 1994 after~~
4 December 31, 1993 and before January 1, 2000, the Wisconsin standard deduction
5 is whichever of the following amounts is appropriate. For a single individual who has
6 a Wisconsin adjusted gross income of less than \$7,500, the standard deduction is
7 \$5,200. For a single individual who has a Wisconsin adjusted gross income of at least
8 \$7,500 but not more than \$50,830, the standard deduction is the amount obtained
9 by subtracting from \$5,200 12% of Wisconsin adjusted gross income in excess of
10 \$7,500 but not less than \$0. For a single individual who has a Wisconsin adjusted
11 gross income of more than \$50,830, the standard deduction is \$0. For a head of
12 household who has a Wisconsin adjusted gross income of less than \$7,500, the
13 standard deduction is \$7,040. For a head of household who has a Wisconsin adjusted
14 gross income of at least \$7,500 but not more than \$25,000, the standard deduction
15 is the amount obtained by subtracting from \$7,040 22.515% of Wisconsin adjusted
16 gross income in excess of \$7,500 but not less than \$0. For a head of household who
17 has a Wisconsin adjusted gross income of more than \$25,000, the standard deduction
18 shall be calculated as if the head of household were a single individual. For a married
19 couple filing jointly that has an aggregate Wisconsin adjusted gross income of less
20 than \$10,000, the standard deduction is \$8,900. For a married couple filing jointly
21 that has an aggregate Wisconsin adjusted gross income of at least \$10,000 but not
22 more than \$55,000, the standard deduction is the amount obtained by subtracting
23 from \$8,900 19.778% of aggregate Wisconsin adjusted gross income in excess of

1 \$10,000 but not less than \$0. For a married couple filing jointly that has an aggregate
2 Wisconsin adjusted gross income of more than \$55,000, the standard deduction is \$0.
3 For a married individual filing separately who has a Wisconsin adjusted gross
4 income of less than \$4,750, the standard deduction is \$4,230. For a married
5 individual filing separately who has a Wisconsin adjusted gross income of at least
6 \$4,750 but not more than \$26,140, the standard deduction is the amount obtained
7 by subtracting from \$4,230 19.778% of Wisconsin adjusted gross income in excess of
8 \$4,750 but not less than \$0. For a married individual filing separately who has a
9 Wisconsin adjusted gross income of more than \$26,140, the standard deduction is \$0.
10 The secretary of revenue shall prepare a table under which deductions under this
11 paragraph shall be determined. That table shall be published in the department's
12 instructional booklets.

History: 1987 a. 312; 1987 a. 411 ss. 42, 43, 45, 47 to 49, 51 to 53; 1989 a. 31, 46; 1991 a. 2, 37, 39, 269; 1993 a. 16, 112, 204, 263, 437; 1995 a. 27, 56, 209, 227, 261, 371, 403, 453; 1997 a. 27, 35, 39, 237. History: 1987 a. 312; 1987 a. 411 ss. 42, 43, 45, 47 to 49, 51 to 53; 1989 a. 31, 46; 1991 a. 2, 37, 39, 269; 1993 a. 16, 112, 204, 263, 437; 1995 a. 27, 56, 209, 227, 261, 371, 403, 453; 1997 a. 27, 35, 39, 237.

13 **SECTION 6. 71.05 (22) (dp)** of the statutes is created to read:

14 **71.05 (22) (dp)** *Deduction limits, 2000 and thereafter.* Except as provided in
15 par. (f), for taxable years beginning after December 31, 1999, the Wisconsin standard
16 deduction is whichever of the following amounts is appropriate. For a single
17 individual who has a Wisconsin adjusted gross income of less than \$10,380, the
18 standard deduction is \$7,200. For a single individual who has a Wisconsin adjusted
19 gross income of at least \$10,380 but not more than \$70,380, the standard deduction
20 is the amount obtained by subtracting from \$7,200 12% of Wisconsin adjusted gross
21 income in excess of \$10,380 but not less than \$0. For a single individual who has a
22 Wisconsin adjusted gross income of more than \$70,380, the standard deduction is \$0.
23 For a head of household who has a Wisconsin adjusted gross income of less than
24 \$10,380, the standard deduction is \$9,300. For a head of household who has a

