

2001 DRAFTING REQUEST

Bill

Received: 01/04/2002

Received By: shoveme

Wanted: As time permits

Identical to LRB:

For: Michael Lehman (608) 267-2367

By/Representing: Bill Ford

This file may be shown to any legislator: NO

Drafter: shoveme

May Contact:

Addl. Drafters:

Subject: Tax - individual income  
Tax Credits - miscellaneous

Extra Copies:

Submit via email: NO

Pre Topic:

No specific pre topic given.

Topic:

Indexing for inflation certain individual income tax credits

Instructions:

See Attached. Same as AB 25, LRB -0230/2, with DOR suggested tech changes to AB 25; start indexing TY 2003; rename working families credit the "working family and income equity" credit

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 01/11/2002	gilfokm 01/11/2002	pgreensl 01/14/2002	_____	lrb_docadmin 01/14/2002	lrb_docadminState 01/16/2002	
				_____	lrb_docadmin		
				_____	01/16/2002		

FE Sent For:

<END>

At Intro.

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/1	shoveme 01/11/2002	gilfokm 01/11/2002	pgreensl 01/14/2002	_____	lrb_docadmin 01/14/2002		State

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1?	shoveme	1-1/11-02	1/14	1/14			
(1)MES		1/11/02	pg		PS/JF		

FE Sent For:

<END>

M. Lehman Bill Ford  
do AB 25, do a new bill  
-0230/2

Working Family / Income Equity / ~~ITC~~ Credit

all 3 credits  
Index # starting w/ TY 2003

Importate to 3 DOR Tech  
memo changes

wants it for 1/16/02

hearing

## MEMORANDUM

January 31, 2001

**TO:** Marc Shovers  
Legislative Reference Bureau

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

**SUBJECT:** Technical Memorandum on AB 25 – Index Working Families, Married Couple, and School Property Tax Credits for Inflation

The Department wishes to raise several administrative concerns regarding AB 25.

1. Section 1 indexes the Wisconsin adjusted gross income (WAGI) amounts that are the phase-out floors and ceilings for both single and married joint filers for the working families credit. Currently, the WAGI figures for married joint filers are twice as large as the amounts for single filers. Consequently, any percentage increase due to indexing will result in a greater change for married joint filers than for single filers. After rounding, this may result in a phase-out floor and ceiling for married joint filers that are more than twice those for single filers. If the sponsor wishes to retain the current relationship in which the phase-out floor and ceiling for joint filers are double those for single filers, the statutory language can be amended to index the floor and the ceiling for single filers, round these amounts, and then set the floor and ceiling for married joint filers equal to twice the amounts for single filers.
2. Currently, the working families credit is calculated as a fraction with the numerator being the difference between the claimants WAGI and the eligible income threshold and the denominator being \$1,000--the current difference between the income threshold and the credit phase-out ceiling. Section 1 of the bill also provides for the indexing of this amount. When all three amounts in this fraction are indexed, the denominator may not always equal the difference between the WAGI amount and income threshold. In this case, the credit will not phase out at the indexed phase-out ceiling. The sponsor may wish to index only the phase-out floor and ceiling and set the difference between these two amounts as the denominator of the fraction.
3. Under current law, the base amount of the school property tax/rent credit (SPTC) for married separate filers equals one-half the amount for married joint filers. Indexing the base amounts according to Section 3 can result in a base credit for married joint filers that is more than twice the base credit for married separate filers. To retain the current relationship for the SPTC, the bill can be amended to index the base amount for joint filers, round this number, and set the base credit for separate filers equal to one-half of this amount.

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

YEB:MK:ds  
l:\fsn01-02\mklab25.tec

## 2001 ASSEMBLY BILL 25

January 16, 2001 - Introduced by Representatives ZIEGELBAUER, HUBER, KREUSER, LA FAVE, F. LASEE, PLALE, PLOUFF, STASKUNAS, STEINBRINK and WASSERMAN, cosponsored by Senators PLACHE, LAZICH and ROESSLER. Referred to Committee on Ways and Means.

