

1999 DRAFTING REQUEST

Assembly Amendment (AA-ASA1-AB133)

Received: 06/25/99

Received By: **shoveme**

Wanted: **As time permits**

Identical to LRB:

For: **Senate Democratic Caucus 6-2257**

By/Representing: **Walter**

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

Drafter: **shoveme**

May Contact:

Alt. Drafters:

Subject: **Tax - individual income
Tax Credits (inc) - homestead
Tax Credits - miscellaneous**

Extra Copies:

Pre Topic:

SDC:.....Walter -

Topic:

Yank Gov, JCF individual income tax plan; increase homestead credit and SPTC for renters

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	shoveme 06/25/99	chanaman 06/26/99	haueca 06/26/99	_____	lrb_docadmin 06/26/99		
/2	isagerro 06/28/99	ygeller 06/28/99	hhagen 06/28/99	_____	lrb_docadmin 06/28/99		

FE Scent For:

<END>

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1/2 6/28 jca

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/1 shoveme

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6/25/99
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CH
6-26
MAC

FE Sent For:

<END>

MES



Legislative Fiscal Bureau

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

INSTRUCTIONS for this draft: see pp. 3 to 5

June 24, 1999

TO: Senator Charles Chvala
Room 211 South, State Capitol

FROM: Rick Olin and Kelsie Doty

SUBJECT: Proposal Regarding State Property Tax Credits and State Aids

At your request, this memorandum describes your proposal regarding state property tax credits and state aids.

Lottery and Gaming Credit

Under current law and provisions included in SB 114, as adopted by the Senate, lottery and gaming proceeds are used to fund prizes, basic retailer compensation, vendor payments, general program operations, appropriations for the Departments of Justice and Administration, farmland tax relief credits and lottery and gaming property tax credits. The amount available for lottery and gaming tax credits is a residual amount that is determined after revenues have been committed to the other expenditure items. The following table reports estimated expenditures for the preceding items during the 1999-01 biennium.

Estimated Lottery Fund Expenditures, 1999-01

	<u>1999-00</u>	<u>2000-01</u>
Prizes	\$239,736,200	\$244,368,500
Basic Retailer Compensation	27,927,600	30,573,800
Vendor Payments	12,178,700	12,419,000
General Program Operations	21,095,800	21,095,800
Appropriation to DOJ	226,000	226,700
Appropriation to DOR	43,300	33,500
Farmland Tax Relief Credit	15,000,000	15,000,000
Lottery and Gaming Credit	<u>112,437,000</u>	<u>105,723,100</u>
Total Expenditures and Appropriations	\$428,644,600	\$429,440,400

This proposal would fund prizes with general program revenues (GPR), beginning on January 1, 2000, and would fund basic retailer compensation and general program operations related to the lottery with GPR, beginning on July 1, 2000. This would have the effect of increasing GPR expenditures by an estimated \$119,868,100 in 1999-00 and \$296,038,100 in 2000-01. The appropriation for the lottery and gaming tax credit would increase by identical amounts and would be estimated at \$232,305,100 in 1999-00 and \$401,761,200 in 2000-01. The estimated, statewide average tax credit would increase from \$90 to \$186 in 1999-00 and from \$85 to \$321 in 2000-01. The following table provides a comparison of the estimated property tax bills on a median-valued home taxed at statewide average tax rates for 1998(99) through 2000(01).

**Estimated Property Tax Bills on a Median-Valued Home
Taxed at Statewide Average Tax Rates**

	<u>1998(99)</u>	<u>Current Funding</u>		<u>Proposed Funding</u>	
		<u>1999(00)</u>	<u>2000(01)</u>	<u>1999(00)</u>	<u>2000(01)</u>
Home Value	\$97,014	\$102,495	\$108,286	\$102,495	\$108,286
Gross Taxes	\$2,325	\$2,398	\$2,488	\$2,398	\$2,488
School Levy Credit	-183	-182	-179	-182	-179
Lottery & Gaming Credit	<u>-52</u>	<u>-90</u>	<u>-85</u>	<u>-186</u>	<u>-321</u>
Net Property Tax Bill	\$2,090	\$2,126	\$2,224	\$2,030	\$1,988
Change from Prior Year					
Amount		\$36	\$98	-\$60	-\$42
Percent		1.7%	4.6%	-2.9%	-2.1%
Change from Current Funding					
Amount				-\$96	-\$236
Percent				-4.5%	-10.6%

Yank - rates & bracket
changes

Felsie say to keep:
1) changes in filing thresholds b 0666
2) tech. changes to indexing b 0668
3) changes to taxation of trusts b 06691

Property Tax/Rent Credit

Current Law and Budget Bill Provision

The PTRC is currently equal to 10% of property taxes, or rent constituting property taxes, paid on a principal residence up to a maximum of \$2,000 in property taxes. The maximum credit is \$200. On a one-time basis in 1998, the credit was increased to 14% of property taxes or rent up to a maximum of \$2,500 in taxes (\$350 maximum credit). For homeowners, the credit is based on the amount of property taxes paid on a principal residence during the year. The credit is available to renters based on the amount of rent constituting property taxes. Rent constituting property taxes is defined as 25% of actual rent if payment for heat is not included or 20% of actual rent if payment for heat is included. The PTRC is applied directly against income tax liability, but the credit is not refundable.

