



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-1917/P

MES:kmg:js

RMR

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

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

Tonight, 1/20, if possible

don't gen

1 AN ACT ...; relating to: eliminating the school property tax credit, eliminating
2 the working families tax credit, eliminating miscellaneous from the itemized
3 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⁽²³²⁾~~(6)(b)29~~ with losses, depreciation, recapture
7 of 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.

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 of the statutes is repealed.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 of the statutes is repealed.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. ^{or} ~~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

make clear that married sep. only gets \$700

71.05 (22)

except for married people filing separately & married person filing as head of household

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.

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
25 Wisconsin adjusted gross income of at least \$10,380 but not more than \$30,350, the

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

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

23 71.05 (22) (ds) *Standard deduction indexing*. For taxable years beginning after
24 December 31, 1998, and before January 1, 2000, and for taxable years beginning
25 after December 31, 2000, the dollar amounts of the standard deduction that is

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

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

14 71.05 (22) (f) 4. b. The standard deduction that may be claimed by an individual
 15 under par. (dm) or (dp), based on the individual's filing status.

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

17 71.06 (1m) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; AFTER
 18 1997 TO 1999. (intro.) The tax to be assessed, levied and collected upon the taxable
 19 incomes of all fiduciaries, except fiduciaries of nuclear decommissioning trust or
 20 reserve funds, and single individuals and heads of households shall be computed at
 21 the following rates for taxable years beginning after December 31, 1997, and before
 22 January 1, 2000:

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

24 71.06 (1n) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; 2000. The
 25 tax to be assessed, levied and collected upon the taxable incomes of all fiduciaries,

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1 except fiduciaries of nuclear decommissioning trust or reserve funds, and single
2 individuals and heads of households shall be computed at the following rates for
3 taxable years beginning after December 31, 1999, and before January 1, 2001:

4 (a) On all taxable income from \$0 to \$7,500, 4.68%.

5 (b) On all taxable income exceeding \$7,500 but not exceeding \$15,000, 6.25%.

6 (c) On all taxable income exceeding \$15,000 but not exceeding \$112,500, 6.64%.

7 (d) On all taxable income exceeding \$112,500, 6.7%.

8 **SECTION 11.** 71.06 (1p) of the statutes is created to read:

9 **71.06 (1p) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; AFTER**
10 **2000.** The tax to be assessed, levied and collected upon the taxable incomes of all
11 fiduciaries, except fiduciaries of nuclear decommissioning trust or reserve funds, and
12 single individuals and heads of households shall be computed at the following rates
13 for taxable years beginning after December 31, 2000:

14 (a) On all taxable income from \$0 to \$7,500, 4.59%.

15 (b) On all taxable income exceeding \$7,500 but not exceeding \$15,000, 6.13%.

16 (c) On all taxable income exceeding \$15,000 but not exceeding \$112,500, 6.53%.

17 (d) On all taxable income exceeding \$112,500, 6.7%.

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

19 **71.06 (2) (c) (intro.)** For joint returns, for taxable years beginning after
20 **December 31, 1997, and before January 1, 2000:**

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

22 **71.06 (2) (d) (intro.)** For married persons filing separately, for taxable years
23 **beginning after December 31, 1997, and before January 1, 2000:**

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

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

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

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

8 71.06 (2) (f) For married persons filing separately, for taxable years beginning
9 after December 31, 1999, and before January 1, 2001:

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

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

15 71.06 (2) (g) For joint returns, for taxable years beginning after December 31,
16 2000:

- 17 1. On all taxable income from \$0 to \$10,000, 4.59%.
- 18 2. On all taxable income exceeding \$10,000 but not exceeding \$20,000, 6.13%.
- 19 3. On all taxable income exceeding \$20,000 but not exceeding \$150,000, 6.53%.
- 20 4. On all taxable income exceeding \$150,000, 6.7%.

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

22 71.06 (2) (h) For married persons filing separately, for taxable years beginning
23 after December 31, 2000:

- 24 1. On all taxable income from \$0 to \$5,000, 4.59%.
- 25 2. On all taxable income exceeding \$5,000 but not exceeding \$10,000, 6.13%.

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

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

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

4 71.06 (2e) BRACKET INDEXING. For taxable years beginning after December 31,
5 1998, and before January 1, 2000, the maximum dollar amount in each tax bracket,
6 and the corresponding minimum dollar amount in the next bracket, under subs. (1m)
7 and (2) (c) and (d), and for taxable years beginning after December 31, 2001, the
8 maximum dollar amount in each tax bracket, and the corresponding minimum dollar
9 amount in the next bracket, under subs. (1p) and (2) (g) and (h), shall be increased
10 each year by a percentage equal to the percentage change between the U.S. consumer
11 price index for all urban consumers, U.S. city average, for the month of August of the
12 previous year and the U.S. consumer price index for all urban consumers, U.S. city
13 average, for the month of August of the year before the previous year, as determined
14 by the federal department of labor. Each amount that is revised under this
15 subsection shall be rounded to the nearest multiple of \$10 if the revised amount is
16 not a multiple of \$10 or, if the revised amount is a multiple of \$5, such an amount
17 shall be increased to the next higher multiple of \$10. The department of revenue
18 shall annually adjust the changes in dollar amounts required under this subsection
19 and incorporate the changes into the income tax forms and instructions.

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

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

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

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

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

15 71.06 (2s) (c) For taxable years beginning after December 31, 1999, and before
16 January 1, 2001, with respect to nonresident individuals, including individuals
17 changing their domicile into or from this state, the tax brackets under subs. (1n) and
18 (2) (e) and (f) shall be multiplied by a fraction, the numerator of which is Wisconsin
19 adjusted gross income and the denominator of which is federal adjusted gross
20 income. In this paragraph, for married persons filing separately “adjusted gross
21 income” means the separate adjusted gross income of each spouse, and for married
22 persons filing jointly “adjusted gross income” means the total adjusted gross income
23 of both spouses. If an individual and that individual’s spouse are not both domiciled
24 in this state during the entire taxable year, the tax brackets under subs. (1n) and (2)
25 (e) and (f) on a joint return shall be multiplied by a fraction, the numerator of which

1 is their joint Wisconsin adjusted gross income and the denominator of which is their
2 joint federal adjusted gross income.

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

4 71.06 (2s) (d) For taxable years beginning after December 31, 2000, with
5 respect to nonresident individuals, including individuals changing their domicile
6 into or from this state, the tax brackets under subs. (1p) and (2) (g) and (h) shall be
7 multiplied by a fraction, the numerator of which is Wisconsin adjusted gross income
8 and the denominator of which is federal adjusted gross income. In this paragraph,
9 for married persons filing separately "adjusted gross income" means the separate
10 adjusted gross income of each spouse, and for married persons filing jointly "adjusted
11 gross income" means the total adjusted gross income of both spouses. If an individual
12 and that individual's spouse are not both domiciled in this state during the entire
13 taxable year, the tax brackets under subs. (1p) and (2) (g) and (h) on a joint return
14 shall be multiplied by a fraction, the numerator of which is their joint Wisconsin
15 adjusted gross income and the denominator of which is their joint federal adjusted
16 gross income.

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

18 71.07 (5) (a) 7. Miscellaneous itemized deductions under sections 67 (b) and
19 ****..... of the Internal Revenue Code.

****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.

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

21 71.07 (5m) (e) *Sunset*. No new claim may be filed under this subsection for a
22 taxable year that begins after December 31, 1999.

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

1 71.07 (9) (g) No new claim may be filed under this subsection for a taxable year
2 that begins after December 31, 1999.

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

4 **71.125 Imposition of tax.** (1) Except as provided in sub. (2), the tax imposed
5 by this chapter on individuals and the rates under s. 71.06 (1), (1m), (1n), (1p) and
6 (2) shall apply to the Wisconsin taxable income of estates or trusts, except nuclear
7 decommissioning trust or reserve funds, and that tax shall be paid by the fiduciary.

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

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

14 71.17 (6) FUNERAL TRUSTS. If a qualified funeral trust makes the election under
15 section 685 of the Internal Revenue Code for federal income tax purposes, that
16 election applies for purposes of this chapter and each trust shall compute its own tax
17 and shall apply the rates under s. 71.06 (1) ~~and, (1m), (1n) or (1p)~~.

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

19 71.64 (9) (b) The department shall from time to time adjust the withholding
20 tables to reflect any changes in income tax rates, any applicable surtax or any
21 changes in dollar amounts in s. 71.06 (1), (1m), (1n), (1p) and (2) resulting from
22 statutory changes, except that the department may not adjust the withholding tables
23 to reflect the changes in rates in s. 71.06 (1m), (1n), (1p) and (2) (c) ~~and, (d), (e), (f),~~
24 (g) and (h) and any changes in dollar amounts with respect to bracket indexing under
25 s. 71.06 (2e) and with respect to standard deduction indexing under s. 71.05 (22) (ds)

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

****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?

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

14 71.67 (4) (a) The administrator of the lottery division in the department under
15 ch. 565 shall withhold from any lottery prize of \$2,000 or more an amount determined
16 by multiplying the amount of the prize by the highest rate applicable to individuals
17 under s. 71.06 (1) ~~or~~, (1m), (1n) or (1p). The administrator shall deposit the amounts
18 withheld, on a monthly basis, as would an employer depositing under s. 71.65 (3) (a).

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

20 71.67 (5) (a) *Wager winnings.* A person holding a license to sponsor and
21 manage races under s. 562.05 (1) (b) or (c) shall withhold from the amount of any
22 payment of pari-mutuel winnings under s. 562.065 (3) (a) or (3m) (a) an amount

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

4 **SECTION 9343. Initial applicability; revenue.**

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

8

(END)

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FROM THE
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SECTION 1. 71.05 (23) of the statutes is created to read:

✓ 71.05 (23) PERSONAL ~~EXEMPTIONS~~. From federal adjusted gross income, an individual taxpayer may subtract the following amounts:

(a) For taxable years that begin after December 31, 1999¹ and before January 1, 2001:

1. A personal exemption of \$600 if the taxpayer is required to file a return under s. 71.03 (2) (a) 1. ✓ or 2. ✓ and \$600 for the taxpayer's spouse, except for a married individual who is filing separately or as a head of household.

2. An exemption of \$600 for an individual for whom the taxpayer is entitled to an exemption for the taxable year under section 151 (c) of the Internal Revenue Code.

3. An additional exemption of \$300 if the taxpayer has reached the age of 65 before the close of the taxable year to which his or her tax return relates and \$300 for the taxpayer's spouse if he or she has reached the age of 65 before the close of the taxable year to which his or her ✓ tax return relates, except for a married individual who is filing separately or as a head of household.

(b) For taxable years that begin after December 31, 2000:

1. A personal exemption of \$700 if the taxpayer is required to file a return under s. 71.03 (2) (a) 1. ✓ or 2. ✓ and \$700 for the taxpayer's spouse, except for a married individual who is filing separately or as a head of household.

2. An exemption of \$700 for an individual for whom the taxpayer is entitled to an exemption for the taxable year under section 151 (c) of the Internal Revenue Code.

3. An additional exemption of \$350 if the taxpayer has reached the age of 65 before the close of the taxable year to which his or her tax return relates and \$300 for the taxpayer's spouse if he or she has reached the age of 65 before the close of the taxable year to which his or her tax return relates, except for a married individual who is filing separately or as a head of household.

(c)
~~SECTION 2. 71.07 (8) (c) of the statutes is amended to read:~~

71.07 (8) (c) With respect to persons who change their domicile into or from this state during the taxable year and nonresident persons, personal exemptions shall be limited to the fraction of the amount so determined that Wisconsin adjusted gross income is of federal adjusted gross income. In this paragraph, for married persons filing separately "adjusted gross income" means the separate adjusted gross income of each spouse and for married persons filing jointly "adjusted gross income" means the total adjusted gross income of both spouses. If a person and that person's spouse are not both domiciled in this state during the entire taxable year, their personal exemptions on a joint return are determined by multiplying the personal exemption that would be available to each of them if they were both domiciled in this state during the entire taxable year by a fraction the numerator of which is their joint Wisconsin adjusted gross income and the denominator of which is their joint federal adjusted gross income.

History: 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299. History: 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299.

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SECTION 3. 71.07 (5) (am) of the statutes is created to read:

71.07 (5) (am) 1. If the amount determined under par. (a) exceeds \$50,000, it shall be reduced to \$50,000 by subtracting from that sum any amount of itemized

deductions, that are otherwise allowable in calculating the sum under par. (a), that are necessary to reduce that sum to \$50,000.

2. To the \$50,000 limit under subd. 1., add any amount that may be claimed as a deduction under section 213 of the Internal Revenue Code, to the extent that such amount is not included in the \$50,000 calculated under subd. 1. or excluded under par. (a) 15.

SECTION 4. 71.07 (5) (b) of the statutes is amended to read:

71.07 (5) (b) Subtract the standard deduction under s. 71.05 (22) from the amount under par. (a) or, if the amount under par. (a) exceeds \$50,000, from the amount under par. (am).

History: 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299. History: 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299.

INSERT 11-22

SECTION 5. 71.07 (6) (am) 2. c. of the statutes is amended to read:

71.07 (6) (am) 2. c. For taxable years beginning after December 31, 1999, and before January 1, 2001, 2.75% of the earned income of the spouse with the lower earned income, but not more than ~~\$385~~ \$412.50.

History: 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299. History: 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299.

SECTION 6. 71.07 (6) (am) 2. d. of the statutes is amended to read:

71.07 (6) (am) 2. d. For taxable years beginning after December 31, 2000, 3% of the earned income of the spouse with the lower earned income, but not more than ~~\$420~~ \$450.

History: 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299. History: 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299.

SECTION 7. 71.07 (8) (d) of the statutes is created to read:

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

for 1/3 - - 1917/3
INSTRUCTIONS

1) Change tax rates:

TY 2000: top is same, 6.7%
6.55
6.37
4.77

TY 2001 top is same; 6.7%
6.5
6.15
4.60

2) change exemption amounts for
elderly: TY 2000 → 200
TY 2001 → 250

3) increase married couple
max income → \$16,000,

SO credit increases to

\$420 in TY 2000
\$480 in TY 2001

Make changes DOR suggests

4) Drop \$50K itemized deductions cap.

26

Post-It® Fax Note	7671	Date	1-29	# of pages	1
To	Marc Shover	From	S. Guts-Hedrick		
Co./Dept.		Co.			
Phone #		Phone #	6-1805		
Fax #	6-5648	Fax #			

Constant Basis A

A taxpayer who is from the Wisconsin basis, is required to adjust Wisconsin income to reflect the amount of this difference. This applies if the asset was owned prior to January 1, 1965. A constant basis asset is one, such as unimproved land, for which depreciation is not allowed.

federal basis different

Authorization: Wisconsin Statutes, section 71.05 (13)(b)

FY96 Fiscal Effect: Minimal

Adjusted Basis of Assets Acquired after January 1, 1965

A taxpayer who acquires a constant basis asset, such as unimproved land, which has a federal basis different from the Wisconsin basis, is required to modify Wisconsin income to reflect the difference in the year that the asset is sold or otherwise disposed of. When a taxpayer acquires a changing basis asset one for which depreciation is allowed, such as a building, Wisconsin income is modified to reflect differences in the state and federal bases each year, except that the differences may be amortized over a period of five years or less.