1 Wisconsin adjusted gross income of at least \$10,380 but not more than \$30,350, the
2 standard deduction is the amount obtained by subtracting from \$9,300 22.515% of
3 Wisconsin adjusted gross income in excess of \$10,380 but not less than \$0. For a head
4 of household who has a Wisconsin adjusted gross income of more than \$30,350, the
5 standard deduction shall be calculated as if the head of household were a single
6 individual. For a married couple filing jointly that has an aggregate Wisconsin
7 adjusted gross income of less than \$14,570, the standard deduction is \$12,970. For
8 a married couple filing jointly that has an aggregate Wisconsin adjusted gross
9 income of at least \$14,570 but not more than \$80,150, the standard deduction is the
10 amount obtained by subtracting from \$12,970 19.778% of aggregate Wisconsin
11 adjusted gross income in excess of \$14,570 but not less than \$0. For a married couple
12 filing jointly that has an aggregate Wisconsin adjusted gross income of more than
13 \$80,150, the standard deduction is \$0. For a married individual filing separately
14 who has a Wisconsin adjusted gross income of less than \$6,920, the standard
15 deduction is \$6,160. For a married individual filing separately who has a Wisconsin
16 adjusted gross income of at least \$6,920 but not more than \$38,070, the standard
17 deduction is the amount obtained by subtracting from \$6,160 19.778% of Wisconsin
18 adjusted gross income in excess of \$6,920 but not less than \$0. For a married
19 individual filing separately who has a Wisconsin adjusted gross income of more than
20 \$38,070, the standard deduction is \$0. The secretary of revenue shall prepare a table
21 under which deductions under this paragraph shall be determined. That table shall
22 be published in the department's instructional booklets.

23 **SECTION 7.** 71.05 (22) (ds) of the statutes is amended to read:

24 71.05 (22) (ds) *Standard deduction indexing.* For taxable years beginning after
25 December 31, 1998, and before January 1, 2000, and for taxable years beginning after

①
pers.

① December 31, 2001, the dollar amounts of the standard deduction that is allowable
 2 under ~~par.~~ (dm) and (dp) and all of the dollar amounts of Wisconsin adjusted gross
 3 income under ~~par.~~ (dm) and (dp) shall be increased each year by a percentage equal
 4 to the percentage change between the U.S. consumer price index for all urban
 5 consumers, U.S. city average, for the month of August of the previous year and the
 6 U.S. consumer price index for all urban consumers, U.S. city average, for the month
 7 of August of the year before the previous year, as determined by the federal
 8 department of labor. Each amount that is revised under this paragraph shall be
 9 rounded to the nearest multiple of \$10 if the revised amount is not a multiple of \$10
 10 or, if the revised amount is a multiple of \$5, such an amount shall be increased to the
 11 next higher multiple of \$10. The department of revenue shall annually adjust the
 12 changes in dollar amounts required under this paragraph and incorporate the
 13 changes into the income tax forms and instructions.

History: 1987 a. 312; 1987 a. 411 ss. 42, 43, 45, 47 to 49, 51 to 53; 1989 a. 31, 46; 1991 a. 2, 37, 39, 269; 1993 a. 16, 112, 204, 263, 437; 1995 a. 27, 56, 209, 227, 261, 371, 403, 453; 1997 a. 27, 35, 39, 237. History: 1987 a. 312; 1987 a. 411 ss. 42, 43, 45, 47 to 49, 51 to 53; 1989 a. 31, 46; 1991 a. 2, 37, 39, 269; 1993 a. 16, 112, 204, 263, 437; 1995 a. 27, 56, 209, 227, 261, 371, 403, 453; 1997 a. 27, 35, 39, 237.