The PTRC would be eliminated beginning with the 2000 tax year as part of the 1999-01 biennial budget bill as recommended by the Governor and adopted by the Joint Committee on Finance.

Alternative Proposal

The current law individual income tax structure would be retained under the alternative, with one exception. The percentage used by renters in claiming the PTRC would be increased from 10% of rent constituting property taxes to 14.1% beginning with tax year 2000. In addition, the calculation of the amount of rent that constitutes property taxes would be modified so that 35% of actual rent would be used if payment for heat is not included and 30% of rent would be used if payment for heat is included. The maximum amount of rent constituting property taxes that could be used to claim the credit would be retained at \$2,000; the maximum credit for renters would be \$282.

The credit for homeowners would remain at 10% of property taxes for a maximum credit of \$200. For purposes of this estimate, it was assumed that taxpayers who claim both property taxes as a homeowner and rent constituting property taxes as a renter in an amount that exceeds the \$2,000 maximum would allocate those taxes proportionately when determining how much rent would be eligible for the 14.1% credit and how much property taxes would be eligible for the 10% credit.

Eliminating the income tax modifications contained in the budget bill, as adopted by the Finance Committee, would increase tax revenues by an estimated \$317.9 million in 2000-01. Your proposal to increase the PTRC for renters would reduce revenues by an estimated \$49.7 million in 2000-01 as compared to current law. Compared to the budget bill, your proposal would increase revenues by \$268.2 million in 2000-01.

Attachment 1 to this memorandum provides distributional information on the proposal to increase the PTRC for renters as discussed above. This information is from the 1997 Wisconsin tax

sample, which has data from over 20,000 tax returns, weighted to reflect all taxpayers in 1997. However, changes over time in the number of taxpayers and the kinds and amounts of income, deductions and credits they claim cannot be shown. To the extent possible, changes in tax laws between 1997 and later years have been included. The fiscal effect shown in the attachment differs from the fiscal estimate discussed above because the table reflects 1997 data and the fiscal estimate is for the 2000-01 fiscal year.

Homestead Credit

Current Law

The homestead tax credit program directs property tax relief to low-income homeowners and renters. The amount of the credit received by claimants depends on the interaction of household income and allowable property taxes or rent. For purposes of calculating the credit, household income is adjusted downward by \$250 for each dependent to account for family size. The homestead credit is refundable; that is, a check from the state is issued if the amount of the credit exceeds income tax liability.

For claimants with income of \$8,000 or less, the credit is equal to 80% of property taxes or rent constituting property taxes to a maximum of \$1,450 in property taxes or rent. The maximum credit is \$1,160. Rent constituting property taxes is calculated as under the PTRC.

For claimants with income exceeding \$8,000, the credit is phased-out at a rate of 13% until the credit equals zero when income reaches \$19,154. For claimants with less than \$1,450 in allowable rent or property taxes, the credit is eliminated at lower income levels. The credit formula can be expressed as a mathematical equation for individuals with income between \$8,000 and \$19,154 as shown below:

$$\text{Homestead Credit} = 80\% (\text{Property Taxes} - 13.0\% (\text{Household Income} - \$8,000))$$

The homestead credit cost \$79.8 million in 1997-98 and is estimated to cost \$79.0 million in 1998-99, \$75.7 million in 1999-00 and \$73.3 million in 2000-01.

Budget Bill Provision

As part of the 1999-01 biennial budget bill, as recommended by the Governor and adopted by the Joint Committee on Finance, the maximum income amount would be increased to \$20,290, beginning with claims filed in 2000 and thereafter based on property taxes accrued during the previous year (tax year 1999). In addition, the bill would reduce the percentage used in phasing out the credit for higher-income claimants from 13% to 11.8%. The proposed homestead credit formula is shown below.

$$\text{Credit} = 80\% (\text{Property Taxes} - 11.8\% (\text{Household Income} - \$8,000))$$

Based on reestimates of the bill provision, the proposed expansion is expected to increase the cost of the credit by \$5.5 million in 1999-00 and \$5.3 million in 2000-01. In total, the proposed credit would cost \$81.2 million in 1999-00 and \$78.6 million in 2000-01.