This section applies to property acquired after January 1, 1965, for Wisconsin tax purposes. It also generally applies to taxpayers who move into the state and bring certain property with them.

Authorization: Wisconsin Statutes, section 71.05 (19) and (20)

FY96 Fiscal Effect: Minimal

Capital Gains Deduction

Wisconsin allows taxpayers to exclude 50% of the capital gain on assets held more than one year. This exclusion is generally similar to the exclusion allowed under federal law prior to 1987, but repealed in the Tax Reform Act of 1986. Wisconsin chose not to adopt this feature of the Tax Reform Act, but to retain the special treatment of capital gains.

Authorization: Wisconsin Statutes, section 71.05 (6)(b)9

FY96 Fiscal Effect: \$104,000,000



Unemployment Compensation

Wisconsin excludes a portion of unemployment compensation from income when income falls below certain amounts. Taxable unemployment compensation equals the lesser of total unemployment compensation or 50% of the amount, if any, by which unemployment benefits plus the recipient's adjusted gross income (excluding unemployment compensation and certain disability benefits) exceed specified base amounts. The base amounts are: \$12,000 for single persons and married persons who file separately and lived apart from their spouses for the full tax year; \$18,000 for married persons filing a joint return; and \$0 for married persons who file separately but lived with their spouses for part or all of the tax year. This treatment is similar to pre-1987 federal treatment. The Tax Reform Act of 1986 made all unemployment benefits taxable for federal purposes, beginning with the 1987 tax year. Wisconsin chose not to follow this treatment.

Authorization: Wisconsin Statutes, section 71.05 (6)(b)9

FY96 Fiscal Effect: \$4,200,000



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-1917/P³

MES:kmg:hmh

RMR

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

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

*By 10 a.m.
on Friday*

*Don't
Gen Cat*
1 AN ACT...; relating to: eliminating the school property tax credit, eliminating
2 the working families tax credit, eliminating miscellaneous from the itemized
3 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.

INS
ANL

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 (23), 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.

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 (22) (dm) of the statutes is amended to read:

16 71.05 (22) (dm) *Deduction limits; 1994 and thereafter to 1999.* Except as
17 provided in par. (f), for taxable years beginning ~~on or after January 1, 1994~~ after
18 December 31, 1993, and before January 1, 2000, the Wisconsin standard deduction
19 is whichever of the following amounts is appropriate. For a single individual who has

1 a Wisconsin adjusted gross income of less than \$7,500, the standard deduction is
2 \$5,200. For a single individual who has a Wisconsin adjusted gross income of at least
3 \$7,500 but not more than \$50,830, the standard deduction is the amount obtained
4 by subtracting from \$5,200 12% of Wisconsin adjusted gross income in excess of
5 \$7,500 but not less than \$0. For a single individual who has a Wisconsin adjusted
6 gross income of more than \$50,830, the standard deduction is \$0. For a head of
7 household who has a Wisconsin adjusted gross income of less than \$7,500, the
8 standard deduction is \$7,040. For a head of household who has a Wisconsin adjusted
9 gross income of at least \$7,500 but not more than \$25,000, the standard deduction
10 is the amount obtained by subtracting from \$7,040 22.515% of Wisconsin adjusted
11 gross income in excess of \$7,500 but not less than \$0. For a head of household who
12 has a Wisconsin adjusted gross income of more than \$25,000, the standard deduction
13 shall be calculated as if the head of household were a single individual. For a married
14 couple filing jointly that has an aggregate Wisconsin adjusted gross income of less
15 than \$10,000, the standard deduction is \$8,900. For a married couple filing jointly
16 that has an aggregate Wisconsin adjusted gross income of at least \$10,000 but not
17 more than \$55,000, the standard deduction is the amount obtained by subtracting
18 from \$8,900 19.778% of aggregate Wisconsin adjusted gross income in excess of
19 \$10,000 but not less than \$0. For a married couple filing jointly that has an aggregate
20 Wisconsin adjusted gross income of more than \$55,000, the standard deduction is \$0.
21 For a married individual filing separately who has a Wisconsin adjusted gross
22 income of less than \$4,750, the standard deduction is \$4,230. For a married
23 individual filing separately who has a Wisconsin adjusted gross income of at least
24 \$4,750 but not more than \$26,140, the standard deduction is the amount obtained
25 by subtracting from \$4,230 19.778% of Wisconsin adjusted gross income in excess of

1 \$4,750 but not less than \$0. For a married individual filing separately who has a
2 Wisconsin adjusted gross income of more than \$26,140, the standard deduction is \$0.
3 The secretary of revenue shall prepare a table under which deductions under this
4 paragraph shall be determined. That table shall be published in the department's
5 instructional booklets.

6 **SECTION 5.** 71.05 (22) (dp) of the statutes is created to read:

7 71.05 (22) (dp) *Deduction limits, 2000 and thereafter.* Except as provided in
8 par. (f), for taxable years beginning after December 31, 1999, the Wisconsin standard
9 deduction is whichever of the following amounts is appropriate. For a single
10 individual who has a Wisconsin adjusted gross income of less than \$10,380, the
11 standard deduction is \$7,200. For a single individual who has a Wisconsin adjusted
12 gross income of at least \$10,380 but not more than \$70,380, the standard deduction
13 is the amount obtained by subtracting from \$7,200 12% of Wisconsin adjusted gross
14 income in excess of \$10,380 but not less than \$0. For a single individual who has a
15 Wisconsin adjusted gross income of more than \$70,380, the standard deduction is \$0.
16 For a head of household who has a Wisconsin adjusted gross income of less than
17 \$10,380, the standard deduction is \$9,300. For a head of household who has a
18 Wisconsin adjusted gross income of at least \$10,380 but not more than \$30,350, the
19 standard deduction is the amount obtained by subtracting from \$9,300 22.515% of
20 Wisconsin adjusted gross income in excess of \$10,380 but not less than \$0. For a head
21 of household who has a Wisconsin adjusted gross income of more than \$30,350, the
22 standard deduction shall be calculated as if the head of household were a single
23 individual. For a married couple filing jointly that has an aggregate Wisconsin
24 adjusted gross income of less than \$14,570, the standard deduction is \$12,970. For
25 a married couple filing jointly that has an aggregate Wisconsin adjusted gross

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

15 **SECTION 6.** 71.05 (22) (ds) of the statutes is amended to read:

16 71.05 (22) (ds) *Standard deduction indexing.* For taxable years beginning after
17 December 31, 1998, and before January 1, 2000, and for taxable years beginning
18 after December 31, 2000, the dollar amounts of the standard deduction that is
19 allowable under ~~par. pars. (dm) and (dp)~~ and all of the dollar amounts of Wisconsin
20 adjusted gross income under ~~par. pars. (dm) and (dp)~~ shall be increased each year by
21 a percentage equal to the percentage change between the U.S. consumer price index
22 for all urban consumers, U.S. city average, for the month of August of the previous
23 year and the U.S. consumer price index for all urban consumers, U.S. city average,
24 for the month of August of the year before the previous year, as determined by the
25 federal department of labor. Each amount that is revised under this paragraph shall

1 be rounded to the nearest multiple of \$10 if the revised amount is not a multiple of
2 \$10 or, if the revised amount is a multiple of \$5, such an amount shall be increased
3 to the next higher multiple of \$10. The department of revenue shall annually adjust
4 the changes in dollar amounts required under this paragraph and incorporate the
5 changes into the income tax forms and instructions.

6 SECTION 7. 71.05 (22) (f) 4. b. of the statutes is amended to read:

7 71.05 (22) (f) 4. b. The standard deduction that may be claimed by an individual
8 under par. (dm) or (dp), based on the individual's filing status.

9 SECTION 8. 71.05 (23) of the statutes is created to read:

10 71.05 (23) PERSONAL EXEMPTIONS. *In computing Wisconsin taxable income*
(From federal adjusted gross income, an
11 individual taxpayer may subtract the following amounts: ↑

12 (a) For taxable years that begin after December 31, 1999, and before January
13 1, 2001:

14 1. A personal exemption of \$600 if the taxpayer is required to file a return under
15 s. 71.03 (2) (a) 1. or 2. and \$600 for the taxpayer's spouse, except for a married
16 individual who is filing separately or as a head of household.

17 2. An exemption of \$600 for ~~any~~ ^{each} individual for whom the taxpayer is entitled to
18 an exemption for the taxable year under section 151 (c) of the Internal Revenue Code.

19 3. An additional exemption of ~~\$200~~ ²⁰⁰ if the taxpayer has reached the age of 65
20 before the close of the taxable year to which his or her tax return relates and ~~\$200~~ ²⁰⁰
21 for the taxpayer's spouse if he or she has reached the age of 65 before the close of the
22 taxable year to which his or her tax return relates, except for a married individual
23 who is filing separately or as a head of household.

24 (b) For taxable years that begin after December 31, 2000:

1 1. A personal exemption of \$700 if the taxpayer is required to file a return under
2 s. 71.03 (2) (a) 1. or 2. and \$700 for the taxpayer's spouse, except for a married
3 individual who is filing separately or as a head of household.

4 2. An exemption of \$700 for an individual for whom the taxpayer is entitled to
5 an exemption for the taxable year under section 151 (c) of the Internal Revenue Code.

6 3. An additional exemption of ~~\$2000~~²⁵⁰ if the taxpayer has reached the age of 65
7 before the close of the taxable year to which his or her tax return relates and ~~\$3000~~²⁵⁰
8 for the taxpayer's spouse if he or she has reached the age of 65 before the close of the
9 taxable year to which his or her tax return relates, except for a married individual
10 who is filing separately or as a head of household.

11 (c) With respect to persons who change their domicile into or from this state
12 during the taxable year and nonresident persons, personal exemptions ^{under pars. (a) and (b)} shall be
13 limited to the fraction of the amount so determined that Wisconsin adjusted gross
14 income is of federal adjusted gross income. In this paragraph, for married persons
15 filing separately "adjusted gross income" means the separate adjusted gross income
16 of each spouse and for married persons filing jointly "adjusted gross income" means
17 the total adjusted gross income of both spouses. If a person and that person's spouse
18 are not both domiciled in this state during the entire taxable year, their personal
19 exemptions on a joint return are determined by multiplying the personal exemption
20 that would be available to each of them if they were both domiciled in this state
21 during the entire taxable year by a fraction the numerator of which is their joint
22 Wisconsin adjusted gross income and the denominator of which is their joint federal
23 adjusted gross income.

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

1 **71.06 (1m)** FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; AFTER
2 1997 TO 1999. (intro.) The tax to be assessed, levied and collected upon the taxable
3 incomes of all fiduciaries, except fiduciaries of nuclear decommissioning trust or
4 reserve funds, and single individuals and heads of households shall be computed at
5 the following rates for taxable years beginning after December 31, 1997, and before
6 January 1, 2000:

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

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

- 13 (a) On all taxable income from \$0 to \$7,500, ~~4.45%~~ 4.77
14 (b) On all taxable income exceeding \$7,500 but not exceeding \$15,000, ~~6.12%~~ 6.37
15 (c) On all taxable income exceeding \$15,000 but not exceeding \$112,500, ~~6.44%~~ 6.55
16 (d) On all taxable income exceeding \$112,500, 6.7%.

17 **SECTION 11.** 71.06 (1p) of the statutes is created to read:

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

- 23 (a) On all taxable income from \$0 to \$7,500, ~~4.55%~~ 4.6
24 (b) On all taxable income exceeding \$7,500 but not exceeding \$15,000, ~~6.11%~~ 6.15
25 (c) On all taxable income exceeding \$15,000 but not exceeding \$112,500, ~~6.45%~~ 6.5

1 (d) On all taxable income exceeding \$112,500, 6.7%.

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

3 71.06 (2) (c) (intro.) For joint returns, for taxable years beginning after
4 December 31, 1997, and before January 1, 2000:

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

6 71.06 (2) (d) (intro.) For married persons filing separately, for taxable years
7 beginning after December 31, 1997, and before January 1, 2000:

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

9 71.06 (2) (e) For joint returns, for taxable years beginning after December 31,
10 1999, and before January 1, 2001:

- 11 1. On all taxable income from \$0 to \$10,000, ~~4.00~~ ^{4.77} %.
- 12 2. On all taxable income exceeding \$10,000 but not exceeding \$20,000, ~~6.00~~ ^{6.37} %.
- 13 3. On all taxable income exceeding \$20,000 but not exceeding \$150,000, ~~6.00~~ ^{6.55} %.
- 14 4. On all taxable income exceeding \$150,000, 6.7%.

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

16 71.06 (2) (f) For married persons filing separately, for taxable years beginning
17 after December 31, 1999, and before January 1, 2001:

- 18 1. On all taxable income from \$0 to \$5,000, ~~4.00~~ ^{4.77} %.
- 19 2. On all taxable income exceeding \$5,000 but not exceeding \$10,000, ~~6.00~~ ^{6.37} %.
- 20 3. On all taxable income exceeding \$10,000 but not exceeding \$75,000, ~~6.00~~ ^{6.55} %.
- 21 4. On all taxable income exceeding \$75,000, 6.7%.

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

23 71.06 (2) (g) For joint returns, for taxable years beginning after December 31,
24 2000:

- 25 1. On all taxable income from \$0 to \$10,000, ~~4.50~~ ^{4.6} %.

- 1 2. On all taxable income exceeding \$10,000 but not exceeding \$20,000, ~~6.15%~~ ^{6.15} %.
- 2 3. On all taxable income exceeding \$20,000 but not exceeding \$150,000, ~~6.15%~~ ^{6.15} %.
- 3 4. On all taxable income exceeding \$150,000, 6.7%.

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

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

- 7 1. On all taxable income from \$0 to \$5,000, ~~4.6%~~ ^{4.6} %.
- 8 2. On all taxable income exceeding \$5,000 but not exceeding \$10,000, ~~6.15%~~ ^{6.15} %.
- 9 3. On all taxable income exceeding \$10,000 but not exceeding \$75,000, ~~6.15%~~ ^{6.15} %.
- 10 4. On all taxable income exceeding \$75,000, 6.7%.

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

12 71.06 (2e) BRACKET INDEXING. For taxable years beginning after December 31,
13 1998, and before January 1, 2000, the maximum dollar amount in each tax bracket,
14 and the corresponding minimum dollar amount in the next bracket, under subs. (1m)
15 and (2) (c) and (d), and for taxable years beginning after December 31, 2001, the
16 maximum dollar amount in each tax bracket, and the corresponding minimum dollar
17 amount in the next bracket, under subs. (1p) and (2) (g) and (h), shall be increased
18 each year by a percentage equal to the percentage change between the U.S. consumer
19 price index for all urban consumers, U.S. city average, for the month of August of the
20 previous year and the U.S. consumer price index for all urban consumers, U.S. city
21 average, for the month of August of the year before the previous year, as determined
22 by the federal department of labor. Each amount that is revised under this
23 subsection shall be rounded to the nearest multiple of \$10 if the revised amount is
24 not a multiple of \$10 or, if the revised amount is a multiple of \$5, such an amount
25 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 **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)~~, (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 **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, 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 **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
25 changing their domicile into or from this state, the tax brackets under subs. (1n) and

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

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

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

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

1 71.07 (5) (a) 7. Miscellaneous itemized deductions under sections 67 (b) and
 2 ~~of the Internal Revenue Code.~~ *without regard to whether such deductions are subject to the 2% floor as described in section 67 of the Internal Revenue Code*
 ***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.