14 **SECTION 8. 71.05 (22) (f) 4. b. of the statutes is amended to read:**

15 **71.05 (22) (f) 4. b.** The standard deduction that may be claimed by an individual
 16 under par. (dm) or (dp), based on the individual's filing status.

History: 1987 a. 312; 1987 a. 411 ss. 42, 43, 45, 47 to 49, 51 to 53; 1989 a. 31, 46; 1991 a. 2, 37, 39, 269; 1993 a. 16, 112, 204, 263, 437; 1995 a. 27, 56, 209, 227, 261, 371, 403, 453; 1997 a. 27, 35, 39, 237. History: 1987 a. 312; 1987 a. 411 ss. 42, 43, 45, 47 to 49, 51 to 53; 1989 a. 31, 46; 1991 a. 2, 37, 39, 269; 1993 a. 16, 112, 204, 263, 437; 1995 a. 27, 56, 209, 227, 261, 371, 403, 453; 1997 a. 27, 35, 39, 237.

17 **SECTION 9. 71.06 (1m) (intro.) of the statutes is amended to read:**

18 **71.06 (1m) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; AFTER**
 19 **1997 TO 1999.** (intro.) The tax to be assessed, levied and collected upon the taxable
 20 incomes of all fiduciaries, except fiduciaries of nuclear decommissioning trust or
 21 reserve funds, and single individuals and heads of households shall be computed at

1 the following rates for taxable years beginning after December 31, 1997, [✓]and before
2 January 1, 2000:

3 History: 1987 a. 312; 1989 a. 31; 1993 a. 16; 1997 a. 27, 41, 237. History: 1987 a. 312; 1989 a. 31; 1993 a. 16; 1997 a. 27, 41, 237.

3 **SECTION 10.** 71.06 (1n) of the statutes is created to read:

4 71.06 (1n) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; 2000. The
5 tax to be assessed, levied and collected upon the taxable incomes of all fiduciaries,
6 except fiduciaries of nuclear decommissioning trust or reserve funds, and single
7 individuals and heads of households shall be computed at the following rates for
8 taxable years beginning after December 31, 1999, [✓]and before January 1, 2001:

- 9 (a) On all taxable income from \$0 to \$7,500, 4.68%.
- 10 (b) On all taxable income exceeding \$7,500 but not exceeding \$15,000, 6.25%.
- 11 (c) On all taxable income exceeding \$15,000 but not exceeding \$112,500, 6.64%.
- 12 (d) On all taxable income exceeding \$112,500, 6.7%.

13 **SECTION 11.** 71.06 (1p) [✓]of the statutes is created to read:

14 71.06 (1p) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; AFTER
15 2000. The tax to be assessed, levied and collected upon the taxable incomes of all
16 fiduciaries, except fiduciaries of nuclear decommissioning trust or reserve funds, and
17 single individuals and heads of households shall be computed at the following rates
18 for taxable years beginning after December 31, 2000: [✓]

- 19 (a) On all taxable income from \$0 to \$7,500, 4.59%.
- 20 (b) On all taxable income exceeding \$7,500 but not exceeding \$15,000, 6.13%.
- 21 (c) On all taxable income exceeding \$15,000 but not exceeding \$112,500, 6.53%.
- 22 (d) On all taxable income exceeding \$112,500, 6.7%.

23 **SECTION 12.** 71.06 (2) (c) (intro.) of the statutes is amended to read:

1 71.06 (2) (c) (intro.) For joint returns, for taxable years beginning after
2 December 31, 1997, and before January 1, 2000:

3 History: 1987 a. 312; 1989 a. 31; 1993 a. 16; 1997 a. 27, 41, 237. History: 1987 a. 312; 1989 a. 31; 1993 a. 16; 1997 a. 27, 41, 237.