Alternative Expansion Proposal

The following chart shows the parameters of the homestead credit under current law, the budget bill recommendation and under the alternative to increase maximum income to \$22,000 beginning with claims filed in 2001 and thereafter based on property taxes accrued during the previous year (tax year 2000). The percentage used to phase out the credit for higher-income claimants would be reduced to 10.4%.

	<u>Current Law</u>	<u>Budget Bill Provision</u>	<u>Alternative</u>
Maximum Income	\$19,154	\$20,290	\$22,000
Maximum Property Taxes	1,450	1,450	1,450
Property Tax Reimbursement Rate	80%	80%	80%
Income Threshold	8,000	8,000	8,000
Phase-Out Rate	13.0%	11.8%	10.4%
Maximum Credit	1,160	1,160	1,160

It is estimated that the homestead credit would cost a total of \$86.3 million in 2000-01 under the alternative. This would increase the cost of the credit by \$13.0 million in 2000-01 as compared to current law and by \$7.7 million as compared to the budget bill provision.

Attachment 2 shows the homestead credit received by claimants at various income and property tax levels under current law, the budget bill provision and under the alternative proposal. As shown in the attachment, claimants with household income above \$8,000 would receive a credit increase under the proposal and households with income between \$19,154 and \$22,000 could become eligible for a credit. Claimants with income of \$8,000 or less would not receive an increased credit. Attachment 3 shows the amount of the additional credit as compared to current law and as compared to the budget bill provision.

State Aid for Counties and Municipalities

The proposal would increase funding for the following state aid programs for counties and municipalities.

Shared Revenue. Total shared revenue funding would increase by \$38.0 million (a 4% increase) from \$950.6 million to \$988.6 million, effective with payments in 2000 and thereafter. Increases of 4% would be provided to the distributions under the municipal (\$30.5 million), county (\$6.7 million) and mandate relief (\$0.8 million) program components. The formulas used to

distribute municipal and county shared revenues would be modified, so that distributions would initially be calculated at the current law funding levels. Increases of 4% would then be added to those amounts.

Expenditure Restraint. Funding for the expenditure restraint program would be increased from \$48.0 million to \$60.0 million, effective with payments for 2000. The funding increase equals \$12.0 million, or 25%.

Small Municipalities Shared Revenue (SCIP). Funding for the small municipalities shared revenue program would be increased by \$2.5 million, or 25%, from \$10.0 million to \$12.5 million, effective with payments for 2000.

Payments for Municipal Services. Funding would be set at \$20,349,600 for 2000 and \$23,439,500 for 2001. As a result, payments are estimated to equal 91% of entitlements in 2000 and 100% of entitlements in 2001. Increases in GPR expenditures of \$2,284,300 in 1999-00 and \$5,374,200 in 2000-01 would result. These increases would be offset by additional GPR-earned through agency charge-backs estimated at \$1,050,800 in 1999-00 and \$2,472,100 in 2000-01. Therefore, this provision has a net impact of \$4.1 million, over the biennium.

Community Aids. The proposal would increase funding for the community aids program by \$9.1 million over the biennium. Base year funding for the program equals \$305.4 million, of which \$175.4 million is GPR. Under provisions adopted by the Joint Finance Committee, total funding would be set at \$304.6 million in 1999-00 and \$302.2 million in 2000-01. The proposal would increase those amounts by \$1.6 million, to \$306.2 million, in 1999-00 and by \$7.5 million, to \$309.7 million, in 2000-01.

Youth Aids. The proposal would increase funding for the youth aids program by \$502,700 in 1999-00 and \$507,300 in 2000-01. Total funding of \$84.7 million in 1999-00 and \$88.7 million in 2000-01 would result.

Property Tax Exemption for Computers and Related Equipment

The proposal would delay the property tax exemption for computers and related equipment from January 1, 1999, to January 1, 2002. As a result, this property would remain taxable during the biennium and computer aid payments in 2000, 2001 and 2002 would be eliminated. This would result in reduced GPR expenditures of \$63.8 million in 1999-00 and \$71.0 million in 2000-01, or \$134.8 million over the biennium.

Transfer to Property Tax Relief Fund

The proposal would eliminate the transfer of \$119.3 million from the general fund to the property tax relief fund that was adopted by the Joint Committee on Finance. This would make \$119.3 million in revenues available to fund expenditures in the current biennium.