3 SECTION 24. 71.07 (5) (am) of the statutes is created to read:
 4 71.07 (5) (am) 1. ~~If~~ *Reduce* the amount determined under par. (a) exceeds \$50,000, it
 5 ~~shall be reduced to \$50,000 by subtracting from that sum any amount of itemized~~
 6 ~~deductions, that are otherwise allowable in calculating the sum under par. (a), that~~
 7 ~~are necessary to reduce that sum to \$50,000.~~ *or to the amount determined under par. (a) if that amount is less than \$50,000.*
 8 2. To the \$50,000 limit under subd. 1., add any amount that may be claimed as
 9 a deduction under section 213 of the Internal Revenue Code, ~~to the extent that such~~
 10 ~~amount is not included in the \$50,000 calculated under subd. 1.~~ *other than amounts specified under*
 11 par. (a) 15.

12 SECTION 25. 71.07 (5) (b) of the statutes is amended to read:
 13 71.07 (5) (b) Subtract the standard deduction under s. 71.05 (22) from the
 14 amount under par. (a) ~~or if the amount under par. (a) exceeds \$50,000, from the~~
 15 ~~amount under par. (am) 2.~~

16 SECTION 26. 71.07 (5m) (e) of the statutes is created to read:
 17 71.07 (5m) (e) *Sunset*. No new claim may be filed under this subsection for a
 18 taxable year that begins after December 31, 1999.

19 SECTION 27. 71.07 (6) (am) 2. c. of the statutes is amended to read:
 20 71.07 (6) (am) 2. c. For taxable years beginning after December 31, 1999, and
 21 before January 1, 2001, 2.75% of the earned income of the spouse with the lower
 22 earned income, but not more than \$385 ~~\$412.50~~ *\$440*.

23 SECTION 28. 71.07 (6) (am) 2. d. of the statutes is amended to read:

1 71.07 (6) (am) 2. d. For taxable years beginning after December 31, 2000, 3%
2 of the earned income of the spouse with the lower earned income, but not more than
3 \$420 ~~\$450~~ \$480

4 **SECTION 29.** 71.07 (8) (d) of the statutes is created to read:

5 71.07 (8) (d) No new claim may be filed under this subsection for a taxable year
6 that begins after December 31, 1999.

7 **SECTION 30.** 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 31.** 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), whichever taxable year is applicable, on its income as
18 computed under section 641 of the Internal Revenue Code, as modified by s. 71.05
19 (6) to (12), (19) and (20).

20 **SECTION 32.** 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
23 election applies for purposes of this chapter and each trust shall compute its own tax
24 and shall apply the rates under s. 71.06 (1) ~~and~~, (1m), (1n) or (1p).

25 **SECTION 33.** 71.64 (9) (b) of the statutes is amended to read:

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

b.15 *4.6*
 *****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
 6.5% 6.25% 4.5% [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?

20 **SECTION 34.** 71.67 (4) (a) of the statutes is amended to read:
 21 71.67 (4) (a) The administrator of the lottery division in the department under
 22 ch. 565 shall withhold from any lottery prize of \$2,000 or more an amount determined

1 by multiplying the amount of the prize by the highest rate applicable to individuals
2 under s. 71.06 (1) ~~ex~~, (1m), (1n) or (1p). The administrator shall deposit the amounts
3 withheld, on a monthly basis, as would an employer depositing under s. 71.65 (3) (a).

4 **SECTION 35.** 71.67 (5) (a) of the statutes is amended to read:

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

11 **SECTION 9343. Initial applicability; revenue.**

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

15 (END)

1999-2000 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-1917/P3ins
MES:kmg:hmh

INS. ANL

TAXATION
INCOME TAXATION

This bill makes various changes in the structure of the individual income tax system. The bill modifies the calculation of adjusted gross income (AGI), prohibits new claims from being made under certain income tax credits, creates a personal exemption, modifies the itemized deductions credit and modifies the sliding scale standard deduction and the tax rates and brackets.

Under current law, the standard income tax deduction has ^{four} 4 different categories, each of which has a different deduction amount based on income. The maximum standard deduction amounts in each category phase out as income increases. The categories, the maximum standard deduction amounts and the maximum income amounts to which the standard deduction applies before the phaseout begins are the following: single individuals, \$5,200 on Wisconsin AGI (WAGI) of less than \$7,500; heads of households, \$7,040 on WAGI of less than \$7,500; married couples filing jointly, \$8,900 on WAGI of less than \$10,000; and married couples filing separately, \$4,230 on WAGI of less than \$4,750.

This bill retains the same ^{four} 4 categories and the maximum income at which the standard deduction reaches \$0. Under this bill, for taxable years beginning after December 31, 1999, the categories, the maximum standard deduction amounts and the maximum income amounts to which the standard deduction applies before the phaseout begins are the following: single individuals, \$7,200 on WAGI of less than \$10,380; heads of households, \$9,300 on WAGI of less than \$10,380; married couples filing jointly, \$12,970 on WAGI of less than \$14,570; and married couples filing separately, \$6,160 on WAGI of less than \$6,920.

Under current law, the dollar amounts of the standard deduction and the dollar amounts of WAGI are indexed for inflation for taxable years that begin after December 31, 1998. The bill suspends indexing for taxable year 2000.

Under current law, there are ^{three} 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 the lowest bracket for single individuals, certain fiduciaries, heads of households and married persons is 4.77% of taxable income, the rate for the middle bracket is 6.37% and the rate for the highest bracket is 6.77%.

This bill expands the number of brackets to ^{four} 4 and lowers the rate of taxation in all ^{four} 4 brackets in taxable year 2000. The bill also lowers the rate of taxation for taxable year 2001 and all taxable years thereafter for the first ^{three} 3 brackets. Under the bill, the brackets for single individuals, certain fiduciaries and heads of households

(*)

four

three

~~\$~~
for taxable year 2000 are taxable income from \$0 to \$7,500; from more than \$7,500 to \$15,000; from more than \$15,000 to \$112,500; and more than \$112,500. The brackets for married persons filing jointly are taxable income from \$0 to \$10,000; from more than \$10,000 to \$20,000; from more than \$20,000 to \$150,000; and more than \$150,000. The brackets for married persons filing separately are taxable income from \$0 to \$5,000; from more than \$5,000 to \$10,000; from more than \$10,000 to \$75,000; and more than \$75,000. The brackets remain the same for taxable year 2001 and taxable years thereafter.

Under this bill, for taxable year 2000, the rate of taxation for the lowest bracket for single individuals, certain fiduciaries, heads of households and married persons is 4.77% of taxable income, the rate for the next bracket is 6.37%, the rate for the next bracket is 6.55% and the rate for the highest bracket is 6.7%.

Under this bill, for taxable year 2001 and all taxable years thereafter, the rate of taxation for the lowest bracket for single individuals, certain fiduciaries, heads of households and married persons is 4.6% of taxable income, the rate for the next bracket is 6.15%, the rate for the next bracket is 6.5% and the rate for the highest bracket remains at 6.7%.

Under current law, the individual income tax brackets are indexed for inflation for taxable years beginning after December 31, 1998. This bill indexes the brackets for taxable year 1999 and then suspends indexing until taxable years beginning after December 31, 2001.

Under current law, after an individual calculates his or her gross tax liability, several tax credits may be calculated to reduce his or her gross tax liability. Some credits, like the earned income tax credit and the homestead tax credit, are refundable. Some credits, like the school property tax credit, the working families tax credit and the married persons credit, are nonrefundable. Generally, with a refundable credit, if the amount of the claim exceeds the taxpayer's tax liability, or if there is no tax due, the excess amount of the credit is paid to the claimant by a check from the state. With a nonrefundable credit, the amount of the credit is available only up to the amount of the taxpayer's tax liability.

Under this bill, for taxable years beginning after December 31, 1999, no new claims may be filed for the following nonrefundable tax credits: the school property tax credit, the working families tax credit, the dependent credit and the senior credit. The bill does not affect any of the refundable tax credits. In addition, the bill increases the married persons tax credit from a maximum credit of \$385 to \$420 in taxable year 2000 and from a maximum of \$420 to \$480 in taxable years beginning after December 31, 2000.

This bill also modifies the nonrefundable itemized deductions credit. Under current law, the itemized deductions credit is calculated as 5% of the difference between the sum of certain amounts that are allowed as itemized deductions under the Internal Revenue Code and the standard deduction. Some amounts that are allowed as itemized deductions under the Internal Revenue Code, such as casualty and theft deductions, expenses to move from this state and interest incurred to purchase or refinance a residence that is not a principal residence and that is not located in this state, are not allowed in the calculation of the itemized deductions

credit. Under this bill, certain miscellaneous itemized deductions that are allowed as itemized deductions under the Internal Revenue Code are not allowed under the itemized deductions credit. ~~The bill also caps at \$50,000 the amount of non-medical itemized deductions to which the credit applies.~~

The bill creates a personal exemption for a taxpayer, the taxpayer's spouse and the taxpayer's dependents. The personal exemption is \$600 for each of these persons in taxable year 2000 and \$700 for taxable years that begin after December 31, 2000. An additional personal exemption exists for taxpayers who are at least 65 years old. This additional exemption is \$200 for taxable year 2000 and \$250 for taxable years that begin after December 31, 2000.

In general, under current law, 50% of certain social security benefits are taxed by this state once the recipient's income reaches \$34,000 for a single individual or \$44,000 for a married couple filing jointly, while the federal government taxes 85% of these same benefits. This bill repeals the state's treatment of social security benefits, thus taxing the benefits at the same rate as the federal government.

Also under current law, this state excludes from taxation a portion of unemployment compensation (UC) if income falls below certain levels. Currently, taxable UC equals the lesser of total UC or 50% of the amount, if any, by which UC benefits plus the recipient's AGI (excluding UC and certain disability benefits) exceed certain base amounts. The base amounts are \$12,000 for a single person and a married person who files separately and lives ^{separately} apart from his or her spouse for the entire taxable year; \$18,000 for married persons who file jointly; and \$0 for a married person who files separately but lives with his or her spouse for at least part of the taxable year. Under federal law, all UC benefits are taxable. This bill repeals the state's treatment of UC benefits, thus taxing the benefits at the same rate as the federal government.

This bill will be referred to the joint survey committee on tax exemptions for a detailed analysis, which will be printed as an appendix to this bill.

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

~~INS 12-24~~

~~SECTION 1. 71.07 (5) (a) (intro.) of the statutes is amended to read:~~

~~71.07 (5) (a) (intro.) Add the amounts, other than medical amounts that may be claimed as a deduction under section 213 of the Internal Revenue Code, allowed as itemized deductions under the internal revenue code except:~~

History: 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299. History: 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299.

Shovers, Marc

From: Gates-Hendrix, Sherrie
Sent: Friday, January 29, 1999 5:52 PM
To: Shovers, Marc
Subject: income tax update

Here's what I have from the most recent Gov's briefing:

- take the top rate from 6.7% to 6.75%
- take the bottom rate from 4.77% to 4.75%
- take the 2nd rate from 6.37% to 6.35%
- retain our current treatment of UC
- increase the Homestead Tax Credit program ceiling from \$19,154 to _____? (try \$22,500)

I will be in sometime tomorrow. Not sure exactly when....

$$\text{Slope} = \frac{\text{MAX prop taxes}}{\text{max income} - \text{threshold}}$$

$$\text{Slope} = \frac{1,450}{22,500 - 8000}$$

$$\text{Slope} = \frac{1,450}{14,500}$$

$$\text{slope} = .1 \text{ or } 10\%$$

1) increase top rate to 6.75?
both years

2) 1st year: change 6.37 \rightarrow 6.35

4.77 \rightarrow 4.75

3) removal of 4c

4) raise permitted max income
to \$22,500 from \$19,159

$$\text{Slope} = \frac{\text{max prop taxes}}{\text{MAX income} - \text{threshold}}$$

1/29/99

INSTRUCTIONS
for P4

$$\rightarrow \text{slope} = \frac{1450}{22,500 - 8000}$$

$$\text{slope} = \frac{1450}{14,500}$$

$$\text{slope} = .1 \text{ or } 10\%$$



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-1917/13
MES:kmg:ijs

increase homestead

FMR

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

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

Capas and deductions - OK

6.37 → 6.37

4.77 → 4.75

remove Fed go UC

raise homestead from 19,154 → 20,500

limit cap on item deductions in 2 yrs

1 **AN ACT** *about Gen. Stat.* relating to: eliminating the school property tax credit, eliminating
 2 the working families tax credit, eliminating miscellaneous *deductions* from the itemized
 3 deductions credit, *increasing the married persons tax credit,* federalizing the treatment of social security ~~and~~
 4 ~~unemployment compensation,~~ *increasing the maximum income for* federalizing the standard deduction,
 5 suspending the indexing of the standard deduction and individual income tax
 6 brackets, *delaying changes to the withholding tables,* changing individual income tax rates and brackets and creating a
 7 personal individual income tax exemption.

the homestead tax credit

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

This bill makes various changes in the structure of the individual income tax system. The bill modifies the calculation of adjusted gross income (AGI), prohibits new claims from being made under certain income tax credits, creates a personal

exemption, modifies the itemized deductions credit and modifies the sliding scale standard deduction and the tax rates and brackets.

Under current law, the standard income tax deduction has four different categories, each of which has a different deduction amount based on income. The maximum standard deduction amounts in each category phase out as income increases. The categories, the maximum standard deduction amounts and the maximum income amounts to which the standard deduction applies before the phaseout begins are the following: single individuals, \$5,200 on Wisconsin AGI (WAGI) of less than \$7,500; heads of households, \$7,040 on WAGI of less than \$7,500; married couples filing jointly, \$8,900 on WAGI of less than \$10,000; and married couples filing separately, \$4,230 on WAGI of less than \$4,750.

This bill retains the same four categories and the maximum income at which the standard deduction reaches \$0. Under this bill, for taxable years beginning after December 31, 1999, the categories, the maximum standard deduction amounts and the maximum income amounts to which the standard deduction applies before the phaseout begins are the following: single individuals, \$7,200 on WAGI of less than \$10,380; heads of households, \$9,300 on WAGI of less than \$10,380; married couples filing jointly, \$12,970 on WAGI of less than \$14,570; and married couples filing separately, \$6,160 on WAGI of less than \$6,920.

Under current law, the dollar amounts of the standard deduction and the dollar amounts of WAGI are indexed for inflation for taxable years that begin after December 31, 1998. The bill suspends indexing for taxable year 2000.

Under current law, there are three 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 the lowest bracket for single individuals, certain fiduciaries, heads of households and married persons is 4.77% of taxable income, the rate for the middle bracket is 6.37% and the rate for the highest bracket is 6.77%.

This bill expands the number of brackets to four and lowers the rate of taxation in all four brackets in taxable year 2000. The bill also lowers the rate of taxation for taxable year 2001 and all taxable years thereafter for the first three brackets. Under the bill, the brackets for single individuals, certain fiduciaries and heads of households for taxable year 2000 are taxable income from \$0 to \$7,500; from more than \$7,500 to \$15,000; from more than \$15,000 to \$112,500; and more than \$112,500. The brackets for married persons filing jointly are taxable income from \$0 to \$10,000; from more than \$10,000 to \$20,000; from more than \$20,000 to \$150,000; and more than \$150,000. The brackets for married persons filing separately are taxable income from \$0 to \$5,000; from more than \$5,000 to \$10,000; from more than

are indexed/inflation in
 \$10,000 to \$75,000; and more than \$75,000. The brackets remain the same for taxable year 2001 and taxable years thereafter.