3 SECTION 13. 71.06 (2) (d) (intro.) of the statutes is amended to read:

4 71.06 (2) (d) (intro.) For married persons filing separately, for taxable years
5 beginning after December 31, 1997, and before January 1, 2000:

6 History: 1987 a. 312; 1989 a. 31; 1993 a. 16; 1997 a. 27, 41, 237. History: 1987 a. 312; 1989 a. 31; 1993 a. 16; 1997 a. 27, 41, 237.

6 SECTION 14. 71.06 (2) (e) of the statutes is created to read:

7 71.06 (2) (e) For joint returns, for taxable years beginning after December 31,
8 1999, and before January 1, 2001:

- 9 1. On all taxable income from \$0 to \$10,000, 4.68%.
- 10 2. On all taxable income exceeding \$10,000 but not exceeding \$20,000, 6.25%.
- 11 3. On all taxable income exceeding \$20,000 but not exceeding \$150,000, 6.64%.
- 12 4. On all taxable income exceeding \$150,000, 6.7%.

13 SECTION 15. 71.06 (2) (f) of the statutes is created to read:

14 71.06 (2) (f) For married persons filing separately, for taxable years beginning
15 after December 31, 1999, and before January 1, 2001:

- 16 1. On all taxable income from \$0 to \$5,000, 4.68%.
- 17 2. On all taxable income exceeding \$5,000 but not exceeding \$10,000, 6.25%.
- 18 3. On all taxable income exceeding \$10,000 but not exceeding \$75,000, 6.64%.
- 19 4. On all taxable income exceeding \$75,000, 6.7%.

20 SECTION 16. 71.06 (2) (g) of the statutes is created to read:

21 71.06 (2) (g) For joint returns, for taxable years beginning after December 31,
22 2000:

- 23 1. On all taxable income from \$0 to \$10,000, 4.59%.
- 24 2. On all taxable income exceeding \$10,000 but not exceeding \$20,000, 6.13%.

1 3. On all taxable income exceeding \$20,000 but not exceeding \$150,000, 6.53%.

2 4. On all taxable income exceeding \$150,000, 6.7%.

3 **SECTION 17.** 71.06 (2) (h) of the statutes is created to read:

4 71.06 (2) (h) For married persons filing separately, for taxable years beginning
5 after December 31, 2000:✓

6 1. On all taxable income from \$0 to \$5,000, 4.59%.

7 2. On all taxable income exceeding \$5,000 but not exceeding \$10,000, 6.13%.

8 3. On all taxable income exceeding \$10,000 but not exceeding \$75,000, 6.53%.

9 4. On all taxable income exceeding \$75,000, 6.7%.

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

11 71.06 (2e) BRACKET INDEXING. For taxable years beginning after December 31,
12 1998, and before January 1, 2000,✓ the maximum dollar amount in each tax bracket,
13 and the corresponding minimum dollar amount in the next bracket, under subs. (1m)
14 and (2) (c) and (d), and for taxable years beginning after December 31, 2001,✓ the
15 maximum dollar amount in each tax bracket, and the corresponding minimum dollar
16 amount in the next bracket, under subs. (1p) and (2) (g) and (h),✓ shall be increased
17 each year by a percentage equal to the percentage change between the U.S. consumer
18 price index for all urban consumers, U.S. city average, for the month of August of the
19 previous year and the U.S. consumer price index for all urban consumers, U.S. city
20 average, for the month of August of the year before the previous year, as determined
21 by the federal department of labor. Each amount that is revised under this
22 subsection shall be rounded to the nearest multiple of \$10 if the revised amount is
23 not a multiple of \$10 or, if the revised amount is a multiple of \$5, such an amount
24 shall be increased to the next higher multiple of \$10. The department of revenue

1 shall annually adjust the changes in dollar amounts required under this subsection
2 and incorporate the changes into the income tax forms and instructions.

3 History: 1987 a. 312; 1989 a. 31; 1993 a. 16; 1997 a. 27, 41, 237. History: 1987 a. 312; 1989 a. 31; 1993 a. 16; 1997 a. 27, 41, 237.