Reestimate General Fund Lapses

The proposal utilizes the \$17.3 million in lapses reflected in the Legislative Fiscal Bureau memorandum of June 22, 1999, entitled, "Changes in Estimated General Fund Lapses for 1998-99 and 1999-01."

We hope this information is helpful. If we can be of further assistance, please contact us.

KD/sas
Attachments

ATTACHMENT 1

Distribution of Taxpayers with a Tax Decrease Under a Proposal to Increase the PTRC for Renters in 2000

Wisconsin Adjusted Gross Income	Taxpayers With a Tax Decrease					Count of All Returns	% of All Returns in AGI Class
	Count	Percent of Count	Amount of Tax Decrease	Percent of Amount	Average Decrease		
Under \$5,000	3,200	0.61%	-\$30,000	0.07%	-\$9	354,100	0.9%
5,000 to 10,000	23,000	4.36%	-751,000	1.73%	-33	283,100	8.1%
10,000 to 15,000	82,700	15.69%	-5,656,000	13.00%	-68	234,100	35.3%
15,000 to 20,000	83,000	15.75%	-6,643,000	15.27%	-80	214,700	38.7%
20,000 to 25,000	81,600	15.48%	-6,908,000	15.88%	-85	190,200	42.9%
25,000 to 30,000	66,600	12.64%	-6,060,000	13.93%	-91	157,400	42.3%
30,000 to 40,000	86,500	16.41%	-8,302,000	19.08%	-96	260,200	33.2%
40,000 to 50,000	47,200	8.95%	-4,534,000	10.42%	-96	214,600	22.0%
50,000 to 60,000	26,600	5.05%	-2,378,000	5.46%	-89	174,500	15.2%
60,000 to 70,000	14,200	2.69%	-1,276,000	2.93%	-90	126,000	11.3%
70,000 to 80,000	4,400	0.83%	-362,000	0.83%	-82	78,600	5.6%
80,000 to 90,000	2,800	0.53%	-223,000	0.51%	-80	53,700	5.2%
90,000 to 100,000	1,800	0.34%	-147,000	0.34%	-82	31,100	5.8%
100,000 to 150,000	2,300	0.44%	-161,000	0.37%	-70	56,900	4.0%
150,000 to 200,000	500	0.09%	-31,000	0.07%	-62	16,600	3.0%
200,000 to 250,000	400	0.08%	-20,000	0.05%	-50	7,300	5.5%
250,000 to 300,000	100	0.02%	-12,000	0.03%	-120	4,200	2.4%
300,000 and over	200	0.04%	-20,000	0.05%	-100	11,700	1.7%
TOTALS	527,100	100.00%	-\$43,514,000	100.00%	-\$83	2,469,000	21.3%

SOURCE: 1997 Wisconsin Tax Sample

- Approximately 527,100 taxpayers, or 21.3% of all taxpayers in 1997, would have a tax decrease under the proposal.

- Taxpayers with income between \$10,000 and \$50,000 would receive 87.6% of the total tax reduction and make up 84.9% of all taxpayers with a tax decrease.

- For all taxpayers with a tax decrease, the average tax reduction would be \$83.

ATTACHMENT 2

Homestead Tax Credit Amounts Under Current Law, the Biennial Budget Proposal and the Alternative Proposed Expansion at Various Income and Property Tax Levels

Current Law Credit

Income	Property Taxes					
	\$250	\$500	\$750	\$1,000	\$1,250	\$1,500
\$0	\$200	\$400	\$600	\$800	\$1,000	\$1,160
5,000	200	400	600	800	1,000	1,160
8,000	200	400	600	800	1,000	1,160
10,000	0	192	392	592	792	952
12,000	0	0	184	384	584	744
14,000	0	0	0	176	376	536
16,000	0	0	0	0	168	328
18,000	0	0	0	0	0	120
20,000	0	0	0	0	0	0
22,000	0	0	0	0	0	0

Governor's/Finance Committee's Recommendation

Income	Property Taxes					
	\$250	\$500	\$750	\$1,000	\$1,250	\$1,500
\$0	\$200	\$400	\$600	\$800	\$1,000	\$1,160
5,000	200	400	600	800	1,000	1,160
8,000	200	400	600	800	1,000	1,160
10,000	11	211	411	611	811	971
12,000	0	22	222	422	622	782
14,000	0	0	34	234	434	594
16,000	0	0	0	45	245	405
18,000	0	0	0	0	56	216
20,000	0	0	0	0	0	27
22,000	0	0	0	0	0	0