1     **AN ACT to create** 71.07 (5m) (bm), 71.07 (6) (as) and 71.07 (9) (bm) of the statutes;  
2             **relating to:** indexing for inflation the working families tax credit, the married  
3             couples tax credit, and the school property tax credit.

---

### *Analysis by the Legislative Reference Bureau*

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

This bill indexes for inflation the following individual income tax credits: the working families tax credit, the married couples tax credit, and the school property tax credit. The indexing provisions created in the bill first apply to taxable years beginning after December 31, 2000, except for the provision relating to the married couples tax credit, which first applies to taxable years beginning after December 31, 2001.

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

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

4             **SECTION 1.** 71.07 (5m) (bm) of the statutes is created to read:

**ASSEMBLY BILL 25****SECTION 1**

1           71.07 (5m) (bm) *Indexing for inflation.* For taxable years beginning after  
2 December 31, 2000, the dollar amounts relating to the denominator of a fraction  
3 under par. (b), and all of the dollar amounts of Wisconsin adjusted gross income  
4 under par. (b), shall be increased each year by a percentage equal to the percentage  
5 change between the U.S. consumer price index for all urban consumers, U.S. city  
6 average, for the month of August of the previous year and the U.S. consumer price  
7 index for all urban consumers, U.S. city average, for the month of August 1999, as  
8 determined by the federal department of labor. Each amount that is revised under  
9 this paragraph shall be rounded to the nearest multiple of \$10 if the revised amount  
10 is not a multiple of \$10 or, if the revised amount is a multiple of \$5 and not a multiple  
11 of \$10, such an amount shall be increased to the next higher multiple of \$10. The  
12 department of revenue shall annually adjust the changes in dollar amounts required  
13 under this paragraph and incorporate the changes into the income tax forms and  
14 instructions.

15           **SECTION 2.** 71.07 (6) (as) of the statutes is created to read:

16           71.07 (6) (as) For taxable years beginning after December 31, 2001, the dollar  
17 amounts under par. (am) 2. d., shall be increased each year by a percentage equal to  
18 the percentage change between the U.S. consumer price index for all urban  
19 consumers, U.S. city average, for the month of August of the previous year and the  
20 U.S. consumer price index for all urban consumers, U.S. city average, for the month  
21 of August 2000, as determined by the federal department of labor. Each amount that  
22 is revised under this paragraph shall be rounded to the nearest multiple of \$10 if the  
23 revised amount is not a multiple of \$10 or, if the revised amount is a multiple of \$5  
24 and not a multiple of \$10, such an amount shall be increased to the next higher  
25 multiple of \$10. The department of revenue shall annually adjust the changes in

**ASSEMBLY BILL 25**

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

3 **SECTION 3.** 71.07 (9) (bm) of the statutes is created to read:

4 71.07 (9) (bm) For taxable years beginning after December 31, 2000, the dollar  
5 amounts under par. (b) 5. shall be increased each year by a percentage equal to the  
6 percentage change between the U.S. consumer price index for all urban consumers,  
7 U.S. city average, for the month of August of the previous year and the U.S. consumer  
8 price index for all urban consumers, U.S. city average, for the month of August 1999,  
9 as determined by the federal department of labor. Each amount that is revised under  
10 this paragraph shall be rounded to the nearest multiple of \$10 if the revised amount  
11 is not a multiple of \$10 or, if the revised amount is a multiple of \$5 and not a multiple  
12 of \$10, such an amount shall be increased to the next higher multiple of \$10. The  
13 department of revenue shall annually adjust the changes in dollar amounts required  
14 under this paragraph and incorporate the changes into the income tax forms and  
15 instructions.

16 (END)





State of Wisconsin  
2001 - 2002 LEGISLATURE

LRB-4667/P

MES...:king  
fmb

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

Wanted  
MON  
1/14

gen

1 AN ACT ...; relating to: indexing for inflation the working families tax credit, the  
2 married ~~couple~~ <sup>persons</sup> tax credit, and the school property tax credit.

stat

**Analysis by the Legislative Reference Bureau**

Under ~~the~~ <sup>stat</sup> current law individual income tax system, the sliding scale standard deduction and the tax brackets are indexed for inflation. Current law also contains a number of tax credits that are based on statutorily set dollar amounts.

