

2001 DRAFTING REQUEST

Bill

Received: **01/22/2001**

Received By: **shoveme**

Wanted: **As time permits**

Identical to LRB:

For: **Sheldon Wasserman (608) 266-7671**

By/Representing: **Joe**

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

Drafter: **shoveme**

May Contact:

Addl. Drafters:

Subject: **Tax - individual income**

Extra Copies:

Submit via email: **NO**

Requester's email:

Pre Topic:

No specific pre topic given

Topic:

Individual income tax exemption of first \$25,000 federal AGI

Instructions:

Redraft 1999 LRB -2477/1. Exempt from taxation: for singles, first \$25,000 single FAGI; for married couples, first \$50,000

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	shoveme 01/22/2001	jdyer 02/08/2001					State Tax
/1			martykr 02/09/2001		lrb_docadmin 02/09/2001	lrb_docadmin 04/27/2001	

FE sent For: 04/16/2001.

(→ ("1"))

<END>

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(04-16-01)
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(Requested By Hoey)

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1?	shoveme	1 2/8 jld	kmz	2/7 km			

11 MES 1/22/01

FE Sent For:

<END>

JLD. (R.M.N.R.)

2001 1999 BILL

Regen

1 AN ACT to create 71.05 (6) (b) ~~of~~ of the statutes; relating to: creating an
2 individual income tax subtract modification for certain amounts of federal
3 adjusted gross income. ✓

Analysis by the Legislative Reference Bureau

This bill creates a subtract modification that exempts from taxation the first \$25,000 of an individual's federal adjusted gross income (FAGI), if the individual is single or is a married person who files a separate income tax return. The exemption is the first \$50,000 of FAGI for a married couple that files a joint return. The amount of the exemption is reduced for nonresidents or part-year residents of this state. For nonresidents and part-year residents, the exempt amount is obtained by multiplying the applicable amount of the exemption by a fraction that is calculated by dividing the amount of the individual's or married couple's income that is taxable by this state by the individual's or married couple's total income.

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* 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:

BILL

1 SECTION 1. 71.05 (6) (b) ~~29~~³⁴ of the statutes is created to read:

2 71.05 (6) (b) ~~29~~³⁴ a. Subject to subd. ~~29~~³⁴ c., for a single individual or for a married
3 individual who files a separate return, the first \$25,000 of the individual's federal
4 adjusted gross income.

5 b. Subject to subd. ~~29~~³⁴ c., for a married couple that files a joint return, the first
6 \$50,000 of the married couple's federal adjusted gross income.

7 c. For an individual, or married couple, to whom subd. ~~29~~³⁴ a. or b. applies and
8 who is a nonresident or part-year resident of this state, multiply the applicable
9 amount under subd. ~~29~~³⁴ a. or b. by a fraction the numerator of which is the
10 individual's or married couple's wages, salary, tips, unearned income, and net
11 earnings from a trade or business that are taxable by this state and the denominator
12 of which is the individual's total wages, salary, tips, unearned income, and net
13 earnings from a trade or business. In this subd. ~~29~~³⁴ c., for married persons filing
14 separately "wages, salary, tips, unearned income, and net earnings from a trade or
15 business" means the separate wages, salary, tips, unearned income, and net earnings
16 from a trade or business of each spouse, and for married persons filing jointly "wages,
17 salary, tips, unearned income, and net earnings from a trade or business" means the
18 total wages, salary, tips, unearned income, and net earnings from a trade or business
19 of both spouses.

20 SECTION 2. Initial applicability.

21 (1) This act first applies to taxable years beginning on January 1 of the year
22 in which this subsection takes effect, except that if this subsection takes effect after
23 July 31 this act first applies to taxable years beginning on January 1 of the year
24 following the year in which this subsection takes effect. ✓

25 (END)



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET
5TH FLOOR
MADISON, WI 53701-2037

STEPHEN R. MILLER
CHIEF

LEGAL SECTION: (608) 266-3561
LEGAL FAX: (608) 264-6948

February 9, 2001

MEMORANDUM

To: Representative Wasserman

From: Marc E. Shovers, Senior Legislative Attorney

Re: LRB-2169 Individual income tax exemption of first \$25,000 federal AGI

The attached draft was prepared at your request. Please review it carefully to ensure that it is accurate and satisfies your intent. If it does and you would like it jacketed for introduction, please indicate below for which house you would like the draft jacketed and return this memorandum to our office. If you have any questions about jacketing, please call our program assistants at 266-3561. Please allow one day for jacketing.