Alternative Proposal

Income	Property Taxes					
	\$250	\$500	\$750	\$1,000	\$1,250	\$1,500
\$0	\$200	\$400	\$600	\$800	\$1,000	\$1,160
5,000	200	400	600	800	1,000	1,160
8,000	200	400	600	800	1,000	1,160
10,000	34	234	434	634	834	994
12,000	0	69	269	469	669	829
14,000	0	0	103	303	503	663
16,000	0	0	0	137	337	497
18,000	0	0	0	0	171	331
20,000	0	0	0	0	6	166
22,000	0	0	0	0	0	0

ATTACHMENT 3

**Alternative Homestead Tax Credit Proposal:
Change to Current Law and the Biennial Budget Recommendation**

Alternative Proposal -- Change to Current Law

<u>Income</u>	<u>Property Taxes</u>					
	<u>\$250</u>	<u>\$500</u>	<u>\$750</u>	<u>\$1,000</u>	<u>\$1,250</u>	<u>\$1,500</u>
\$0	\$0	\$0	\$0	\$0	\$0	\$0
5,000	0	0	0	0	0	0
8,000	0	0	0	0	0	0
10,000	34	42	42	42	42	42
12,000	0	69	85	85	85	85
14,000	0	0	103	127	127	127
16,000	0	0	0	137	169	169
18,000	0	0	0	0	171	211
20,000	0	0	0	0	6	166
22,000	0	0	0	0	0	0

Alternative Proposal -- Change to Governor's/Finance Committee's Recommendation

<u>Income</u>	<u>Property Taxes</u>					
	<u>\$250</u>	<u>\$500</u>	<u>\$750</u>	<u>\$1,000</u>	<u>\$1,250</u>	<u>\$1,500</u>
\$0	\$0	\$0	\$0	\$0	\$0	\$0
5,000	0	0	0	0	0	0
8,000	0	0	0	0	0	0
10,000	23	23	23	23	23	23
12,000	0	47	47	47	47	47
14,000	0	0	69	69	69	69
16,000	0	0	0	92	92	92
18,000	0	0	0	0	115	115
20,000	0	0	0	0	6	139
22,000	0	0	0	0	0	0



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb1277/1
MES.....
cm 1

SDC:.....Walter - Yank Gov, JCF individual income tax plan; increase
homestead credit and SPTC for renters

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

CAUCUS AMENDMENT

TO ASSEMBLY SUBSTITUTE AMENDMENT 1,

TO 1999 ASSEMBLY BILL 133

D-NOTE →

- 1 At the locations indicated, amend the substitute amendment as follows:
- 2 1. Page 822, line 12: delete lines 12 to 21.
- 3 2. Page 835, line 1: delete lines 1 to 8.
- 4 3. Page 836, line 1: delete lines 1 to 7.
- 5 4. Page 836, line 9: delete "~~and thereafter to 1999~~" and substitute "*and*
- 6 *thereafter*".
- 7 5. Page 836, line 10: delete "~~on or after January 1, 1994 after~~" and substitute
- 8 "on or after January 1, 1994".

1

6. Page 836, line 11: delete that line and substitute "the Wisconsin standard deduction".

2

3

7. Page 837, line 20: delete the material beginning with that line and ending with page 838, line 24.

4

5

8. Page 839, line 2: delete "2000" and substitute "2001".

6

9. Page 839, line 18: on lines 18 and 19 delete "(dp)" and substitute "(dm)".

7

10. Page 840, line 5: delete the material beginning with that line and ending

8

with page 847, line 6 and substitute:

9

"SECTION 1703e. 71.06 (2e) of the statutes is amended to read:

10

71.06 (2e) BRACKET INDEXING. For taxable years beginning after December 31,

11

1998, the maximum dollar amount in each tax bracket, and the corresponding

12

minimum dollar amount in the next bracket, under subs. (1m) and (2) (c) and (d) shall

13

be increased each year by a percentage equal to the percentage change between the

14

U.S. consumer price index for all urban consumers, U.S. city average, for the month

15

of August of the previous year and the U.S. consumer price index for all urban

16

consumers, U.S. city average, for the month of August of the year before the previous

17

year 1997, as determined by the federal department of labor. Each amount that is

18

revised under this subsection shall be rounded to the nearest multiple of \$10 if the

19

revised amount is not a multiple of \$10 or, if the revised amount is a multiple of \$5,

20

such an amount shall be increased to the next higher multiple of \$10. The

21

department of revenue shall annually adjust the changes in dollar amounts required

22

under this subsection and incorporate the changes into the income tax forms and

23

instructions."

1 11. Page 849, line 8: delete lines 8 to 13.