Under this bill, for taxable year 2000, the rate of taxation for the lowest bracket for single individuals, certain fiduciaries, heads of households and married persons is 4.77% of taxable income, the rate for the next bracket is 6.37%, the rate for the next bracket is 6.55% and the rate for the highest bracket is 6.7%.

Under this bill, for taxable year 2001 and all taxable years thereafter, the rate of taxation for the lowest bracket for single individuals, certain fiduciaries, heads of households and married persons is 4.6% of taxable income, the rate for the next bracket is 6.15%, the rate for the next bracket is 6.5% and the rate for the highest bracket remains at 6.7%.

Under current law, the individual income tax brackets are indexed for inflation for taxable years beginning after December 31, 1998. This bill indexes the brackets for taxable year 1999 and then suspends indexing until taxable years beginning after December 31, 2001.

Under current law, after an individual calculates his or her gross tax liability, several tax credits may be calculated to reduce his or her gross tax liability. Some credits, like the earned income tax credit and the homestead tax credit, are refundable. Some credits, like the school property tax credit, the working families tax credit and the married persons credit, are nonrefundable. Generally, with a refundable credit, if the amount of the claim exceeds the taxpayer's tax liability, or if there is no tax due, the excess amount of the credit is paid to the claimant by a check from the state. With a nonrefundable credit, the amount of the credit is available only up to the amount of the taxpayer's tax liability.

Under this bill, for taxable years beginning after December 31, 1999, no new claims may be filed for the following nonrefundable tax credits: the school property tax credit, the working families tax credit, the dependent credit and the senior credit. The bill does not affect any of the refundable tax credits. In addition, the bill increases the married persons tax credit from a maximum credit of \$385 to \$420 in taxable year 2000 and from a maximum of \$420 to \$480 in taxable years beginning after December 31, 2000.

This bill also modifies the nonrefundable itemized deductions credit. Under current law, the itemized deductions credit is calculated as 5% of the difference between the sum of certain amounts that are allowed as itemized deductions under the Internal Revenue Code and the standard deduction. Some amounts that are allowed as itemized deductions under the Internal Revenue Code, such as casualty and theft deductions, ~~expenses to move from this state~~ and interest incurred to purchase or refinance a residence that is not a principal residence and that is not located in this state, are not allowed in the calculation of the itemized deductions credit. Under this bill, ~~many~~ miscellaneous itemized deductions that are allowed as itemized deductions under the Internal Revenue Code are not allowed under the itemized deductions credit.

The bill creates a personal exemption for a taxpayer, the taxpayer's spouse and the taxpayer's dependents. The personal exemption is \$600 for each of these persons in taxable year 2000 and \$700 for taxable years that begin after December 31, 2000.

INS, ANL-1
INS, ANL-2

An additional personal exemption exists for taxpayers who are at least 65 years old. This additional exemption is \$200 for taxable year 2000 and \$250 for taxable years that begin after December 31, 2000.

In general, under current law, 50% of certain social security benefits are taxed by this state once the recipient's income reaches \$34,000 for a single individual or \$44,000 for a married couple filing jointly, while the federal government taxes 85% of these same benefits. This bill repeals the state's treatment of social security benefits, thus taxing the benefits at the same rate as the federal government.

~~Also, under current law, this state excludes from taxation a portion of unemployment compensation (UC) if income falls below certain levels. Currently, taxable UC equals the lesser of total UC or 50% of the amount, if any, by which UC benefits plus the recipient's AGI (excluding UC and certain disability benefits) exceed certain base amounts. The base amounts are \$12,000 for a single person and a married person who files separately and lived apart from his or her spouse for the entire taxable year; \$18,000 for married persons who file jointly; and \$0 for a married person who files separately but lived with his or her spouse for at least part of the taxable year. Under federal law, all UC benefits are taxable. This bill repeals the state's treatment of UC benefits, thus taxing the benefits at the same rate as the federal government.~~

This bill will be referred to the joint survey committee on tax exemptions for a detailed analysis, which will be printed as an appendix to this bill.

For further information see the *state and local* 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.** 71.01 (16) of the statutes is amended to read:

2 71.01 (16) "Wisconsin taxable income" of natural persons means Wisconsin
3 adjusted gross income less the Wisconsin standard deduction, less the personal
4 exemption described under s. 71.05 (23), with losses, depreciation, recapture of
5 benefits, offsets, depletion, deductions, penalties, expenses and other negative
6 income items determined according to the manner that income is or would be
7 allocated, except that the negative income items on individual or separate returns
8 for net rents and other net returns which are marital property attributable to the
9 investment, rental, licensing or other use of nonmarital property shall be allocated
10 to the owner of the property.

1 ~~SECTION 2. 71.05 (6) (b) 8. of the statutes is repealed.~~ ✓

2 SECTION 3. 71.05 (6) (b) 21. of the statutes is repealed.

3 SECTION 4. 71.05 (22) (dm) of the statutes is amended to read:

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

13 **SECTION 5.** 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
25 Wisconsin adjusted gross income of at least \$10,380 but not more than \$30,350, the

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

22 **SECTION 6.** 71.05 (22) (ds) of the statutes is amended to read:

23 71.05 (22) (ds) *Standard deduction indexing.* For taxable years beginning after
24 December 31, 1998, and before January 1, 2000, and for taxable years beginning
25 after December 31, 2000, the dollar amounts of the standard deduction that is

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

13 **SECTION 7.** 71.05 (22) (f) 4. b. of the statutes is amended to read:

14 71.05 (22) (f) 4. b. The standard deduction that may be claimed by an individual
15 under par. (dm) or (dp), based on the individual's filing status.

16 **SECTION 8.** 71.05 (23) of the statutes is created to read:

17 71.05 (23) **PERSONAL EXEMPTIONS.** In computing Wisconsin taxable income, an
18 individual taxpayer may subtract the following amounts:

19 (a) For taxable years that begin after December 31, 1999, and before January
20 1, 2001:

21 1. A personal exemption of \$600 if the taxpayer is required to file a return under
22 s. 71.03 (2) (a) 1. or 2. and \$600 for the taxpayer's spouse, except for a married
23 individual who is filing separately or as a head of household.

1 2. An exemption of \$600 for each individual for whom the taxpayer is entitled
2 to an exemption for the taxable year under section 151 (c) of the Internal Revenue
3 Code.

4 3. An additional exemption of \$200 if the taxpayer has reached the age of 65
5 before the close of the taxable year to which his or her tax return relates and \$200
6 for the taxpayer's spouse if he or she has reached the age of 65 before the close of the
7 taxable year to which his or her tax return relates, except for a married individual
8 who is filing separately or as a head of household.

9 (b) For taxable years that begin after December 31, 2000:

10 1. A personal exemption of \$700 if the taxpayer is required to file a return under
11 s. 71.03 (2) (a) 1. or 2. and \$700 for the taxpayer's spouse, except for a married
12 individual who is filing separately or as a head of household.

13 2. An exemption of \$700 for an individual for whom the taxpayer is entitled to
14 an exemption for the taxable year under section 151 (c) of the Internal Revenue Code.

15 3. An additional exemption of \$250 if the taxpayer has reached the age of 65
16 before the close of the taxable year to which his or her tax return relates and \$250
17 for the taxpayer's spouse if he or she has reached the age of 65 before the close of the
18 taxable year to which his or her tax return relates, except for a married individual
19 who is filing separately or as a head of household.

20 (c) With respect to persons who change their domicile into or from this state
21 during the taxable year and nonresident persons, personal exemptions under pars.
22 (a) and (b) shall be limited to the fraction of the amount so determined that Wisconsin
23 adjusted gross income is of federal adjusted gross income. In this paragraph, for
24 married persons filing separately "adjusted gross income" means the separate
25 adjusted gross income of each spouse and for married persons filing jointly "adjusted

1 gross income" means the total adjusted gross income of both spouses. If a person and
2 that person's spouse are not both domiciled in this state during the entire taxable
3 year, their personal exemptions on a joint return are determined by multiplying the
4 personal exemption that would be available to each of them if they were both
5 domiciled in this state during the entire taxable year by a fraction the numerator of
6 which is their joint Wisconsin adjusted gross income and the denominator of which
7 is their joint federal adjusted gross income.

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

9 71.06 (1m) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; ~~AFTER~~
10 1997 TO 1999. (intro.) The tax to be assessed, levied and collected upon the taxable
11 incomes of all fiduciaries, except fiduciaries of nuclear decommissioning trust or
12 reserve funds, and single individuals and heads of households shall be computed at
13 the following rates for taxable years beginning after December 31, 1997, and before
14 January 1, 2000:

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

16 71.06 (1n) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; 2000. The
17 tax to be assessed, levied and collected upon the taxable incomes of all fiduciaries,
18 except fiduciaries of nuclear decommissioning trust or reserve funds, and single
19 individuals and heads of households shall be computed at the following rates for
20 taxable years beginning after December 31, 1999, and before January 1, 2001:

- (21) (a) On all taxable income from \$0 to \$7,500, ~~4.75%~~ 4.75
- (22) (b) On all taxable income exceeding \$7,500 but not exceeding \$15,000, ~~6.35%~~ 6.35
- (23) (c) On all taxable income exceeding \$15,000 but not exceeding \$112,500, 6.55%.
- (24) (d) On all taxable income exceeding \$112,500, ~~6.75%~~ 6.75

25 **SECTION 11.** 71.06 (1p) of the statutes is created to read:

1 71.06 (1p) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; AFTER
2 2000. The tax to be assessed, levied and collected upon the taxable incomes of all
3 fiduciaries, except fiduciaries of nuclear decommissioning trust or reserve funds, and
4 single individuals and heads of households shall be computed at the following rates
5 for taxable years beginning after December 31, 2000:

- 6 (a) On all taxable income from \$0 to \$7,500, 4.6%.
7 (b) On all taxable income exceeding \$7,500 but not exceeding \$15,000, 6.15%.
8 (c) On all taxable income exceeding \$15,000 but not exceeding \$112,500, 6.5%.
9 (d) On all taxable income exceeding \$112,500, ~~6.5%~~ 6.75%

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

11 71.06 (2) (c) (intro.) For joint returns, for taxable years beginning after
12 December 31, 1997, and before January 1, 2000:

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

14 71.06 (2) (d) (intro.) For married persons filing separately, for taxable years
15 beginning after December 31, 1997, and before January 1, 2000:

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

17 71.06 (2) (e) For joint returns, for taxable years beginning after December 31,
18 1999, and before January 1, 2001:

- 19 1. On all taxable income from \$0 to \$10,000, 4.77%.
20 2. On all taxable income exceeding \$10,000 but not exceeding \$20,000, 6.37%.
21 3. On all taxable income exceeding \$20,000 but not exceeding \$150,000, 6.55%.
22 4. On all taxable income exceeding \$150,000, 6.7%.

23 **SECTION 15.** 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, 1999, and before January 1, 2001:

- 1 1. On all taxable income from \$0 to \$5,000, 4.77%.
- 2 2. On all taxable income exceeding \$5,000 but not exceeding \$10,000, 6.37%.
- 3 3. On all taxable income exceeding \$10,000 but not exceeding \$75,000, 6.55%.
- 4 4. On all taxable income exceeding \$75,000, 6.7%.

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

6 71.06 (2) (g) For joint returns, for taxable years beginning after December 31,
7 2000:

- 8 1. On all taxable income from \$0 to \$10,000, 4.6%.
- 9 2. On all taxable income exceeding \$10,000 but not exceeding \$20,000, 6.15%.
- 10 3. On all taxable income exceeding \$20,000 but not exceeding \$150,000, 6.5%.
- 11 4. On all taxable income exceeding \$150,000, 6.7%.

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

13 71.06 (2) (h) For married persons filing separately, for taxable years beginning
14 after December 31, 2000:

- 15 1. On all taxable income from \$0 to \$5,000, 4.6%.
- 16 2. On all taxable income exceeding \$5,000 but not exceeding \$10,000, 6.15%.
- 17 3. On all taxable income exceeding \$10,000 but not exceeding \$75,000, 6.5%.
- 18 4. On all taxable income exceeding \$75,000, 6.7%.

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

20 71.06 (2e) BRACKET INDEXING. For taxable years beginning after December 31,
21 1998, and before January 1, 2000, the maximum dollar amount in each tax bracket,
22 and the corresponding minimum dollar amount in the next bracket, under subs. (1m)
23 and (2) (c) and (d), and for taxable years beginning after December 31, 2001, the
24 maximum dollar amount in each tax bracket, and the corresponding minimum dollar
25 amount in the next bracket, under subs. (1p) and (2) (g) and (h), shall be increased

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

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

12 71.06 (2m) RATE CHANGES. If a rate under sub. (1), (1m), ~~(1n)~~, ~~(1p)~~ or (2) changes
13 during a taxable year, the taxpayer shall compute the tax for that taxable year by the
14 methods applicable to the federal income tax under section 15 of the internal revenue
15 code.

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

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

1 in this state during the entire taxable year, the tax brackets under subs. (1m) and
2 (2) (c) and (d) on a joint return shall be multiplied by a fraction, the numerator of
3 which is their joint Wisconsin adjusted gross income and the denominator of which
4 is their joint federal adjusted gross income.

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

6 71.06 (2s) (c) For taxable years beginning after December 31, 1999, and before
7 January 1, 2001, with respect to nonresident individuals, including individuals
8 changing their domicile into or from this state, the tax brackets under subs. (1n) and
9 (2) (e) and (f) shall be multiplied by a fraction, the numerator of which is Wisconsin
10 adjusted gross income and the denominator of which is federal adjusted gross
11 income. In this paragraph, for married persons filing separately “adjusted gross
12 income” means the separate adjusted gross income of each spouse, and for married
13 persons filing jointly “adjusted gross income” means the total adjusted gross income
14 of both spouses. If an individual and that individual’s spouse are not both domiciled
15 in this state during the entire taxable year, the tax brackets under subs. (1n) and (2)
16 (e) and (f) on a joint return shall be multiplied by a fraction, the numerator of which
17 is their joint Wisconsin adjusted gross income and the denominator of which is their
18 joint federal adjusted gross income.

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

20 71.06 (2s) (d) For taxable years beginning after December 31, 2000, with
21 respect to nonresident individuals, including individuals changing their domicile
22 into or from this state, the tax brackets under subs. (1p) and (2) (g) and (h) shall be
23 multiplied by a fraction, the numerator of which is Wisconsin adjusted gross income
24 and the denominator of which is federal adjusted gross income. In this paragraph,
25 for married persons filing separately “adjusted gross income” means the separate

1 adjusted gross income of each spouse, and for married persons filing jointly “adjusted
2 gross income” means the total adjusted gross income of both spouses. If an individual
3 and that individual’s spouse are not both domiciled in this state during the entire
4 taxable year, the tax brackets under subs. (1p) and (2) (g) and (h) on a joint return
5 shall be multiplied by a fraction, the numerator of which is their joint Wisconsin
6 adjusted gross income and the denominator of which is their joint federal adjusted
7 gross income.

