

2001 DRAFTING REQUEST

Senate Amendment (SA-SSA1-SB55)

Received: 06/15/2001

Received By: jkreye

Wanted: As time permits

Identical to LRB:

For: Senate Democratic Caucus

By/Representing: Keckhaver

This file may be shown to any legislator: NO

Drafter: jkreye

May Contact:

Addl. Drafters: rmarchan

Subject: Tax - corp. inc. and fran.

Extra Copies:

Submit via email: NO

Requester's email:

Pre Topic:

SDC:.....Keckhaver - CN2711,

Topic:

Limit the corporate income tax deduction for compensation paid to an employee

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>
/?	jkreye 06/16/2001 rmarchan 06/16/2001	wjackson 06/16/2001		_____			
/1			pgreensl 06/16/2001	_____	lrb_docadmin 06/16/2001		

Vers. Drafted Reviewed Typed Proofed Submitted Jacketed Required

FE Sent For:

<END>

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1?	jkreye		<i>5/16 PS</i>	<i>5/16 PS/ch</i>			

FE Sent For:

<END>

CN2711

Subject or Agency	Description	Source / connection	Fiscal effect /positions if known
DOR	Income equity act / CEOs working folks	1999 AB 161	

JK

1999 Session

FISCAL ESTIMATE

DOA-2048 N(R10/98)

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.

AB 161 [LRB 1809/1]

Amendment No. if Applicable

Subject

Corporate Income and Franchise Tax: Limit Deduction for Compensation Paid to Employees and Officers

Fiscal Effect

State: No State Fiscal Effect
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

Increase Costs - May be Possible to Absorb Within Agency's Budget Yes No

Decrease Costs

Local: No Local Government Costs

1. Increase Costs
 Permissive Mandatory
 2. Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
 4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:

- Towns Villages Cities
 Counties Others
 School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

Under current law, a corporation may deduct compensation paid to employees and officers from its income subject to tax. The deduction for compensation paid to chief executive officers and four other highest compensated officers of publicly held corporations is limited to \$1,000,000. This limit includes any form of compensation, including benefits, but not including certain commissions or performance-based compensation approved by the board of directors.

This bill would limit the amount of the deduction for wages, salaries, commissions and bonuses paid to employees and officers to 25 times the salary of the lowest paid full-time employee.

The Department does not have data to estimate the fiscal effect of this proposal. However, this bill would increase state corporate income and franchise tax revenues because net income subject to tax would increase. It is believed that the fiscal effect could be in the tens of millions of dollars.

To illustrate the potential fiscal effect of the change, if the lowest paid full-time employee earned \$15,000 annually, the maximum corporate deduction for any employee or officer would be limited to \$375,000

(continued on page two)

Long-Range Fiscal Implications

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue	Yeang-Eng Braum	4/5/99
Pamela Walgren, (608) 266-7817	(608) 266-2700	

FISCAL ESTIMATE

AB 161

Page 2

(\$15,000 x 25), regardless of their actual wages and salaries. If the president of the same corporation earned \$800,000 per year, annual corporate franchise and income tax liability for that corporation would increase by \$33,575 ($\$800,000 - \$375,000 \times 7.9\%$) because of the increased income subject to tax. If only 100 employees were in this situation, tax revenues would increase by \$3.3 million annually.

42B 4/5/99

1999 Session

FISCAL ESTIMATE
DOA-2047 N(R10/98)

ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.	Amendment No.
AB 161 [LRB 1809/1]	

Subject

Corporate Income and Franchise Tax: Limit Deduction for Compensation Paid to Employees and Officers

I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:	Annualized Fiscal Impact on State Funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringe (FTE Position Changes)	\$ -	\$ -
State Operations-Other Costs	(FTE)	(- FTE)
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$ -	\$ -
B. State Costs by Source of Funds		
GPR	Increased Costs \$ -	Decreased Costs \$ -
FED		-
PRO/PRS		-
SEG/SEG-S		-
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)	Increased Rev.	Decreased Rev.
GPR Taxes	\$ See Text	\$ -
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$ See Text	\$ -

NET ANNUALIZED FISCAL IMPACT

	STATE	LOCAL
NET CHANGE IN COSTS	\$ _____	\$ _____
NET CHANGE IN REVENUES	\$ See Text	\$ _____

Agency/Prepared by: (Name & Phone No.) Wisconsin Department of Revenue Pamela Walgren, (608) 266-7817	Authorized Signature/Telephone No. Yeang-Eng Braun (608) 266-2700 <i>Yeang Eng Braun</i>	Date 4/5/99
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2001

Date (time) needed Sec W

LRB b 0928, 1

AMDT TO BUDGET SUB AMDT JTK + RJM: WLj :

See form AMENDMENTS — COMPONENTS & ITEMS.