SECTION 19. 71.06 (2m) of the statutes is amended to read:

4 71.06 (2m) RATE CHANGES. If a rate under sub. (1), (1m), ~~(1n)~~ ² (1p) or (2) changes
5 during a taxable year, the taxpayer shall compute the tax for that taxable year by the
6 methods applicable to the federal income tax under section 15 of the internal revenue
7 code.

8 History: 1987 a. 312; 1989 a. 31; 1993 a. 16; 1997 a. 27, 41, 237. History: 1987 a. 312; 1989 a. 31; 1993 a. 16; 1997 a. 27, 41, 237.

SECTION 20. 71.06 (2s) (b) of the statutes is amended to read:

9 71.06 (2s) (b) For taxable years beginning after December 31, 1997, and before
10 January 1, 2000 ² with respect to nonresident individuals, including individuals
11 changing their domicile into or from this state, the tax brackets under subs. (1m) and
12 (2) (c) and (d) shall be multiplied by a fraction, the numerator of which is Wisconsin
13 adjusted gross income and the denominator of which is federal adjusted gross
14 income. In this paragraph, for married persons filing separately “adjusted gross
15 income” means the separate adjusted gross income of each spouse, and for married
16 persons filing jointly “adjusted gross income” means the total adjusted gross income
17 of both spouses. If an individual and that individual’s spouse are not both domiciled
18 in this state during the entire taxable year, the tax brackets under subs. (1m) and
19 (2) (c) and (d) on a joint return shall be multiplied by a fraction, the numerator of
20 which is their joint Wisconsin adjusted gross income and the denominator of which
21 is their joint federal adjusted gross income.

22 History: 1987 a. 312; 1989 a. 31; 1993 a. 16; 1997 a. 27, 41, 237. History: 1987 a. 312; 1989 a. 31; 1993 a. 16; 1997 a. 27, 41, 237.

SECTION 21. 71.06 (2s) (c) of the statutes is created to read:

23 71.06 (2s) (c) For taxable years beginning after December 31, 1999, and before
24 January 1, 2001, with respect to nonresident individuals, including individuals

1 changing their domicile into or from this state, the tax brackets under subs. (1n) and
2 (2) (e) and (f) shall be multiplied by a fraction, the numerator of which is Wisconsin
3 adjusted gross income and the denominator of which is federal adjusted gross
4 income. In this paragraph, for married persons filing separately “adjusted gross
5 income” means the separate adjusted gross income of each spouse, and for married
6 persons filing jointly “adjusted gross income” means the total adjusted gross income
7 of both spouses. If an individual and that individual’s spouse are not both domiciled
8 in this state during the entire taxable year, the tax brackets under subs. (1n) and (2)
9 (e) and (f) on a joint return shall be multiplied by a fraction, the numerator of which
10 is their joint Wisconsin adjusted gross income and the denominator of which is their
11 joint federal adjusted gross income.

12 **SECTION 22.** 71.06 (2s) (d) of the statutes is created to read:

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

1 SECTION 23. 71.07 (5) (a) 7. of the statutes is created to read:

2 71.07 (5) (a) 7. Miscellaneous itemized deductions under sections 67 (b) and
3 ~~XXX~~ of the Internal Revenue Code.

Bold
WPO: type 6 dots.
~~XXXXX~~

****NOTE: The department of revenue believes that another IRC code section needs to be added here and I've been told that DOR will locate the section and let me know.

4 SECTION 24. 71.07 (5m) (e) of the statutes is created to read:

5 71.07 (5m) (e) ^{(E) Sunset.} No new claim may be filed under this subsection for a taxable
6 year that begins after December 31, 1999.

7 SECTION 25. 71.07 (9) (g) of the statutes is created to read:

8 71.07 (9) (g) No new claim may be filed under this subsection for a taxable year
9 that begins after December 31, 1999.