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

9 71.07 (5) (a) 7. Miscellaneous itemized deductions under the Internal Revenue
10 Code, without regard to whether such deductions are subject to the 2% floor as
11 described in section 67 of the Internal Revenue Code.

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

13 71.07 (5m) (e) *Sunset.* No new claim may be filed under this subsection for a
14 taxable year that begins after December 31, 1999.

15 **SECTION 25.** 71.07 (6) (am) 2. c. of the statutes is amended to read:

16 71.07 (6) (am) 2. c. For taxable years beginning after December 31, 1999, and
17 before January 1, 2001, 2.75% of the earned income of the spouse with the lower
18 earned income, but not more than ~~\$385~~ \$440.

19 **SECTION 26.** 71.07 (6) (am) 2. d. of the statutes is amended to read:

20 71.07 (6) (am) 2. d. For taxable years beginning after December 31, 2000, 3%
21 of the earned income of the spouse with the lower earned income, but not more than
22 ~~\$420~~ \$480.

23 **SECTION 27.** 71.07 (8) (d) of the statutes is created to read:

24 71.07 (8) (d) No new claim may be filed under this subsection for a taxable year
25 that begins after December 31, 1999.

1 **SECTION 28.** 71.07 (9) (g) of the statutes is created to read:

2 71.07 (9) (g) No new claim may be filed under this subsection for a taxable year
3 that begins after December 31, 1999.

4 **SECTION 29.** 71.125 of the statutes is amended to read:

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

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

14 **SECTION 30.** 71.17 (6) of the statutes is amended to read:

15 71.17 (6) FUNERAL TRUSTS. If a qualified funeral trust makes the election under
16 section 685 of the Internal Revenue Code for federal income tax purposes, that
17 election applies for purposes of this chapter and each trust shall compute its own tax
18 and shall apply the rates under s. 71.06 (1) ~~and~~, (1m), (1n) or (1p).

19 **SECTION 31.** 71.64 (9) (b) of the statutes is amended to read:

20 71.64 (9) (b) The department shall from time to time adjust the withholding
21 tables to reflect any changes in income tax rates, any applicable surtax or any
22 changes in dollar amounts in s. 71.06 (1), (1m), (1n), (1p) and (2) resulting from
23 statutory changes, except that the department may not adjust the withholding tables
24 to reflect the changes in rates in s. 71.06 (1m), (1n), (1p) and (2) (c) ~~and~~, (d), (e), (f),
25 (g) and (h) and any changes in dollar amounts with respect to bracket indexing under

INS
10-18

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

14 **SECTION 32.** 71.67 (4) (a) of the statutes is amended to read:

15 71.67 (4) (a) The administrator of the lottery division in the department under
16 ch. 565 shall withhold from any lottery prize of \$2,000 or more an amount determined
17 by multiplying the amount of the prize by the highest rate applicable to individuals
18 under s. 71.06 (1) ~~or~~, (1m), (1n) or (1p). The administrator shall deposit the amounts
19 withheld, on a monthly basis, as would an employer depositing under s. 71.65 (3) (a).

20 **SECTION 33.** 71.67 (5) (a) of the statutes is amended to read:

21 71.67 (5) (a) *Wager winnings.* A person holding a license to sponsor and
22 manage races under s. 562.05 (1) (b) or (c) shall withhold from the amount of any
23 payment of pari-mutuel winnings under s. 562.065 (3) (a) or (3m) (a) an amount
24 determined by multiplying the amount of the payment by the highest rate applicable

1 to individuals under s. 71.06 (1) (a) to (c) ~~or~~, (1m), (1n) or (1p) if the amount of the
2 payment is more than \$1,000.

3 **SECTION 9343. Initial applicability; revenue.**

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

7 (END)

INS. ANL-1 ✓

Under current law, the department of revenue (DOR) may not adjust the withholding tables to reflect the changes made to the tax rates, changes in dollar amounts with respect to bracket indexing ^{and} with respect to standard deduction indexing for taxable years that begin before January 1, 2000. Under this bill, DOR may not adjust the withholding tables before July 1, 2000.

1999-2000 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-1917/P4ins
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Ins ANL - 2

Under current law, for claims filed in 1991 and thereafter, the homestead tax credit threshold income is \$8,000, the maximum property taxes that a claimant may use in calculating his or her credit are \$1,450 and the maximum income is \$19,154. This bill changes current law starting with claims filed in 2000. Under this bill, for claims filed in 2000 and thereafter, the maximum income is raised to \$22,500. The threshold income and maximum property taxes remain the same as under current law.

INS 16-18

SECTION 1. 71.54 (1) (d) (intro.) of the statutes is amended to read:

71.54 (1) (d) ~~1991 and thereafter~~ to 1999. (intro.) The amount of any claim filed in 1991 ~~and thereafter~~ to 1999 and based on property taxes accrued or rent constituting property taxes accrued during the previous year is limited as follows:

History: 1987 a. 312; 1989 a. 31, 198, 336; 1995 a. 27, 201, 289; 1997 a. 35. History: 1987 a. 312; 1989 a. 31, 198, 336; 1995 a. 27, 201, 289; 1997 a. 35.

SECTION 2. 71.54 (1) (e) of the statutes is created to read:

71.54 (1) (e) 2000 and thereafter.

~~SECTION 3. 71.54 (1) (e) of the statutes is amended to read.~~

~~71.54 (1) (e) 1999.~~ The amount of any claim filed in ~~1999~~ 2000 and thereafter and based on property taxes accrued or rent constituting property taxes accrued during the previous year is limited as follows:

1. If the household income was \$8,000 or less in the year to which the claim relates, the claim is limited to 80% of the property taxes accrued or rent constituting property taxes accrued or both in that year on the claimant's homestead.

2. If the household income was more than \$8,000 in the year to which the claim relates, the claim is limited to 80% of the amount by which the property taxes accrued or rent constituting property taxes accrued or both in that year on the claimant's homestead exceeds ~~10%~~ 10% of the household income exceeding \$8,000.

✓ 3. No credit may be allowed if the household income of a claimant exceeds
~~\$18,000~~ 22,500

History: 1987 a. 312; 1989 a. 31, 198, 336; 1995 a. 27, 201, 289; 1997 a. 35. History: 1987 a. 312; 1989 a. 31, 198, 336; 1995 a. 27, 201, 289; 1997 a. 35.



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-1917/P⁵

MES:kmg:lp

FMP

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

FOR 1999-01 BUDGET -- NOT READY FOR INTRODUCTION

Ed,
WFO:
only changes
are on p. 9

do not gen

1 AN ACT...; relating to: eliminating the school property tax credit, eliminating
2 the working families tax credit, eliminating miscellaneous deductions from the
3 itemized deductions credit, increasing the married persons tax credit,
4 federalizing the treatment of social security, increasing the maximum income
5 for the homestead tax credit, federalizing the standard deduction, suspending
6 the indexing of the standard deduction and individual income tax brackets,
7 delaying changes to the withholding tables, changing individual income tax

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

2

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

This bill makes various changes in the structure of the individual income tax system. The bill modifies the calculation of adjusted gross income (AGI), prohibits new claims from being made under certain income tax credits, creates a personal exemption, modifies the itemized deductions credit and modifies the sliding scale standard deduction and the tax rates and brackets.

Under current law, the standard income tax deduction has four different categories, each of which has a different deduction amount based on income. The maximum standard deduction amounts in each category phase out as income increases. The categories, the maximum standard deduction amounts and the maximum income amounts to which the standard deduction applies before the phaseout begins are the following: single individuals, \$5,200 on Wisconsin AGI (WAGI) of less than \$7,500; heads of households, \$7,040 on WAGI of less than \$7,500; married couples filing jointly, \$8,900 on WAGI of less than \$10,000; and married couples filing separately, \$4,230 on WAGI of less than \$4,750.

This bill retains the same four categories and increases the maximum income at which the standard deduction reaches \$0. Under this bill, for taxable years beginning after December 31, 1999, the categories, the maximum standard deduction amounts and the maximum income amounts to which the standard deduction applies before the phaseout begins are the following: single individuals, \$7,200 on WAGI of less than \$10,380; heads of households, \$9,300 on WAGI of less than \$10,380; married couples filing jointly, \$12,970 on WAGI of less than \$14,570; and married couples filing separately, \$6,160 on WAGI of less than \$6,920.

Under current law, the dollar amounts of the standard deduction and the dollar amounts of WAGI are indexed for inflation for taxable years that begin after December 31, 1998. The bill suspends indexing for taxable year 2000.

Under current law, there are three 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 the lowest bracket for single individuals, certain fiduciaries, heads of households and married persons is 4.77% of taxable income, the rate for the middle bracket is 6.37% and the rate for the highest bracket is 6.77%.

This bill expands the number of brackets to four and lowers the rate of taxation in all four brackets in taxable year 2000. The bill also lowers the rate of taxation for taxable year 2001 and all taxable years thereafter for the first three brackets. Under the bill, the brackets for single individuals, certain fiduciaries and heads of households for taxable year 2000 are taxable income from \$0 to \$7,500; from more than \$7,500 to \$15,000; from more than \$15,000 to \$112,500; and more than \$112,500. The brackets for married persons filing jointly are taxable income from \$0 to \$10,000; from more than \$10,000 to \$20,000; from more than \$20,000 to \$150,000; and more than \$150,000. The brackets for married persons filing separately are taxable income from \$0 to \$5,000; from more than \$5,000 to \$10,000; from more than \$10,000 to \$75,000; and more than \$75,000. The brackets remain the same for taxable year 2001 and are indexed for inflation in taxable years thereafter.

Under this bill, for taxable year 2000, the rate of taxation for the lowest bracket for single individuals, certain fiduciaries, heads of households and married persons is 4.77% of taxable income, the rate for the next bracket is 6.37%, the rate for the next bracket is 6.55% and the rate for the highest bracket is 6.7%.

Under this bill, for taxable year 2001 and all taxable years thereafter, the rate of taxation for the lowest bracket for single individuals, certain fiduciaries, heads of households and married persons is 4.6% of taxable income, the rate for the next bracket is 6.15%, the rate for the next bracket is 6.5% and the rate for the highest bracket remains at 6.7%.

Under current law, the individual income tax brackets are indexed for inflation for taxable years beginning after December 31, 1998. This bill suspends indexing until taxable years beginning after December 31, 2001.

Under current law, after an individual calculates his or her gross tax liability, several tax credits may be calculated to reduce his or her gross tax liability. Some credits, like the earned income tax credit and the homestead tax credit, are refundable. Some credits, like the school property tax credit, the working families tax credit and the married persons credit, are nonrefundable. Generally, with a refundable credit, if the amount of the claim exceeds the taxpayer's tax liability, or if there is no tax due, the excess amount of the credit is paid to the claimant by a check from the state. With a nonrefundable credit, the amount of the credit is available only up to the amount of the taxpayer's tax liability.

Under this bill, for taxable years beginning after December 31, 1999, no new claims may be filed for the following nonrefundable tax credits: the school property tax credit, the working families tax credit, the dependent credit and the senior credit. The bill does not affect any of the refundable tax credits. In addition, the bill increases the married persons tax credit from a maximum credit of \$385 to \$420 in taxable year 2000 and from a maximum of \$420 to \$480 in taxable years beginning after December 31, 2000.

Under current law, the department of revenue (DOR) may not adjust the withholding tables to reflect the changes made to the tax rates, changes in dollar amounts with respect to bracket indexing and with respect to standard deduction indexing for taxable years that begin before January 1, 2000. Under this bill, DOR may not adjust the withholding tables before July 1, 2000.

Under current law, for claims filed in 1991 and thereafter, the homestead tax credit threshold income is \$8,000, the maximum property taxes that a claimant may use in calculating his or her credit are \$1,450 and the maximum income is \$19,154. This bill changes current law starting with claims filed in 2000. Under this bill, for claims filed in 2000 and thereafter, the maximum income is raised to \$22,500. The threshold income and maximum property taxes remain the same as under current law.

This bill also modifies the nonrefundable itemized deductions credit. Under current law, the itemized deductions credit is calculated as 5% of the difference between the sum of certain amounts that are allowed as itemized deductions under the Internal Revenue Code and the standard deduction. Some amounts that are allowed as itemized deductions under the Internal Revenue Code, such as casualty and theft deductions and interest incurred to purchase or refinance a residence that is not a principal residence and that is not located in this state, are not allowed in the calculation of the itemized deductions credit. Under this bill, miscellaneous itemized deductions that are allowed as itemized deductions under the Internal Revenue Code are not allowed under the itemized deductions credit.

The bill creates a personal exemption for a taxpayer, the taxpayer's spouse and the taxpayer's dependents. The personal exemption is \$600 for each of these persons in taxable year 2000 and \$700 for taxable years that begin after December 31, 2000. An additional personal exemption exists for taxpayers who are at least 65 years old. This additional exemption is \$200 for taxable year 2000 and \$250 for taxable years that begin after December 31, 2000.

In general, under current law, 50% of certain social security benefits are taxed by this state once the recipient's income reaches \$34,000 for a single individual or \$44,000 for a married couple filing jointly, while the federal government taxes 85% of these same benefits. This bill repeals the state's treatment of social security benefits, thus taxing the benefits at the same rate as the federal government.

This bill will be referred to the joint survey committee on tax exemptions for a detailed analysis, which will be printed as an appendix to this bill.

For further information see the *state and local* 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.** 71.01 (16) of the statutes is amended to read:

2 71.01 (16) "Wisconsin taxable income" of natural persons means Wisconsin
3 adjusted gross income less the Wisconsin standard deduction, less the personal
4 exemption described under s. 71.05 (23), with losses, depreciation, recapture of
5 benefits, offsets, depletion, deductions, penalties, expenses and other negative

1 income items determined according to the manner that income is or would be
2 allocated, except that the negative income items on individual or separate returns
3 for net rents and other net returns which are marital property attributable to the
4 investment, rental, licensing or other use of nonmarital property shall be allocated
5 to the owner of the property.

6 **SECTION 2.** 71.05 (6) (b) 21. of the statutes is repealed.

7 **SECTION 3.** 71.05 (22) (dm) of the statutes is amended to read:

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

1 than \$10,000, the standard deduction is \$8,900. For a married couple filing jointly
2 that has an aggregate Wisconsin adjusted gross income of at least \$10,000 but not
3 more than \$55,000, the standard deduction is the amount obtained by subtracting
4 from \$8,900 19.778% of aggregate Wisconsin adjusted gross income in excess of
5 \$10,000 but not less than \$0. For a married couple filing jointly that has an aggregate
6 Wisconsin adjusted gross income of more than \$55,000, the standard deduction is \$0.
7 For a married individual filing separately who has a Wisconsin adjusted gross
8 income of less than \$4,750, the standard deduction is \$4,230. For a married
9 individual filing separately who has a Wisconsin adjusted gross income of at least
10 \$4,750 but not more than \$26,140, the standard deduction is the amount obtained
11 by subtracting from \$4,230 19.778% of Wisconsin adjusted gross income in excess of
12 \$4,750 but not less than \$0. For a married individual filing separately who has a
13 Wisconsin adjusted gross income of more than \$26,140, the standard deduction is \$0.
14 The secretary of revenue shall prepare a table under which deductions under this
15 paragraph shall be determined. That table shall be published in the department's
16 instructional booklets.