2 12. Page 849, line 18: delete the material beginning with that line and ending

3 with page 850, line 9, and substitute:

4 “SECTION 1716p. 71.07 (9) (a) 4. of the statutes is amended to read:

5 71.07 (9) (a) 4. “Rent constituting property taxes” means, in taxable years
6 beginning before January 1, 2000, 25% of rent if heat is not included, or 20% of rent
7 if heat is included, paid during the taxable year for which credit is claimed under this
8 subsection, at arm’s length, for the use of a principal dwelling and contiguous land,
9 excluding any payment for domestic, food, medical or other services which are
10 unrelated to use of the dwelling as housing, less any rent paid that is properly
11 includable as a trade or business expense under the internal revenue code. “Rent”
12 includes space rental paid to a landlord for parking a mobile home. Rent shall be
13 apportioned among the occupants of a principal dwelling according to their
14 respective contribution to the total amount of rent paid. “Rent” does not include rent
15 paid for the use of housing which was exempt from property taxation, except housing
16 for which payments in lieu of taxes were made under s. 66.40 (22).

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.

17 SECTION 1716q. 71.07 (9) (a) 5. of the statutes is created to read:

18 71.07 (9) (a) 5. “Rent constituting property taxes” means, in taxable years
19 beginning after December 31, 1999, 35% of rent if heat is not included, or 30% of rent
20 if heat is included, paid during the taxable year for which credit is claimed under this
21 subsection, at arm’s length, for the use of a principal dwelling and contiguous land,
22 excluding any payment for domestic, food, medical or other services which are
23 unrelated to use of the dwelling as housing, less any rent paid that is properly
24 includable as a trade or business expense under the internal revenue code. “Rent”

1 includes space rental paid to a landlord for parking a mobile home. Rent shall be
2 apportioned among the occupants of a principal dwelling according to their
3 respective contribution to the total amount of rent paid. "Rent" does not include rent
4 paid for the use of housing which was exempt from property taxation, except housing
5 for which payments in lieu of taxes were made under s. 66.40 (22).

6 SECTION 1716r. 71.07 (9) (b) 1. of the statutes is amended to read:

7 71.07 (9) (b) 1. Subject For taxable years beginning before January 1, 1998 and
8 for taxable years beginning after December 31, 1998 and before January 1, 2000,
9 subject to the limitations under this subsection and except as provided in subd. 2.,
10 a claimant may claim as a credit against, but not to exceed the amount of, taxes under
11 s. 71.02, 10% of the first \$2,000 of property taxes or rent constituting property taxes,
12 or 10% of the first \$1,000 of property taxes or rent constituting property taxes of a
13 married person filing separately.

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7

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
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14 SECTION 1716s. 71.07 (9) (b) 3. of the statutes is created to read:

15 71.07 (9) (b) 3. For taxable years beginning after December 31, 1999, subject
16 to the limitations under this subsection, a claimant may claim as a credit against,
17 but not to exceed the amount of, taxes under s. 71.02, 10% of the first \$2,000 of
18 property taxes or 14.1% of the first \$2,000 of rent constituting property taxes, or 10%
19 of the first \$1,000 of property taxes or 14.1% of the first \$1,000 of rent constituting
20 property taxes of a married person filing separately."

21 13. Page 851, line 17: delete the material beginning with that line and ending
22 with page 852, line 2.

23 14. Page 853, line 9: delete lines 9 to 13.

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRBb1277/1dn

MES.....

cmv

It is my understanding, based on conversations I've had with Kelsie Doty, that it is the SDC's intent, in yanking the governor's and JCF's changes to the individual income tax system, to retain the technical changes made to the filing threshold in s. 71.03 (2) (a) 1.; the technical changes related to the taxation of trusts in ss. 71.02 (1), 71.14 (3) and 71.14 (3m); the technical changes related to calculating the standard deduction in s. 71.05 (22) (dm); and the technical changes related to income tax indexing provisions and the incorporation of federal indexing methods in s. 71.05 (22) (dt).

In keeping with this understanding, I have made a number of changes in s. 71.05 (22) (dm) and (dt), I have deleted s. 71.05 (22) (dp) and I have amended s. 71.06 (2e), related to bracket indexing. Please let me know if my understanding of your intent is incorrect.

Please note that the calculation of slope in the homestead credit, created in s. 71.54 (1) (f) 2., is 10.357% and not 10.4%. The formula is "slope = maximum property taxes (\$1,450) divided by [maximum income – threshold]," or (\$22,000 – \$8,000), or \$14,000. Is this OK?



Marc E. Shovers
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E-mail: Marc.Shovers@legis.state.wi.us

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRBb1277/1dn

MES:cmh:ch

June 26, 1999

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State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb127771

MES:cmh:ch

RMR

SDC:.....Walter - Yank Gov, JCF individual income tax plan; increase
homestead credit and SPTC for renters

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

CAUCUS AMENDMENT

TO ASSEMBLY SUBSTITUTE AMENDMENT 1,

TO 1999 ASSEMBLY BILL 133

Today

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

2 1. Page 822, line 12: delete lines 12 to 21.