10 SECTION 26. 71.125 of the statutes is amended to read:

11 **71.125 Imposition of tax.** (1) Except as provided in sub. (2), the tax imposed
12 by this chapter on individuals and the rates under s. 71.06 (1), (1m), (1n), (1p) and
13 (2) shall apply to the Wisconsin taxable income of estates or trusts, except nuclear
14 decommissioning trust or reserve funds, and that tax shall be paid by the fiduciary.

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

History: 1987 a. 312; 1997 a. 27, 237. History: 1987 a. 312; 1997 a. 27, 237.

20 SECTION 27. 71.17 (6) of the statutes is amended to read:

21 71.17 (6) FUNERAL TRUSTS. If a qualified funeral trust makes the election under
22 section 685 of the Internal Revenue Code for federal income tax purposes, that

1 election applies for purposes of this chapter and each trust shall compute its own tax
2 and shall apply the rates under s. 71.06 (1) and, (1m), (1n) or (1p).

3 History: 1987 a. 312; 1989 a. 31; 1997 a. 237. History: 1987 a. 312; 1989 a. 31; 1997 a. 237.

3 **SECTION 28.** 71.64 (9) (b) of the statutes is amended to read:

4 71.64 (9) (b) The department shall from time to time adjust the withholding
5 tables to reflect any changes in income tax rates, any applicable surtax or any
6 changes in dollar amounts in s. 71.06 (1), (1m), (1n), (1p) and (2) resulting from
7 statutory changes, except that the department may not adjust the withholding tables
8 to reflect the changes in rates in s. 71.06 (1m), (1n), (1p) and (2) (c) and, (d), (e), (f),
9 (g) and (h) and any changes in dollar amounts with respect to bracket indexing under
10 s. 71.06 (2e) and with respect to standard deduction indexing under s. 71.05 (22) (ds)
11 for any taxable year that begins before January July 1, 2000. The tables shall
12 account for the working families tax credit under s. 71.07 (5m), subject to s. 71.07
13 (5m) (e). The tables shall be extended to cover from zero to 10 withholding
14 exemptions, shall assume that the payment of wages in each pay period will, when
15 multiplied by the number of pay periods in a year, reasonably reflect the annual wage
16 of the employe from] the employer and shall be based on the further assumption that
17 the annual wage will be reduced for allowable deductions from gross income. The
18 department may determine the length of the tables and a reasonable span for each
19 bracket. In preparing the tables the department shall adjust all withholding
20 amounts not an exact multiple of 10 cents to the next highest figure that is a multiple
21 of 10 cents. The department shall also provide instructions with the tables for
22 withholding with respect to quarterly, semiannual and annual pay periods.

History: 1987 a. 312; 1989 a. 31; 1997 a. 27, 41. History: 1987 a. 312; 1989 a. 31; 1997 a. 27, 41.

****NOTE: Please review this paragraph very carefully. I'm not sure if it implements your intent. Your instructions state that the bill should "Implement withholding for the 6.53%/6.25%/4.59% [rates] on July 1, 2000", but these rates don't apply until taxable year

2001. Do you mean that you want DOR to start withholding at these lower rates on July 1, 2000, even though the rates don't apply for another 6 months, on January 1, 2001?

SECTION 29. 71.67 (4) (a) of the statutes is amended to read:

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

History: 1987 a. 312; 1987 a. 411 s. 104; 1991 a. 39, 269, 315; 1993 a. 16; 1995 a. 27 ss. 3417m, 3419, 9130 (4); 1995 a. 118; 1997 a. 3, 27, 39. History: 1987 a. 312; 1987 a. 411 s. 104; 1991 a. 39, 269, 315; 1993 a. 16; 1995 a. 27 ss. 3417m, 3419, 9130 (4); 1995 a. 118; 1997 a. 3, 27, 39.