17 **SECTION 4.** 71.05 (22) (dp) of the statutes is created to read:

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

1 Wisconsin adjusted gross income of more than \$70,380, the standard deduction is \$0.
2 For a head of household who has a Wisconsin adjusted gross income of less than
3 \$10,380, the standard deduction is \$9,300. For a head of household who has a
4 Wisconsin adjusted gross income of at least \$10,380 but not more than \$30,350, the
5 standard deduction is the amount obtained by subtracting from \$9,300 22.515% of
6 Wisconsin adjusted gross income in excess of \$10,380 but not less than \$0. For a head
7 of household who has a Wisconsin adjusted gross income of more than \$30,350, the
8 standard deduction shall be calculated as if the head of household were a single
9 individual. For a married couple filing jointly that has an aggregate Wisconsin
10 adjusted gross income of less than \$14,570, the standard deduction is \$12,970. For
11 a married couple filing jointly that has an aggregate Wisconsin adjusted gross
12 income of at least \$14,570 but not more than \$80,150, the standard deduction is the
13 amount obtained by subtracting from \$12,970 19.778% of aggregate Wisconsin
14 adjusted gross income in excess of \$14,570 but not less than \$0. For a married couple
15 filing jointly that has an aggregate Wisconsin adjusted gross income of more than
16 \$80,150, the standard deduction is \$0. For a married individual filing separately
17 who has a Wisconsin adjusted gross income of less than \$6,920, the standard
18 deduction is \$6,160. For a married individual filing separately who has a Wisconsin
19 adjusted gross income of at least \$6,920 but not more than \$38,070, the standard
20 deduction is the amount obtained by subtracting from \$6,160 19.778% of Wisconsin
21 adjusted gross income in excess of \$6,920 but not less than \$0. For a married
22 individual filing separately who has a Wisconsin adjusted gross income of more than
23 \$38,070, the standard deduction is \$0. The secretary of revenue shall prepare a table
24 under which deductions under this paragraph shall be determined. That table shall
25 be published in the department's instructional booklets.

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

2 71.05 (22) (ds) *Standard deduction indexing.* For taxable years beginning after
3 December 31, 1998, and before January 1, 2000, and for taxable years beginning
4 after December 31, 2000, the dollar amounts of the standard deduction that is
5 allowable under ~~par. pars. (dm) and (dp)~~ and all of the dollar amounts of Wisconsin
6 adjusted gross income under ~~par. pars. (dm) and (dp)~~ shall be increased each year by
7 a percentage equal to the percentage change between the U.S. consumer price index
8 for all urban consumers, U.S. city average, for the month of August of the previous
9 year and the U.S. consumer price index for all urban consumers, U.S. city average,
10 for the month of August of the year before the previous year, as determined by the
11 federal department of labor. Each amount that is revised under this paragraph shall
12 be rounded to the nearest multiple of \$10 if the revised amount is not a multiple of
13 \$10 or, if the revised amount is a multiple of \$5, such an amount shall be increased
14 to the next higher multiple of \$10. The department of revenue shall annually adjust
15 the changes in dollar amounts required under this paragraph and incorporate the
16 changes into the income tax forms and instructions.

17 **SECTION 6.** 71.05 (22) (f) 4. b. of the statutes is amended to read:

18 71.05 (22) (f) 4. b. The standard deduction that may be claimed by an individual
19 under par. (dm) or (dp), based on the individual's filing status.

20 **SECTION 7.** 71.05 (23) of the statutes is created to read:

21 71.05 (23) **PERSONAL EXEMPTIONS.** In computing Wisconsin taxable income, an
22 individual taxpayer may subtract the following amounts:

23 (a) For taxable years that begin after December 31, 1999, and before January
24 1, 2001:

1 1. A personal exemption of \$600 if the taxpayer is required to file a return under
2 s. 71.03 (2) (a) 1. or 2. and \$600 for the taxpayer's spouse, except ~~for a married~~
3 ~~individual who~~ is filing separately or as a head of household.

4 2. An exemption of \$600 for each individual for whom the taxpayer is entitled
5 to an exemption for the taxable year under section 151 (c) of the Internal Revenue
6 Code.

7 3. An additional exemption of \$200 if the taxpayer has reached the age of 65
8 before the close of the taxable year to which his or her tax return relates and \$200
9 for the taxpayer's spouse if he or she has reached the age of 65 before the close of the
10 taxable year to which his or her tax return relates, except ~~for a married individual~~
11 ~~who~~ is filing separately or as a head of household.

12 (b) For taxable years that begin after December 31, 2000:

13 1. A personal exemption of \$700 if the taxpayer is required to file a return under
14 s. 71.03 (2) (a) 1. or 2. and \$700 for the taxpayer's spouse, except ~~for a married~~
15 ~~individual who~~ is filing separately or as a head of household.

16 2. An exemption of \$700 for ~~an~~ ^{each} individual for whom the taxpayer is entitled to
17 an exemption for the taxable year under section 151 (c) of the Internal Revenue Code.

18 3. An additional exemption of \$250 if the taxpayer has reached the age of 65
19 before the close of the taxable year to which his or her tax return relates and \$250
20 for the taxpayer's spouse if he or she has reached the age of 65 before the close of the
21 taxable year to which his or her tax return relates, except ~~for a married individual~~
22 ~~who~~ is filing separately or as a head of household.

23 (c) With respect to persons who change their domicile into or from this state
24 during the taxable year and nonresident persons, personal exemptions under pars.

25 (a) and (b) shall be limited to the fraction of the amount so determined that Wisconsin

1 adjusted gross income is of federal adjusted gross income. In this paragraph, for
2 married persons filing separately “adjusted gross income” means the separate
3 adjusted gross income of each spouse and for married persons filing jointly “adjusted
4 gross income” means the total adjusted gross income of both spouses. If a person and
5 that person’s spouse are not both domiciled in this state during the entire taxable
6 year, their personal exemptions on a joint return are determined by multiplying the
7 personal exemption that would be available to each of them if they were both
8 domiciled in this state during the entire taxable year by a fraction the numerator of
9 which is their joint Wisconsin adjusted gross income and the denominator of which
10 is their joint federal adjusted gross income.

11 **SECTION 8.** 71.06 (1m) (intro.) of the statutes is amended to read:

12 **71.06 (1m) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; AFTER**
13 **1997 TO 1999.** (intro.) The tax to be assessed, levied and collected upon the taxable
14 incomes of all fiduciaries, except fiduciaries of nuclear decommissioning trust or
15 reserve funds, and single individuals and heads of households shall be computed at
16 the following rates for taxable years beginning after December 31, 1997, and before
17 January 1, 2000:

18 **SECTION 9.** 71.06 (1n) of the statutes is created to read:

19 **71.06 (1n) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; 2000.** The
20 tax to be assessed, levied and collected upon the taxable incomes of all fiduciaries,
21 except fiduciaries of nuclear decommissioning trust or reserve funds, and single
22 individuals and heads of households shall be computed at the following rates for
23 taxable years beginning after December 31, 1999, and before January 1, 2001:

24 (a) On all taxable income from \$0 to \$7,500, 4.75%.

25 (b) On all taxable income exceeding \$7,500 but not exceeding \$15,000, 6.35%.

1 (c) On all taxable income exceeding \$15,000 but not exceeding \$112,500, 6.55%.

2 (d) On all taxable income exceeding \$112,500, 6.75%.

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

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

9 (a) On all taxable income from \$0 to \$7,500, 4.6%.

10 (b) On all taxable income exceeding \$7,500 but not exceeding \$15,000, 6.15%.

11 (c) On all taxable income exceeding \$15,000 but not exceeding \$112,500, 6.5%.

12 (d) On all taxable income exceeding \$112,500, 6.75%.

13 **SECTION 11.** 71.06 (2) (c) (intro.) of the statutes is amended to read:

14 71.06 (2) (c) (intro.) For joint returns, for taxable years beginning after
15 December 31, 1997, and before January 1, 2000:

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

17 71.06 (2) (d) (intro.) For married persons filing separately, for taxable years
18 beginning after December 31, 1997, and before January 1, 2000:

19 **SECTION 13.** 71.06 (2) (e) of the statutes is created to read:

20 71.06 (2) (e) For joint returns, for taxable years beginning after December 31,
21 1999, and before January 1, 2001:

22 1. On all taxable income from \$0 to \$10,000, 4.77%.

23 2. On all taxable income exceeding \$10,000 but not exceeding \$20,000, 6.37%.

24 3. On all taxable income exceeding \$20,000 but not exceeding \$150,000, 6.55%.

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

1 **SECTION 14.** 71.06 (2) (f) of the statutes is created to read:

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

- 4 1. On all taxable income from \$0 to \$5,000, 4.77%.
5 2. On all taxable income exceeding \$5,000 but not exceeding \$10,000, 6.37%.
6 3. On all taxable income exceeding \$10,000 but not exceeding \$75,000, 6.55%.
7 4. On all taxable income exceeding \$75,000, 6.7%.

8 **SECTION 15.** 71.06 (2) (g) of the statutes is created to read:

9 71.06 (2) (g) For joint returns, for taxable years beginning after December 31,
10 2000:

- 11 1. On all taxable income from \$0 to \$10,000, 4.6%.
12 2. On all taxable income exceeding \$10,000 but not exceeding \$20,000, 6.15%.
13 3. On all taxable income exceeding \$20,000 but not exceeding \$150,000, 6.5%.
14 4. On all taxable income exceeding \$150,000, 6.7%.

15 **SECTION 16.** 71.06 (2) (h) of the statutes is created to read:

16 71.06 (2) (h) For married persons filing separately, for taxable years beginning
17 after December 31, 2000:

- 18 1. On all taxable income from \$0 to \$5,000, 4.6%.
19 2. On all taxable income exceeding \$5,000 but not exceeding \$10,000, 6.15%.
20 3. On all taxable income exceeding \$10,000 but not exceeding \$75,000, 6.5%.
21 4. On all taxable income exceeding \$75,000, 6.7%.

22 **SECTION 17.** 71.06 (2e) of the statutes is amended to read:

23 71.06 (2e) BRACKET INDEXING. For taxable years beginning after December 31,
24 1998, and before January 1, 2000, the maximum dollar amount in each tax bracket,
25 and the corresponding minimum dollar amount in the next bracket, under subs. (1m)

1 and (2) (c) and (d), and for taxable years beginning after December 31, 2001, the
2 maximum dollar amount in each tax bracket, and the corresponding minimum dollar
3 amount in the next bracket, under subs. (1p) and (2) (g) and (h), shall be increased
4 each year by a percentage equal to the percentage change between the U.S. consumer
5 price index for all urban consumers, U.S. city average, for the month of August of the
6 previous year and the U.S. consumer price index for all urban consumers, U.S. city
7 average, for the month of August of the year before the previous year, as determined
8 by the federal department of labor. Each amount that is revised under this
9 subsection shall be rounded to the nearest multiple of \$10 if the revised amount is
10 not a multiple of \$10 or, if the revised amount is a multiple of \$5, such an amount
11 shall be increased to the next higher multiple of \$10. The department of revenue
12 shall annually adjust the changes in dollar amounts required under this subsection
13 and incorporate the changes into the income tax forms and instructions.

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

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

19 **SECTION 19.** 71.06 (2s) (b) of the statutes is amended to read:

20 71.06 (2s) (b) For taxable years beginning after December 31, 1997, and before
21 January 1, 2000, with respect to nonresident individuals, including individuals
22 changing their domicile into or from this state, the tax brackets under subs. (1m) and
23 (2) (c) and (d) shall be multiplied by a fraction, the numerator of which is Wisconsin
24 adjusted gross income and the denominator of which is federal adjusted gross
25 income. In this paragraph, for married persons filing separately "adjusted gross

1 income” means the separate adjusted gross income of each spouse, and for married
2 persons filing jointly “adjusted gross income” means the total adjusted gross income
3 of both spouses. If an individual and that individual’s spouse are not both domiciled
4 in this state during the entire taxable year, the tax brackets under subs. (1m) and
5 (2) (c) and (d) on a joint return shall be multiplied by a fraction, the numerator of
6 which is their joint Wisconsin adjusted gross income and the denominator of which
7 is their joint federal adjusted gross income.

8 **SECTION 20.** 71.06 (2s) (c) of the statutes is created to read:

9 71.06 (2s) (c) For taxable years beginning after December 31, 1999, and before
10 January 1, 2001, with respect to nonresident individuals, including individuals
11 changing their domicile into or from this state, the tax brackets under subs. (1n) and
12 (2) (e) and (f) 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. (1n) and (2)
19 (e) and (f) on a joint return shall be multiplied by a fraction, the numerator of which
20 is their joint Wisconsin adjusted gross income and the denominator of which is their
21 joint federal adjusted gross income.

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

23 71.06 (2s) (d) For taxable years beginning after December 31, 2000, with
24 respect to nonresident individuals, including individuals changing their domicile
25 into or from this state, the tax brackets under subs. (1p) and (2) (g) and (h) shall be

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

11 **SECTION 22.** 71.07 (5) (a) 7. of the statutes is created to read:

12 71.07 (5) (a) 7. Miscellaneous itemized deductions under the Internal Revenue
13 Code, without regard to whether such deductions are subject to the 2% floor as
14 described in section 67 of the Internal Revenue Code.

15 **SECTION 23.** 71.07 (5m) (e) of the statutes is created to read:

16 71.07 (5m) (e) *Sunset.* No new claim may be filed under this subsection for a
17 taxable year that begins after December 31, 1999.

18 **SECTION 24.** 71.07 (6) (am) 2. c. of the statutes is amended to read:

19 71.07 (6) (am) 2. c. For taxable years beginning after December 31, 1999, and
20 before January 1, 2001, 2.75% of the earned income of the spouse with the lower
21 earned income, but not more than ~~\$385~~ \$440.

22 **SECTION 25.** 71.07 (6) (am) 2. d. of the statutes is amended to read:

23 71.07 (6) (am) 2. d. For taxable years beginning after December 31, 2000, 3%
24 of the earned income of the spouse with the lower earned income, but not more than
25 ~~\$420~~ \$480.

1 **SECTION 26.** 71.07 (8) (d) of the statutes is created to read:

2 71.07 (8) (d) No new claim may be filed under this subsection for a taxable year
3 that begins after December 31, 1999.

4 **SECTION 27.** 71.07 (9) (g) of the statutes is created to read:

5 71.07 (9) (g) No new claim may be filed under this subsection for a taxable year
6 that begins after December 31, 1999.

7 **SECTION 28.** 71.125 of the statutes is amended to read:

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

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

17 **SECTION 29.** 71.17 (6) of the statutes is amended to read:

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

22 **SECTION 30.** 71.54 (1) (d) (intro.) of the statutes is amended to read:

23 71.54 (1) (d) ~~1991 and thereafter to 1999.~~ (intro.) The amount of any claim filed
24 in 1991 ~~and thereafter to 1999~~ and based on property taxes accrued or rent
25 constituting property taxes accrued during the previous year is limited as follows:

1 **SECTION 31.** 71.54 (1) (e) of the statutes is created to read:

2 71.54 (1) (e) *2000 and thereafter.* The amount of any claim filed in 2000 and
3 thereafter and based on property taxes accrued or rent constituting property taxes
4 accrued during the previous year is limited as follows:

5 1. If the household income was \$8,000 or less in the year to which the claim
6 relates, the claim is limited to 80% of the property taxes accrued or rent constituting
7 property taxes accrued ~~or~~ both in that year on the claimant's homestead.