SENATE AMENDMENT
~~TO SENATE AMENDMENT~~
TO SENATE SUBSTITUTE AMENDMENT 1,
TO 2001 SENATE BILL 55

At the locations indicated, amend the substitute amendment ~~[amendment]~~ as follows:

↓ #. Page 793, line 5... after that line insert ↕
INSERT A

LPS:
Please fix
request sheet

↓ #. Page 1408, line 9... after that line insert ↕
INSERT B

~~#. Page, line~~

~~#. Page, line~~

~~#. Page, line~~

~~#. Page, line~~

(circled scribble)

1999 ASSEMBLY BILL 161

March 4, 1999 - Introduced by Representatives POCAN, BOCK, SINICKI, MILLER, CARPENTER, BERCEAU, MUSSER, BLACK, PLOUFF, BOYLE, LA FAVE, TURNER, KREUSER, SCHNEIDER, RYBA and CULLEN, cosponsored by Senator RISSER. Referred to Committee on Ways and Means.

1 AN ACT to amend 71.26 (3) (e) 1. of the statutes; relating to: limiting the
2 corporate income tax deduction for compensation paid to an employee.

Analysis by the Legislative Reference Bureau

Under current law, a corporation may deduct from its income tax the compensation paid to its officers and employees. The corporate income tax deduction for compensation paid to executive officers cannot exceed \$1,000,000.

This bill further limits any single corporate income tax deduction for compensation paid to an employee or officer to an amount not to exceed the compensation paid to a corporation's lowest paid full-time employee multiplied by 25.

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. 71.26 (3) (e) 1. of the statutes is amended to read:

4 71.26 (3) (e) 1. So that payments for wages, salaries, commissions and bonuses
5 of employees and officers may be deducted only if the name, address and amount paid
6 to each resident of this state to whom compensation of \$600 or more has been paid

Proof
w/ stats
↓

INSET
A

ASSEMBLY BILL 161

SECTION 1

1 during the taxable year is reported or if the department of revenue is satisfied that
 2 failure to report has resulted in no revenue loss to this state. A deduction for wages,
 3 salaries, commissions and bonuses paid to an employee^(e) or officer shall not exceed an
 4 amount equal to the wages, salaries, commissions and bonuses paid to the
 5 corporation's lowest paid full-time employee^(e) multiplied by 25. *✓ (e) ✓*

INSERT
B

SECTION 2. Initial applicability.

7 ~~This act~~ first applies to taxable years beginning on January 1 of the year
 8 in which this subsection takes effect, except that if this subsection takes effect after
 9 July 31 this act first applies to taxable years beginning on January 1 of the year
 10 following the year in which this subsection takes effect. *✓ (e)*

11 LIMIT ON *(35)* (30%) *(35)* END *(35)* CORPORATE INCOME TAX DEDUCTION. The treatment
 of section 71.26(3)(e) 1. of the statutes

NONSTATS
SUB.

SDC:.....Keckhaver – CN2711, Limit the corporate income tax deduction for compensation paid to an employee

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

CAUCUS SENATE AMENDMENT

TO SENATE SUBSTITUTE AMENDMENT 1,

TO 2001 SENATE BILL 55

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

2 **1.** Page 793, line 5: after that line insert:

3 “**SECTION 2175f.** 71.26 (3) (e) 1. of the statutes is amended to read:

4 71.26 (3) (e) 1. So that payments for wages, salaries, commissions, and bonuses
5 of employees and officers may be deducted only if the name, address, and amount
6 paid to each resident of this state to whom compensation of \$600 or more has been
7 paid during the taxable year is reported or if the department of revenue is satisfied
8 that failure to report has resulted in no revenue loss to this state. A deduction for
9 wages, salaries, commissions, and bonuses paid to an employee or officer shall not

1 exceed an amount equal to the wages, salaries, commissions, and bonuses paid to the
2 corporation's lowest paid full-time employee multiplied by 25."

3 **2.** Page 1408, line 9: after that line insert:

4 "(30k) LIMIT ON CORPORATE INCOME TAX DEDUCTION. The treatment of section
5 71.26 (3) (e) 1. of the statutes first applies to taxable years beginning on January 1
6 of the year in which this subsection takes effect, except that if this subsection takes
7 effect after July 31 this act first applies to taxable years beginning on January 1 of
8 the year following the year in which this subsection takes effect."

9 (END)