This bill indexes for inflation the following individual income tax credits: the working families tax credit; the married ~~couple~~ <sup>persons</sup> tax credit; and the school property tax credit. The indexing provisions created in the bill first apply to taxable years beginning after December 31, 2002.

The bill also renames the working families tax credit to be the working family and income equity tax credit.

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:**

3 SECTION 1. 71.07 (5m) (title) of the statutes is amended to read:

4 71.07 (5m) (title) WORKING FAMILIES FAMILY AND INCOME EQUITY TAX CREDIT.

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; 1999 a. 5, 9, 10, 32; 1999 a. 150 s. 672; 1999 a. 198; 2001 a. 16.

1           **SECTION 2.** 71.07 (5m) (b) 2. a. of the statutes is amended to read:

2           71.07 (5m) (b) 2. a. Calculate the value of a fraction, the denominator of which  
3           is \$1,000 a positive number which is the difference between the 2 dollar amounts in  
4           subd. 2. (intro.) and the numerator of which is the difference between the claimant's  
5           adjusted gross income and \$9,000.

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; 1999 a. 5, 9, 10, 32; 1999 a. 150 s. 672; 1999 a. 198; 2001 a. 16.

6           **SECTION 3.** 71.07 (5m) (b) 4. a. of the statutes is amended to read:

7           71.07 (5m) (b) 4. a. Calculate the value of a fraction, the denominator of which  
8           is \$1,000 a positive number which is the difference between the 2 dollar amounts in  
9           subd. 4. (intro.) and the numerator of which is the difference between the married  
10          couple's adjusted gross income and \$18,000.

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; 1999 a. 5, 9, 10, 32; 1999 a. 150 s. 672; 1999 a. 198; 2001 a. 16.

11          **SECTION 4.** 71.07 (5m) (b) 6. a. of the statutes is amended to read:

12          71.07 (5m) (b) 6. a. Calculate the value of a fraction, the denominator of which  
13          is \$1,000 a positive number which is the difference between the 2 dollar amounts in  
14          subd. 6. (intro.) and the numerator of which is the difference between the claimant's  
15          adjusted gross income and \$9,000.

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; 1999 a. 5, 9, 10, 32; 1999 a. 150 s. 672; 1999 a. 198; 2001 a. 16.

16          **SECTION 5.** 71.07 (5m) (bm) of the statutes is created to read:

17          71.07 (5m) (bm) *Indexing for inflation.* 1. For taxable years beginning after  
18          December 31, 2002, all of the dollar amounts under par. (b) 1., 2., 5, and 6., other than  
19          the dollar amount which is the denominator of a fraction, shall be increased each year  
20          by a percentage equal to the percentage change between the U.S. consumer price  
21          index for all urban consumers, U.S. city average, for the month of August of the  
22          previous year and the U.S. consumer price index for all urban consumers, U.S. city  
23          average, for the month of August 2001, as determined by the federal department of

subdivision  
~~subdivision~~  
subdivision

1 labor. Each amount that is revised under this ~~paragraph~~ shall be rounded to the  
2 nearest multiple of \$10 if the revised amount is not a multiple of \$10 or, if the revised  
3 amount is a multiple of \$5 and not a multiple of \$10, such an amount shall be  
4 increased to the next higher multiple of \$10.

5 2. For taxable years beginning after December 31, 2002, all of the dollar  
6 amounts under par. (b) 3. and 4., other than the dollar amount which is the  
7 denominator of a fraction, shall be increased each year, and rounded, such that the  
8 increased amounts and rounded amounts shall be twice the amounts for single filers  
9 as calculated under subd. 1.

10 3. The department of revenue shall annually adjust the changes in dollar  
11 amounts required under this paragraph and incorporate the changes into the income  
12 tax forms and instructions.