8 2. If the household income was more than \$8,000 in the year to which the claim
9 relates, the claim is limited to 80% of the amount by which the property taxes accrued
10 or rent constituting property taxes accrued or both in that year on the claimant's
11 homestead exceeds 10% of the household income exceeding \$8,000.

12 3. No credit may be allowed if the household income of a claimant exceeds
13 \$22,500.

14 **SECTION 32.** 71.64 (9) (b) of the statutes is amended to read:

15 71.64 (9) (b) The department shall from time to time adjust the withholding
16 tables to reflect any changes in income tax rates, any applicable surtax or any
17 changes in dollar amounts in s. 71.06 (1), (1m), ~~(1n), (1p)~~ and (2) resulting from
18 statutory changes, except that the department may not adjust the withholding tables
19 to reflect the changes in rates in s. 71.06 (1m), ~~(1n), (1p)~~ and (2) (c) ~~and~~, (d), ~~(e), (f),~~
20 ~~(g) and (h)~~ and any changes in dollar amounts with respect to bracket indexing under
21 s. 71.06 (2e) and with respect to standard deduction indexing under s. 71.05 (22) (ds)
22 ~~for any taxable year that begins before January July 1, 2000.~~ The tables shall
23 account for the working families tax credit under s. 71.07 (5m), subject to s. 71.07
24 (5m) (e). The tables shall be extended to cover from zero to 10 withholding
25 exemptions, shall assume that the payment of wages in each pay period will, when

1 multiplied by the number of pay periods in a year, reasonably reflect the annual wage
2 of the employe from] the employer and shall be based on the further assumption that
3 the annual wage will be reduced for allowable deductions from gross income. The
4 department may determine the length of the tables and a reasonable span for each
5 bracket. In preparing the tables the department shall adjust all withholding
6 amounts not an exact multiple of 10 cents to the next highest figure that is a multiple
7 of 10 cents. The department shall also provide instructions with the tables for
8 withholding with respect to quarterly, semiannual and annual pay periods.

9 **SECTION 33.** 71.67 (4) (a) of the statutes is amended to read:

10 71.67 (4) (a) The administrator of the lottery division in the department under
11 ch. 565 shall withhold from any lottery prize of \$2,000 or more an amount determined
12 by multiplying the amount of the prize by the highest rate applicable to individuals
13 under s. 71.06 (1) ~~or~~, (1m), (1n) or (1p). The administrator shall deposit the amounts
14 withheld, on a monthly basis, as would an employer depositing under s. 71.65 (3) (a).

15 **SECTION 34.** 71.67 (5) (a) of the statutes is amended to read:

16 71.67 (5) (a) *Wager winnings.* A person holding a license to sponsor and
17 manage races under s. 562.05 (1) (b) or (c) shall withhold from the amount of any
18 payment of pari-mutuel winnings under s. 562.065 (3) (a) or (3m) (a) an amount
19 determined by multiplying the amount of the payment by the highest rate applicable
20 to individuals under s. 71.06 (1) (a) to (c) ~~or~~, (1m), (1n) or (1p) if the amount of the
21 payment is more than \$1,000.

22 **SECTION 9343. Initial applicability; revenue.**



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-1917/P/6
MES:king:jf

FMR

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

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

Today

do not open

1 AN ACT ...; relating to: eliminating the school property tax credit, eliminating
2 the working families tax credit, eliminating miscellaneous deductions from the
3 itemized deductions credit, increasing the married persons tax credit,
4 federalizing the treatment of social security, increasing the maximum income
5 for the homestead tax credit, federalizing the standard deduction, suspending
6 the indexing of the standard deduction and individual income tax brackets,
7 delaying changes to the withholding tables, changing individual income tax
8 rates and brackets and creating a personal individual income tax exemption.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

This bill makes various changes in the structure of the individual income tax system. The bill modifies the calculation of adjusted gross income (AGI), prohibits

new claims from being made under certain income tax credits, creates a personal exemption, modifies the itemized deductions credit and modifies the sliding scale standard deduction and the tax rates and brackets.

Under current law, the standard income tax deduction has four different categories, each of which has a different deduction amount based on income. The maximum standard deduction amounts in each category phase out as income increases. The categories, the maximum standard deduction amounts and the maximum income amounts to which the standard deduction applies before the phaseout begins are the following: single individuals, \$5,200 on Wisconsin AGI (WAGI) of less than \$7,500; heads of households, \$7,040 on WAGI of less than \$7,500; married couples filing jointly, \$8,900 on WAGI of less than \$10,000; and married couples filing separately, \$4,230 on WAGI of less than \$4,750.

This bill retains the same four categories and increases the maximum income at which the standard deduction reaches \$0. Under this bill, for taxable years beginning after December 31, 1999, the categories, the maximum standard deduction amounts and the maximum income amounts to which the standard deduction applies before the phaseout begins are the following: single individuals, \$7,200 on WAGI of less than \$10,380; heads of households, \$9,300 on WAGI of less than \$10,380; married couples filing jointly, \$12,970 on WAGI of less than \$14,570; and married couples filing separately, \$6,160 on WAGI of less than \$6,920.

Under current law, the dollar amounts of the standard deduction and the dollar amounts of WAGI are indexed for inflation for taxable years that begin after December 31, 1998. The bill suspends indexing for taxable year 2000.

Under current law, there are three 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 the lowest bracket for single individuals, certain fiduciaries, heads of households and married persons is 4.77% of taxable income, the rate for the middle bracket is 6.37% and the rate for the highest bracket is 6.77%.

This bill expands the number of brackets to four and lowers the rate of taxation in all four brackets in taxable year 2000. The bill also lowers the rate of taxation for taxable year 2001 and all taxable years thereafter for the first three brackets. Under the bill, the brackets for single individuals, certain fiduciaries and heads of households for taxable year 2000 are taxable income from \$0 to \$7,500; from more than \$7,500 to \$15,000; from more than \$15,000 to \$112,500; and more than \$112,500. The brackets for married persons filing jointly are taxable income from \$0 to \$10,000; from more than \$10,000 to \$20,000; from more than \$20,000 to \$150,000; and more than \$150,000. The brackets for married persons filing separately are taxable income from \$0 to \$5,000; from more than \$5,000 to \$10,000; from more than

\$10,000 to \$75,000; and more than \$75,000. The brackets remain the same for taxable year 2001 and are indexed for inflation in taxable years thereafter.

Under this bill, for taxable year 2000, the rate of taxation for the lowest bracket for single individuals, certain fiduciaries, heads of households and married persons is ~~4.75%~~ ^{4.75} of taxable income, the rate for the next bracket is ~~6.35%~~ ^{6.35}, the rate for the next bracket is 6.55% and the rate for the highest bracket is ~~6.75%~~ ^{6.75}.

Under this bill, for taxable year 2001 and all taxable years thereafter, the rate of taxation for the lowest bracket for single individuals, certain fiduciaries, heads of households and married persons is 4.6% of taxable income, the rate for the next bracket is 6.15%, the rate for the next bracket is 6.5% and the rate for the highest bracket remains at ~~6.75%~~ ^{6.75}.

Under current law, the individual income tax brackets are indexed for inflation for taxable years beginning after December 31, 1998. This bill suspends indexing until taxable years beginning after December 31, 2001.

Under current law, after an individual calculates his or her gross tax liability, several tax credits may be calculated to reduce his or her gross tax liability. Some credits, like the earned income tax credit and the homestead tax credit, are refundable. Some credits, like the school property tax credit, the working families tax credit and the married persons credit, are nonrefundable. Generally, with a refundable credit, if the amount of the claim exceeds the taxpayer's tax liability, or if there is no tax due, the excess amount of the credit is paid to the claimant by a check from the state. With a nonrefundable credit, the amount of the credit is available only up to the amount of the taxpayer's tax liability.

Under this bill, for taxable years beginning after December 31, 1999, no new claims may be filed for the following nonrefundable tax credits: the school property tax credit, the working families tax credit, the dependent credit and the senior credit. The bill does not affect any of the refundable tax credits. In addition, the bill increases the married persons tax credit from a maximum credit of \$385 to ~~\$420~~ ⁴⁴⁰ in taxable year 2000 and from a maximum of \$420 to \$480 in taxable years beginning after December 31, 2000.

Under current law, the department of revenue (DOR) may not adjust the withholding tables to reflect the changes made to the tax rates, changes in dollar amounts with respect to bracket indexing and with respect to standard deduction indexing for taxable years that begin before January 1, 2000. Under this bill, DOR ~~may not~~ ^{must} adjust the withholding tables ~~before~~ ^{on} July 1, 2000.

Under current law, for claims filed in 1991 and thereafter, the homestead tax credit threshold income is \$8,000, the maximum property taxes that a claimant may use in calculating his or her credit are \$1,450 and the maximum income is \$19,154. This bill changes current law starting with claims filed in 2000. Under this bill, for claims filed in 2000 and thereafter, the maximum income is raised to \$22,500. The threshold income and maximum property taxes remain the same as under current law.

This bill also modifies the nonrefundable itemized deductions credit. Under current law, the itemized deductions credit is calculated as 5% of the difference between the sum of certain amounts that are allowed as itemized deductions under

to reflect the changes made to the tax rates and changes in dollar amounts with respect to bracket indexing that are made in this bill

Staff must

the Internal Revenue Code and the standard deduction. Some amounts that are allowed as itemized deductions under the Internal Revenue Code, such as casualty and theft deductions and interest incurred to purchase or refinance a residence that is not a principal residence and that is not located in this state, are not allowed in the calculation of the itemized deductions credit. Under this bill, miscellaneous itemized deductions that are allowed as itemized deductions under the Internal Revenue Code are not allowed under the itemized deductions credit.

The bill creates a personal exemption for a taxpayer, the taxpayer's spouse and the taxpayer's dependents. The personal exemption is \$600 for each of these persons in taxable year 2000 and \$700 for taxable years that begin after December 31, 2000. An additional personal exemption exists for taxpayers who are at least 65 years old. This additional exemption is \$200 for taxable year 2000 and \$250 for taxable years that begin after December 31, 2000.

In general, under current law, 50% of certain social security benefits are taxed by this state once the recipient's income reaches \$34,000 for a single individual or \$44,000 for a married couple filing jointly, while the federal government taxes 85% of these same benefits. This bill repeals the state's treatment of social security benefits, thus taxing the benefits at the same rate as the federal government.

This bill will be referred to the joint survey committee on tax exemptions for a detailed analysis, which will be printed as an appendix to this bill.

For further information see the *state and local* 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.** 71.01 (16) of the statutes is amended to read:

2 71.01 (16) "Wisconsin taxable income" of natural persons means Wisconsin
3 adjusted gross income less the Wisconsin standard deduction, less the personal
4 exemption described under s. 71.05 (23), with losses, depreciation, recapture of
5 benefits, offsets, depletion, deductions, penalties, expenses and other negative
6 income items determined according to the manner that income is or would be
7 allocated, except that the negative income items on individual or separate returns
8 for net rents and other net returns which are marital property attributable to the
9 investment, rental, licensing or other use of nonmarital property shall be allocated
10 to the owner of the property.

1 **SECTION 2.** 71.05 (6) (b) 21. of the statutes is repealed.

2 **SECTION 3.** 71.05 (22) (dm) of the statutes is amended to read:

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

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

12 SECTION 4. 71.05 (22) (dp) of the statutes is created to read:

13 71.05 (22) (dp) *Deduction limits, 2000 and thereafter.* Except as provided in
14 par. (f), for taxable years beginning after December 31, 1999, the Wisconsin standard
15 deduction is whichever of the following amounts is appropriate. For a single
16 individual who has a Wisconsin adjusted gross income of less than \$10,380, the
17 standard deduction is \$7,200. For a single individual who has a Wisconsin adjusted
18 gross income of at least \$10,380 but not more than \$70,380, the standard deduction
19 is the amount obtained by subtracting from \$7,200 12% of Wisconsin adjusted gross
20 income in excess of \$10,380 but not less than \$0. For a single individual who has a
21 Wisconsin adjusted gross income of more than \$70,380, the standard deduction is \$0.
22 For a head of household who has a Wisconsin adjusted gross income of less than
23 \$10,380, the standard deduction is \$9,300. For a head of household who has a
24 Wisconsin adjusted gross income of at least \$10,380 but not more than \$30,350, the
25 standard deduction is the amount obtained by subtracting from \$9,300 22.515% of

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

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

22 71.05 (22) (ds) *Standard deduction indexing.* For taxable years beginning after
23 December 31, 1998, and before January 1, 2000, and for taxable years beginning
24 after December 31, 2000, the dollar amounts of the standard deduction that is
25 allowable under ~~par. pars.~~ (dm) and (dp) and all of the dollar amounts of Wisconsin

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

12 **SECTION 6.** 71.05 (22) (f) 4. b. of the statutes is amended to read:

13 71.05 (22) (f) 4. b. The standard deduction that may be claimed by an individual
14 under par. (dm) or (dp), based on the individual's filing status.

15 **SECTION 7.** 71.05 (23) of the statutes is created to read:

16 71.05 (23) **PERSONAL EXEMPTIONS.** In computing Wisconsin taxable income, an
17 individual taxpayer may subtract the following amounts:

18 (a) For taxable years that begin after December 31, 1999, and before January
19 1, 2001:

20 1. A personal exemption of \$600 if the taxpayer is required to file a return under
21 s. 71.03 (2) (a) 1. or 2. and \$600 for the taxpayer's spouse, except if the spouse is filing
22 separately or as a head of household.

23 2. An exemption of \$600 for each individual for whom the taxpayer is entitled
24 to an exemption for the taxable year under section 151 (c) of the Internal Revenue
25 Code.

1 3. An additional exemption of \$200 if the taxpayer has reached the age of 65
2 before the close of the taxable year to which his or her tax return relates and \$200
3 for the taxpayer's spouse if he or she has reached the age of 65 before the close of the
4 taxable year to which his or her tax return relates, except if the spouse is filing
5 separately or as a head of household.

6 (b) For taxable years that begin after December 31, 2000:

7 1. A personal exemption of \$700 if the taxpayer is required to file a return under
8 s. 71.03 (2) (a) 1. or 2. and \$700 for the taxpayer's spouse, except if the spouse is filing
9 separately or as a head of household.

10 2. An exemption of \$700 for each individual for whom the taxpayer is entitled
11 to an exemption for the taxable year under section 151 (c) of the Internal Revenue
12 Code.

13 3. An additional exemption of \$250 if the taxpayer has reached the age of 65
14 before the close of the taxable year to which his or her tax return relates and \$250
15 for the taxpayer's spouse if he or she has reached the age of 65 before the close of the
16 taxable year to which his or her tax return relates, except if the spouse is filing
17 separately or as a head of household.

18 (c) With respect to persons who change their domicile into or from this state
19 during the taxable year and nonresident persons, personal exemptions under pars.
20 (a) and (b) shall be limited to the fraction of the amount so determined that Wisconsin
21 adjusted gross income is of federal adjusted gross income. In this paragraph, for
22 married persons filing separately "adjusted gross income" means the separate
23 adjusted gross income of each spouse and for married persons filing jointly "adjusted
24 gross income" means the total adjusted gross income of both spouses. If a person and
25 that person's spouse are not both domiciled in this state during the entire taxable

1 year, their personal exemptions on a joint return are determined by multiplying the
2 personal exemption that would be available to each of them if they were both
3 domiciled in this state during the entire taxable year by a fraction the numerator of
4 which is their joint Wisconsin adjusted gross income and the denominator of which
5 is their joint federal adjusted gross income.