3 2. Page 835, line 1: delete lines 1 to 8.

4 3. Page 836, line 1: delete lines 1 to 7.

5 4. Page 836, line 9: delete "~~and thereafter to 1999~~" and substitute "*and*
6 *thereafter*".

7 5. Page 836, line 10: delete "~~on or after January 1, 1994 after~~" and substitute
8 "on or after January 1, 1994".

1 **6.** Page 836, line 11: delete that line and substitute “, the Wisconsin standard
2 deduction”.

3 **7.** Page 837, line 20: delete the material beginning with that line and ending
4 with page 838, line 24.

5 **8.** Page 839, line 2: delete “2000” and substitute “2001”.

6 **9.** Page 839, line 18: on lines 18 and 19, delete “(dp)” and substitute “(dm)”.

7 **10.** Page 840, line 5: delete the material beginning with that line and ending
8 with page 847, line 6, and substitute:

9 “**SECTION 1703e.** 71.06 (2e) of the statutes is amended to read:

10 71.06 (2e) BRACKET INDEXING. For taxable years beginning after December 31,
11 1998, the maximum dollar amount in each tax bracket, and the corresponding
12 minimum dollar amount in the next bracket, under subs. (1m) and (2) (c) and (d) shall
13 be increased each year by a percentage equal to the percentage change between the
14 U.S. consumer price index for all urban consumers, U.S. city average, for the month
15 of August of the previous year and the U.S. consumer price index for all urban
16 consumers, U.S. city average, for the month of August of the year before the previous
17 year 1997, as determined by the federal department of labor. Each amount that is
18 revised under this subsection shall be rounded to the nearest multiple of \$10 if the
19 revised amount is not a multiple of \$10 or, if the revised amount is a multiple of \$5,
20 such an amount shall be increased to the next higher multiple of \$10. The
21 department of revenue shall annually adjust the changes in dollar amounts required
22 under this subsection and incorporate the changes into the income tax forms and
23 instructions.”.

24 **11.** Page 849, line 8: delete lines 8 to 13.

1 **12.** Page 849, line 18: delete the material beginning with that line and ending
2 with page 850, line 9, and substitute:

3 **SECTION 1716p.** 71.07 (9) (a) 4. of the statutes is amended to read:

4 71.07 (9) (a) 4. “Rent constituting property taxes” means, in taxable years
5 beginning before January 1, 2000, 25% of rent if heat is not included, or 20% of rent
6 if heat is included, paid during the taxable year for which credit is claimed under this
7 subsection, at arm’s length, for the use of a principal dwelling and contiguous land,
8 excluding any payment for domestic, food, medical or other services which are
9 unrelated to use of the dwelling as housing, less any rent paid that is properly
10 includable as a trade or business expense under the internal revenue code. “Rent”
11 includes space rental paid to a landlord for parking a mobile home. Rent shall be
12 apportioned among the occupants of a principal dwelling according to their
13 respective contribution to the total amount of rent paid. “Rent” does not include rent
14 paid for the use of housing which was exempt from property taxation, except housing
15 for which payments in lieu of taxes were made under s. 66.40 (22).

16 **SECTION 1716q.** 71.07 (9) (a) 5. of the statutes is created to read:

17 71.07 (9) (a) 5. “Rent constituting property taxes” means, in taxable years
18 beginning after December 31, 1999, 35% of rent if heat is not included, or 30% of rent
19 if heat is included, paid during the taxable year for which credit is claimed under this
20 subsection, at arm’s length, for the use of a principal dwelling and contiguous land,
21 excluding any payment for domestic, food, medical or other services which are
22 unrelated to use of the dwelling as housing, less any rent paid that is properly
23 includable as a trade or business expense under the Internal Revenue Code. “Rent”
24 includes space rental paid to a landlord for parking a mobile home. Rent shall be

1 apportioned among the occupants of a principal dwelling according to their
2 respective contribution to the total amount of rent paid. "Rent" does not include rent
3 paid for the use of housing which was exempt from property taxation, except housing
4 for which payments in lieu of taxes were made under s. 66.40 (22).

5 **SECTION 1716r.** 71.07 (9) (b) 1. of the statutes is amended to read:

6 71.07 (9) (b) 1. Subject For taxable years beginning before January 1, 1998, and
7 for taxable years beginning after December 31, 1998 and before January 1, 2000,
8 subject to the limitations under this subsection and except as provided in subd. 2.,
9 a claimant may claim as a credit against, but not to exceed the amount of, taxes under
10 s. 71.02, 10% of the first \$2,000 of property taxes or rent constituting property taxes,
11 or 10% of the first \$1,000 of property taxes or rent constituting property taxes of a
12 married person filing separately.