SECTION 30. 71.67 (5) (a) of the statutes is amended to read:

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

History: 1987 a. 312; 1987 a. 411 s. 104; 1991 a. 39, 269, 315; 1993 a. 16; 1995 a. 27 ss. 3417m, 3419, 9130 (4); 1995 a. 118; 1997 a. 3, 27, 39. History: 1987 a. 312; 1987 a. 411 s. 104; 1991 a. 39, 269, 315; 1993 a. 16; 1995 a. 27 ss. 3417m, 3419, 9130 (4); 1995 a. 118; 1997 a. 3, 27, 39.

SECTION 9343. Initial applicability; revenue.

(1) MODIFICATION OF THE INDIVIDUAL INCOME TAX SYSTEM. The treatment of sections 71.01 (16), 71.05 (6) (b) 8., 21. and 29. and 71.07 (5) (a) 7. of the statutes first applies to taxable years beginning on January 1, 2000/.

(END)

Shovers, Marc

From: Gates-Hendrix, Sherrie
Sent: Saturday, January 23, 1999 (1:34 PM)
To: Shovers, Marc
Subject: FW: income tax package

NOT received until
after 4:45 PM Sunday
1/24

A few new wrinkles, but no major changes to the overall package:

- ✓ Increase the married couple ceiling to \$15,000 (this may go up a bit more...will let you know)
- ✓ Cap non-medical deductions under the Itemized Deductions Credit at \$50,000
- ✓ Eliminate the Dependent Credit and make dependents eligible for the personal exemption
- ✓ Set the personal exemption at \$600 TY00 and \$700 TY01
- ✓ Eliminate the Elderly Credit
- ✓ Create a \$300 add-on to the personal exemption for elderly (65+) TY00; \$350 TY01
- Rates may change ... will let you know

married couple credit

I'll keep in touch. I sent the draft to DOR to look at and I'll also look at it this weekend and we can talk on Monday.

Thanks !!

current ceiling, married couple credit is \$14,000
i.e., under 2.7107(6) (am) 2, C.1: $\$385 \div 2.75\% =$

-----Original Message-----

From: Gates-Hendrix, Sherrie
Sent: Thursday, January 21, 1999 10:45 AM
To: 'marc.shovers@legis.state.wi.us'
Cc: Braun, Yeang Eng; Reid, Thomas; 'stephen.miller@legis.sate.wi.us'; Zeuske, Cathy
Subject: income tax package

$\$420 \div 3\% = 14,000$
 \therefore change amounts to
 $\$412,50$ for 2000
 $\$450$ for 2001
by AM; 71.07(6) (am)
2, C.1, d1

Here's the mostly final tax package. We should have it finalized by tomorrow afternoon (Friday):

- Eliminate the School Property Tax Rent Credit
- Eliminate the Working Families Tax Credit
- Eliminate Misc Deductions from the Itemized Deductions Credit
- Federalize Social Security Treatment
- Federalize Unemployment Comp Treatment
- Suspend Indexing for TY2000 and TY2001
- Federalize the Standard Deduction (amounts, caps, phase-ins); index like federal
- Effective January 1, 2000 -- cut top rate for those making \$150,000 joint/\$112,500 single/\$75,000 separate to 6.7% = create a 4th bracket
- Effective January 1, 2000 -- cut the rates for the existing brackets to 6.64%/ 6.25%/ 4.68%
- Effective January 1, 2001 -- cut the rates for the existing brackets to 6.53%/6.13%/4.59%
- Delay the withholding change scheduled for the already-enacted 2.5% rate cut until July 1, 2000
- Implement withholding for the 6.53%/6.25%/4.59% on July 1, 2000 (no adjustment for anything before that date)
- Create a personal exemption for the taxpayer and spouse equal to \$700

Other tentative elements of the package:

- eliminate the dependent credit and add dependents to the \$700 credit (we will probably do this one)
- cap non-medical deductions under the Itemized Deductions Credit -- possibly at \$25,000 or more

If you need more specific information, please call.
Thanks.