6 **SECTION 8.** 71.06 (1m) (intro.) of the statutes is amended to read:

7 **71.06 (1m) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; AFTER**
8 **1997 TO 1999.** (intro.) The tax to be assessed, levied and collected upon the taxable
9 incomes of all fiduciaries, except fiduciaries of nuclear decommissioning trust or
10 reserve funds, and single individuals and heads of households shall be computed at
11 the following rates for taxable years beginning after December 31, 1997, and before
12 January 1, 2000:

13 **SECTION 9.** 71.06 (1n) of the statutes is created to read:

14 **71.06 (1n) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; 2000.** The
15 tax to be assessed, levied and collected upon the taxable incomes of all fiduciaries,
16 except fiduciaries of nuclear decommissioning trust or reserve funds, and single
17 individuals and heads of households shall be computed at the following rates for
18 taxable years beginning after December 31, 1999, and before January 1, 2001:

19 (a) On all taxable income from \$0 to \$7,500, 4.75%.

20 (b) On all taxable income exceeding \$7,500 but not exceeding \$15,000, 6.35%.

21 (c) On all taxable income exceeding \$15,000 but not exceeding \$112,500, 6.55%.

22 (d) On all taxable income exceeding \$112,500, 6.75%.

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

24 **71.06 (1p) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; AFTER**
25 **2000.** The tax to be assessed, levied and collected upon the taxable incomes of all

1 fiduciaries, except fiduciaries of nuclear decommissioning trust or reserve funds, and
2 single individuals and heads of households shall be computed at the following rates
3 for taxable years beginning after December 31, 2000:

- 4 (a) On all taxable income from \$0 to \$7,500, 4.6%.
- 5 (b) On all taxable income exceeding \$7,500 but not exceeding \$15,000, 6.15%.
- 6 (c) On all taxable income exceeding \$15,000 but not exceeding \$112,500, 6.5%.
- 7 (d) On all taxable income exceeding \$112,500, 6.75%.

8 **SECTION 11.** 71.06 (2) (c) (intro.) of the statutes is amended to read:

9 71.06 (2) (c) (intro.) For joint returns, for taxable years beginning after
10 December 31, 1997, and before January 1, 2000:

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

12 71.06 (2) (d) (intro.) For married persons filing separately, for taxable years
13 beginning after December 31, 1997, and before January 1, 2000:

14 **SECTION 13.** 71.06 (2) (e) of the statutes is created to read:

15 71.06 (2) (e) For joint returns, for taxable years beginning after December 31,
16 1999, and before January 1, 2001:

- 17 1. On all taxable income from \$0 to \$10,000, ~~4.6%~~ 4.75% ✓
- 18 2. On all taxable income exceeding \$10,000 but not exceeding \$20,000, ~~6.15%~~ 6.35% ✓
- 19 3. On all taxable income exceeding \$20,000 but not exceeding \$150,000, 6.55% ✓
- 20 4. On all taxable income exceeding \$150,000, ~~6.75%~~ 6.75% ✓

21 **SECTION 14.** 71.06 (2) (f) of the statutes is created to read:

22 71.06 (2) (f) For married persons filing separately, for taxable years beginning
23 after December 31, 1999, and before January 1, 2001:

- 24 1. On all taxable income from \$0 to \$5,000, ~~4.6%~~ 4.75% ✓
- 25 2. On all taxable income exceeding \$5,000 but not exceeding \$10,000, ~~6.15%~~ 6.35% ✓

- 1 3. On all taxable income exceeding \$10,000 but not exceeding \$75,000, 6.55%.
- 2 4. On all taxable income exceeding \$75,000, ~~6.55%~~ 6.75% ✓

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

4 71.06 (2) (g) For joint returns, for taxable years beginning after December 31,
5 2000:

- 6 1. On all taxable income from \$0 to \$10,000, 4.6%.
- 7 2. On all taxable income exceeding \$10,000 but not exceeding \$20,000, 6.15%.
- 8 3. On all taxable income exceeding \$20,000 but not exceeding \$150,000, 6.5%.
- 9 4. On all taxable income exceeding \$150,000, ~~6.55%~~ 6.75% ✓

10 **SECTION 16.** 71.06 (2) (h) of the statutes is created to read:

11 71.06 (2) (h) For married persons filing separately, for taxable years beginning
12 after December 31, 2000:

- 13 1. On all taxable income from \$0 to \$5,000, 4.6%.
- 14 2. On all taxable income exceeding \$5,000 but not exceeding \$10,000, 6.15%.
- 15 3. On all taxable income exceeding \$10,000 but not exceeding \$75,000, 6.5%.
- 16 4. On all taxable income exceeding \$75,000, ~~6.55%~~ 6.75% ✓

17 **SECTION 17.** 71.06 (2e) of the statutes is amended to read:

18 71.06 (2e) BRACKET INDEXING. For taxable years beginning after December 31,
19 1998, and before January 1, 2000, the maximum dollar amount in each tax bracket,
20 and the corresponding minimum dollar amount in the next bracket, under subs. (1m)
21 and (2) (c) and (d), and for taxable years beginning after December 31, 2001, the
22 maximum dollar amount in each tax bracket, and the corresponding minimum dollar
23 amount in the next bracket, under subs. (1p) and (2) (g) and (h), shall be increased
24 each year by a percentage equal to the percentage change between the U.S. consumer
25 price index for all urban consumers, U.S. city average, for the month of August of the

1 previous year and the U.S. consumer price index for all urban consumers, U.S. city
2 average, for the month of August of the year before the previous year, as determined
3 by the federal department of labor. Each amount that is revised under this
4 subsection shall be rounded to the nearest multiple of \$10 if the revised amount is
5 not a multiple of \$10 or, if the revised amount is a multiple of \$5, such an amount
6 shall be increased to the next higher multiple of \$10. The department of revenue
7 shall annually adjust the changes in dollar amounts required under this subsection
8 and incorporate the changes into the income tax forms and instructions.

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

10 71.06 (2m) RATE CHANGES. If a rate under sub. (1), (1m), (1n), (1p) or (2) changes
11 during a taxable year, the taxpayer shall compute the tax for that taxable year by the
12 methods applicable to the federal income tax under section 15 of the internal revenue
13 code.

14 **SECTION 19.** 71.06 (2s) (b) of the statutes is amended to read:

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

1 which is their joint Wisconsin adjusted gross income and the denominator of which
2 is their joint federal adjusted gross income.

3 **SECTION 20.** 71.06 (2s) (c) of the statutes is created to read:

4 71.06 (2s) (c) For taxable years beginning after December 31, 1999, and before
5 January 1, 2001, with respect to nonresident individuals, including individuals
6 changing their domicile into or from this state, the tax brackets under subs. (1n) and
7 (2) (e) and (f) shall be multiplied by a fraction, the numerator of which is Wisconsin
8 adjusted gross income and the denominator of which is federal adjusted gross
9 income. In this paragraph, for married persons filing separately “adjusted gross
10 income” means the separate adjusted gross income of each spouse, and for married
11 persons filing jointly “adjusted gross income” means the total adjusted gross income
12 of both spouses. If an individual and that individual’s spouse are not both domiciled
13 in this state during the entire taxable year, the tax brackets under subs. (1n) and (2)
14 (e) and (f) on a joint return shall be multiplied by a fraction, the numerator of which
15 is their joint Wisconsin adjusted gross income and the denominator of which is their
16 joint federal adjusted gross income.

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

18 71.06 (2s) (d) For taxable years beginning after December 31, 2000, with
19 respect to nonresident individuals, including individuals changing their domicile
20 into or from this state, the tax brackets under subs. (1p) and (2) (g) and (h) shall be
21 multiplied by a fraction, the numerator of which is Wisconsin adjusted gross income
22 and the denominator of which is federal adjusted gross income. In this paragraph,
23 for married persons filing separately “adjusted gross income” means the separate
24 adjusted gross income of each spouse, and for married persons filing jointly “adjusted
25 gross income” means the total adjusted gross income of both spouses. If an individual

1 and that individual's spouse are not both domiciled in this state during the entire
2 taxable year, the tax brackets under subs. (1p) and (2) (g) and (h) on a joint return
3 shall be multiplied by a fraction, the numerator of which is their joint Wisconsin
4 adjusted gross income and the denominator of which is their joint federal adjusted
5 gross income.

6 **SECTION 22.** 71.07 (5) (a) 7. of the statutes is created to read:

7 71.07 (5) (a) 7. Miscellaneous itemized deductions under the Internal Revenue
8 Code, without regard to whether such deductions are subject to the 2% floor as
9 described in section 67 of the Internal Revenue Code.

10 **SECTION 23.** 71.07 (5m) (e) of the statutes is created to read:

11 71.07 (5m) (e) *Sunset.* No new claim may be filed under this subsection for a
12 taxable year that begins after December 31, 1999.

13 **SECTION 24.** 71.07 (6) (am) 2. c. of the statutes is amended to read:

14 71.07-(6) (am) 2. c. For taxable years beginning after December 31, 1999, and
15 before January 1, 2001, 2.75% of the earned income of the spouse with the lower
16 earned income, but not more than ~~\$385~~ \$440.

17 **SECTION 25.** 71.07 (6) (am) 2. d. of the statutes is amended to read:

18 71.07 (6) (am) 2. d. For taxable years beginning after December 31, 2000, 3%
19 of the earned income of the spouse with the lower earned income, but not more than
20 ~~\$420~~ \$480.

21 **SECTION 26.** 71.07 (8) (d) of the statutes is created to read:

22 71.07 (8) (d) No new claim may be filed under this subsection for a taxable year
23 that begins after December 31, 1999.

24 **SECTION 27.** 71.07 (9) (g) of the statutes is created to read:

1 71.07 (9) (g) No new claim may be filed under this subsection for a taxable year
2 that begins after December 31, 1999.

3 **SECTION 28.** 71.125 of the statutes is amended to read:

4 **71.125 Imposition of tax. (1)** Except as provided in sub. (2), the tax imposed
5 by this chapter on individuals and the rates under s. 71.06 (1), (1m), (1n), (1p) and
6 (2) shall apply to the Wisconsin taxable income of estates or trusts, except nuclear
7 decommissioning trust or reserve funds, and that tax shall be paid by the fiduciary.

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

13 **SECTION 29.** 71.17 (6) of the statutes is amended to read:

14 **71.17 (6) FUNERAL TRUSTS.** If a qualified funeral trust makes the election under
15 section 685 of the Internal Revenue Code for federal income tax purposes, that
16 election applies for purposes of this chapter and each trust shall compute its own tax
17 and shall apply the rates under s. 71.06 (1) ~~and~~, (1m), (1n) or (1p).

18 **SECTION 30.** 71.54 (1) (d) (intro.) of the statutes is amended to read:

19 **71.54 (1) (d) ~~1991 and thereafter to 1999.~~** (intro.) The amount of any claim filed
20 in 1991 ~~and thereafter to 1999~~ and based on property taxes accrued or rent
21 constituting property taxes accrued during the previous year is limited as follows:

22 **SECTION 31.** 71.54 (1) (e) of the statutes is created to read:

23 **71.54 (1) (e) ~~2000 and thereafter.~~** The amount of any claim filed in 2000 and
24 thereafter and based on property taxes accrued or rent constituting property taxes
25 accrued during the previous year is limited as follows:

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indexing, with respect to changes in rates under s. 71.06 (1p) and (2)(g) and (h) on July 1, 2000.

- 1 1. If the household income was \$8,000 or less in the year to which the claim
- 2 relates, the claim is limited to 80% of the property taxes accrued or rent constituting
- 3 property taxes accrued or both in that year on the claimant's homestead.
- 4 2. If the household income was more than \$8,000 in the year to which the claim
- 5 relates, the claim is limited to 80% of the amount by which the property taxes accrued
- 6 or rent constituting property taxes accrued or both in that year on the claimant's
- 7 homestead exceeds 10% of the household income exceeding \$8,000.
- 8 3. No credit may be allowed if the household income of a claimant exceeds
- 9 \$22,500.

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SECTION 32. 71.64 (9) (b) of the statutes is amended to read:

71.64 9
remember 71.64 (9) (5) (1p) and (h) and

11 71.64 (9) (b) ^(1p) The department shall from time to time adjust the withholding

12 tables to reflect any changes in income tax rates, any applicable surtax or any

13 changes in dollar amounts in s. 71.06 (1), (1m), (1n), (1p) and (2) resulting from

14 statutory changes, except that the department may not adjust the withholding tables

15 to reflect the changes in rates in s. 71.06 (1m) ~~and (2) (c) and (d)~~ and (2) (c) and (d),

16 ~~(g) and (h)~~ and any changes in dollar amounts with respect to bracket indexing under

17 s. 71.06 (2e) ^{with respect to changes in rates under s. 71.06 (1m) and (2) (c) and (d)} and with respect to standard deduction indexing under s. 71.05 (22) (ds)

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18 for any taxable year that begins before January 1, 2000. The tables shall

19 account for the working families tax credit under s. 71.07 (5m), subject to s. 71.07

20 (5m) (e). The tables shall be extended to cover from zero to 10 withholding

21 exemptions, shall assume that the payment of wages in each pay period will, when

22 multiplied by the number of pay periods in a year, reasonably reflect the annual wage

23 of the employee from the employer and shall be based on the further assumption that

24 the annual wage will be reduced for allowable deductions from gross income. The

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25 The department shall adjust the withholding tables to reflect the changes in rates in s. 71.06 (1n), (1p) and (2) (e), (f), (g) and (h) and any changes in dollar amounts with respect to bracket

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1 bracket. In preparing the tables the department shall adjust all withholding
2 amounts not an exact multiple of 10 cents to the next highest figure that is a multiple
3 of 10 cents. The department shall also provide instructions with the tables for
4 withholding with respect to quarterly, semiannual and annual pay periods.

5 **SECTION 33.** 71.67 (4) (a) of the statutes is amended to read:

6 71.67 (4) (a) The administrator of the lottery division in the department under
7 ch. 565 shall withhold from any lottery prize of \$2,000 or more an amount determined
8 by multiplying the amount of the prize by the highest rate applicable to individuals
9 under s. 71.06 (1) ~~or~~, (1m), (1n) or (1p). The administrator shall deposit the amounts
10 withheld, on a monthly basis, as would an employer depositing under s. 71.65 (3) (a).

11 **SECTION 34.** 71.67 (5) (a) of the statutes is amended to read:

12 71.67 (5) (a) *Wager winnings.* A person holding a license to sponsor and
13 manage races under s. 562.05 (1) (b) or (c) shall withhold from the amount of any
14 payment of pari-mutuel winnings under s. 562.065 (3) (a) or (3m) (a) an amount
15 determined by multiplying the amount of the payment by the highest rate applicable
16 to individuals under s. 71.06 (1) (a) to (c) ~~or~~, (1m), (1n) or (1p) if the amount of the
17 payment is more than \$1,000.

18 **SECTION 9343. Initial applicability; revenue.**

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

22 (END)

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