13 SECTION 6. 71.07 (6) (as) of the statutes is created to read:

14 71.07 (6) (as) For taxable years beginning after December 31, 2002, the dollar  
15 amounts under par. (am) 2. d. shall be increased each year by a percentage equal to  
16 the percentage change between the U.S. consumer price index for all urban  
17 consumers, U.S. city average, for the month of August of the previous year and the  
18 U.S. consumer price index for all urban consumers, U.S. city average, for the month  
19 of August 2001, as determined by the federal department of labor. Each amount that  
20 is revised under this paragraph shall be rounded to the nearest multiple of \$10 if the  
21 revised amount is not a multiple of \$10 or, if the revised amount is a multiple of \$5  
22 and not a multiple of \$10, such an amount shall be increased to the next higher  
23 multiple of \$10. The department of revenue shall annually adjust the changes in  
24 dollar amounts required under this paragraph and incorporate the changes into the  
25 income tax forms and instructions.

1 SECTION 7. 71.07 (9) (bm) of the statutes is created to read:

2 71.07 (9) (bm) 1. For taxable years beginning after December 31, 2002, the  
 3 higher dollar amount under par. (b) 5. shall be increased each year by a percentage  
 4 equal to the percentage change between the U.S. consumer price index for all urban  
 5 consumers, U.S. city average, for the month of August of the previous year and the  
 6 U.S. consumer price index for all urban consumers, U.S. city average, for the month  
 7 of August 2001, as determined by the federal department of labor. Each amount that  
 8 is revised under this ~~paragraph~~ <sup>subdivision</sup> shall be rounded to the nearest multiple of \$10 if the  
 9 revised amount is not a multiple of \$10 or, if the revised amount is a multiple of \$5  
 10 and not a multiple of \$10, such an amount shall be increased to the next higher  
 11 multiple of \$10.

12 2. For taxable years beginning after December 31, 2002, the lower dollar  
 13 amount under par. (b) 5. shall be increased each year, and rounded, such that the  
 14 increased amount and rounded amount shall be ~~one-half~~ <sup>50% of</sup> the amount of the higher  
 15 dollar amount as calculated under subd. 1.

16 3. The department of revenue shall annually adjust the changes in dollar  
 17 amounts required under this paragraph and incorporate the changes into the income  
 18 tax forms and instructions.

19 SECTION 8. 71.10 (4) (du) of the statutes is amended to read:

20 71.10 (4) (du) Working ~~families~~ family and income equity tax credit under s.  
 21 71.07 (5m).

History: 1987 a. 312; 1987 a. 411 ss. 94, 97, 176 to 179; 1987 a. 422 s. 4; 1989 a. 31, 56, 359; 1991 a. 39; 1993 a. 16, 184; 1995 a. 27, 209, 418, 453; 1997 a. 27, 63, 237, 248; 1999 a. 9, 167; 2001 a. 16.

22 SECTION 9. 71.64 (9) (c) of the statutes is amended to read:

23 71.64 (9) (c) The tables shall account for the working ~~families~~ family and  
 24 income equity tax credit under s. 71.07 (5m). The tables shall be extended to cover

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

History: 1987 a. 312; 1989 a. 31; 1997 a. 27, 41; 1999 a. 9.

11 **SECTION 10. Initial applicability.**

12 (1) This act first applies to taxable years beginning on January 1, 2003.

13 (END)

that are

## Basford, Sarah

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**From:** Basford, Sarah  
**Sent:** Monday, January 14, 2002 2:01 PM  
**To:** Nowlan, Andrew  
**Subject:** LRB -4667 (attached)



01-4667/1

**Sarah Basford**  
Program Assistant  
State of Wisconsin  
Legislative Reference Bureau  
PH: (608) 266-3561/FAX: (608) 264-6948  
[sarah.basford@legis.state.wi.us](mailto:sarah.basford@legis.state.wi.us)



# 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

January 14, 2002

### MEMORANDUM

To: Representative M. Lehman

From: Marc E. Shovers, Senior Legislative Attorney

Re: LRB-4667/1 Indexing for inflation certain individual income tax credits

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.