JACKET FOR ASSEMBLY JACKET FOR SENATE

If you have any questions concerning the attached draft, or would like to have it redrafted, please contact me at (608) 266-0129 or at the address indicated at the top of this memorandum.

If the last paragraph of the analysis states that a fiscal estimate will be prepared, the LRB will request that it be prepared after the draft is introduced. You may obtain a fiscal estimate on the attached draft before it is introduced by calling our program assistants at 266-3561. Please note that if you have previously requested that a fiscal estimate be prepared on an earlier version of this draft, you will need to call our program assistants in order to obtain a fiscal estimate on this version before it is introduced.

Please call our program assistants at 266-3561 if you have any questions regarding this memorandum.



STEPHEN R. MILLER
CHIEF

State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET
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MADISON, WI 53701-2037

LEGAL SECTION: (608) 266-3561
LEGAL FAX: (608) 264-8522

REFERENCE SECTION: (608) 266-0341
REFERENCE FAX: (608) 266-5648

May 4, 2001

MEMORANDUM

To: Representative Wasserman

From: Marc E. Shovers, Sr. Legislative Attorney, (608) 266-0129

Subject: Technical Memorandum to **1999 AB 369** (LRB 01-2169/1)

We received the attached technical memorandum relating to your bill. This copy is for your information and your file. The department has a number of concerns about your bill, at least one of which I believe needs to be addressed. The department's fourth point deals with the apparent circularity of the proration formula, although the language in the bill is based on similar current law provisions.

I talked to Meredith Krejny at DOR about this issue and I believe that there may be a problem with the proration formula in s. 71.05 (6) (b) 34. c. in your bill, as well as with a number of current law statutes, such as s. 71.05 (6) (b) 28. e., 32. b. and 33.b; all of these statutes seem to have a similar problem. Ms. Krejny was unaware about the possible problem with existing law subtract modifications and suggested that the department may want to consider this broader problem before suggesting a change to address the problem with the language in your bill. Ms. Krejny said that after consulting with some of her colleagues she would contact me with a suggestion to modify the proration formula.

I don't believe that there is any merit to DOR's first point. All head of household filers will either be married or single, so there is no need explicitly include provisions for head of household filers. Ms. Krejny acknowledged that if the bill passed as drafted, head of household filers could claim the exemption based on whether they are single or married.

Items 2 and 3 are policy items that you may wish to consider, but the draft works fine without any changes being made.

If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

MEMORANDUM

May 4, 2001

TO: Marc Shovers
Legislative Reference Bureau

FROM: Dennis Collier
Department of Revenue

SUBJECT: Technical Memorandum on LRB 2169/1 – Individual Income Tax Exemption of First \$25,000 of Federal AGI

The Department wishes to make several comments regarding LRB 2169/1:

1. Unless it is the sponsor's intent to exclude head of household filers from claiming the proposed exemption, the sponsor may wish to explicitly include provisions for head of household filers in order to conform to language found in similar sections of the statutes.
2. A part-year resident or nonresident with federal adjusted gross income (FAGI) less than \$25,000 (\$50,000 for joint filers) would receive a subtraction equal to the amount of that filer's Wisconsin income.
3. The sponsor may wish to consider allowing the proposed subtraction as an exemption from Wisconsin adjusted gross income (WAGI) instead of from FAGI since WAGI more accurately reflects the state's actual tax base.
4. The proration factor in sec. 71.05 (6)(b)34c is computed as a fraction with the filer's taxable Wisconsin income as the numerator and the filer's total income as the denominator. However, the proposed subtraction is to be deducted from FAGI to determine Wisconsin taxable income—the amount on which the proration factor is based. This circular logic would prevent an accurate computation of the amount of the exemption that may be claimed by a part-year resident or nonresident.

To eliminate this problem, the sponsor should clarify where the exemption computation and subtraction would be made on the tax form. The sponsor may wish to compute the exemption after the proration factor has been calculated according to the existing method for part-year residents and nonresidents. The exemption would then be subtracted from WAGI using this proration factor instead of requiring a separate (and potentially inaccurate) calculation.

If you have questions regarding this technical memorandum, please contact Meredith Krejny at 261-8984.

DC:MK