13 **SECTION 1716s.** 71.07 (9) (b) 3. of the statutes is created to read:

14 71.07 (9) (b) 3. For taxable years beginning after December 31, 1999, subject
15 to the limitations under this subsection, a claimant may claim as a credit against,
16 but not to exceed the amount of, taxes under s. 71.02, 10% of the first \$2,000 of
17 property taxes or 14.1% of the first \$2,000 of rent constituting property taxes, or 10%
18 of the first \$1,000 of property taxes or 14.1% of the first \$1,000 of rent constituting
19 property taxes of a married person filing separately.”.

20 **13.** Page 851, line 17: delete the material beginning with that line and ending
21 with page 852, line 2.

22 **14.** Page 853, line 9: delete lines 9 to 13.

23 **15.** Page 945, line 2: delete that line and substitute: “71.54 (1) (e) 2000. The
24 amount of any claim filed in 2000”.

1 **16.** Page 945, line 3: delete “thereafter”.

2 **17.** Page 945, line 13: after that line insert:

3 “**SECTION 1763c.** 71.54 (1) (f) of the statutes is created to read:

4 71.54 (1) (f) *2001 and thereafter.* The amount of any claim filed in 2001 and
5 thereafter and based on property taxes accrued or rent constituting property taxes
6 accrued during the previous year is limited as follows:

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

10 2. If the household income was more than \$8,000 in the year to which the claim
11 relates, the claim is limited to 80% of the amount by which the property taxes accrued
12 or rent constituting property taxes accrued or both in that year on the claimant’s
13 homestead exceeds 10.357% of the household income exceeding \$8,000.

14 3. No credit may be allowed if the household income of a claimant exceeds
15 \$22,000.”.

16 **18.** Page 946, line 4: delete the material beginning with that line and ending
17 with page 947, line 20.

18 **19.** Page 1598, line 18: delete lines 18 to 20.

19

(END)



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb1277/2
MES:cmh&wlj:ksh

SDC:.....Walter - Yank Gov, JCF individual income tax plan; increase
homestead credit and SPTC for renters

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

CAUCUS AMENDMENT

TO ASSEMBLY SUBSTITUTE AMENDMENT 1,

TO 1999 ASSEMBLY BILL 133

- 1 At the locations indicated, amend the substitute amendment as follows:
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- 4 3. Page 836, line 9: delete "*and thereafter to 1999*" and substitute "*and*
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7 "on or after January 1, 1994".
- 8 5. Page 836, line 11: delete that line and substitute ", the Wisconsin standard
9 deduction".

1 **6.** Page 837, line 20: delete the material beginning with that line and ending
2 with page 838, line 24.

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4 **8.** Page 839, line 18: on lines 18 and 19, delete “(dp)” and substitute “(dm)”.

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9 1998, the maximum dollar amount in each tax bracket, and the corresponding
10 minimum dollar amount in the next bracket, under subs. (1m) and (2) (c) and (d) shall
11 be increased each year by a percentage equal to the percentage change between the
12 U.S. consumer price index for all urban consumers, U.S. city average, for the month
13 of August of the previous year and the U.S. consumer price index for all urban
14 consumers, U.S. city average, for the month of August of the year before the previous
15 year 1997, as determined by the federal department of labor. Each amount that is
16 revised under this subsection shall be rounded to the nearest multiple of \$10 if the
17 revised amount is not a multiple of \$10 or, if the revised amount is a multiple of \$5,
18 such an amount shall be increased to the next higher multiple of \$10. The
19 department of revenue shall annually adjust the changes in dollar amounts required
20 under this subsection and incorporate the changes into the income tax forms and
21 instructions.”.

22 **10.** Page 849, line 8: delete lines 8 to 13.

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3 beginning before January 1, 2000, 25% of rent if heat is not included, or 20% of rent
4 if heat is included, paid during the taxable year for which credit is claimed under this
5 subsection, at arm’s length, for the use of a principal dwelling and contiguous land,
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24 respective contribution to the total amount of rent paid. “Rent” does not include rent

1 paid for the use of housing which was exempt from property taxation, except housing
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21 **14.** Page 945, line 2: delete that line and substitute: “71.54 (1) (e) 2000. The
22 amount of any claim filed in 2000”.

23 **15.** Page 945, line 3: delete “thereafter”.

24 **16.** Page 945, line 13: after that line insert:

