



# 2003 BILL

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1 **AN ACT to amend** 71.52 (6), 71.52 (6), 71.58 (7) (a) and 71.58 (7) (a); and **to create**  
 2 71.54 (2m) of the statutes; **relating to:** for taxable year 2004 only, modifying  
 3 the definition of income under the homestead tax credit and increasing the  
 4 homestead tax credit.

### *Analysis by the Legislative Reference Bureau*

2. Under current law, for claims filed in 2001 and thereafter, the homestead tax credit threshold income is \$8,000, the maximum property taxes, or rent constituting property taxes, that a claimant may use in calculating his or her credit are \$1,450, and the maximum income is \$24,500. Under the current law formula, as a claimant's income exceeds \$8,000, the credit is phased out until the credit equals zero when income exceeds \$24,500. Also under the formula, if the household income is \$8,000 or less, the credit is 80% of the property taxes accrued or rent constituting property taxes accrued. Using the formula, the credit that may be claimed ranges from \$10 to \$1,160.

Under this bill, for claims filed in 2005, based on property taxes accrued or rent constituting property taxes accrued in 2004, a claimant may claim a credit of 120% of the amount that he or she is otherwise eligible to claim using the current law formula.

Also under current law, "income" is defined under the homestead tax credit as the sum of Wisconsin adjusted gross income (AGI) and a number of other items, to the extent that the other items are not included in Wisconsin AGI, such as certain public assistance payments, nontaxable interest received on state and municipal

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bonds, unemployment insurance, and all payments received under the federal Social Security Act, other than cash reimbursement payments made under title XX of that act.

Under the bill, for taxable year 2004, the definition of "income" for homestead credit purposes is modified such that only payments received under the Social Security Act in excess of \$2,500 are included in the definition of "income" if social security payments represent at least 50 percent of a claimant's Wisconsin AGI. If social security payments do not represent at least 50 percent of a claimant's Wisconsin AGI, the entire amount of such payments is included in the definition of income. Also for taxable year 2004, all amounts of unemployment compensation are excluded from the definition of income under the homestead 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:*


1           **SECTION 1.** 71.52 (6) of the statutes is amended to read:

2           71.52 (6) "Income" means the sum of Wisconsin adjusted gross income and the  
3 following amounts, to the extent not included in Wisconsin adjusted gross income:  
4 maintenance payments (except foster care maintenance and supplementary  
5 payments excludable under section 131 of the ~~internal revenue code~~ Internal  
6 Revenue Code), support money, cash public assistance (not including credit granted  
7 under this subchapter and amounts under s. 46.27), cash benefits paid by counties  
8 under s. 59.53 (21), except as otherwise provided in this subsection the gross amount  
9 of any pension or annuity (including railroad retirement benefits; all payments  
10 received under the federal ~~social security act~~ Social Security Act, except that if such  
11 payments represent at least 50% of a claimant's Wisconsin adjusted gross income,  
12 any payments received under the Social Security Act in excess of \$2,500; and  
13 veterans disability pensions), nontaxable interest received from the federal  
14 government or any of its instrumentalities, nontaxable interest received on state or  
15 municipal bonds, worker's compensation, ~~unemployment insurance~~, the gross

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1 amount of “loss of time” insurance, compensation and other cash benefits received  
2 from the United States for past or present service in the armed forces, scholarship  
3 and fellowship gifts or income, capital gains, gain on the sale of a personal residence  
4 excluded under section 121 of the ~~internal revenue code~~ Internal Revenue Code,  
5 dividends, income of a nonresident or part-year resident who is married to a  
6 full-year resident, housing allowances provided to members of the clergy, the  
7 amount by which a resident manager’s rent is reduced, nontaxable income of an  
8 American Indian, nontaxable income from sources outside this state and nontaxable  
9 deferred compensation. Intangible drilling costs, depletion allowances and  
10 depreciation, including first-year depreciation allowances under section 179 of the  
11 ~~internal revenue code~~ Internal Revenue Code, amortization, contributions to  
12 individual retirement accounts under section 219 of the ~~internal revenue code~~  
13 Internal Revenue Code, contributions to Keogh plans, net operating loss  
14 carry-forwards and capital loss carry-forwards deducted in determining Wisconsin  
15 adjusted gross income shall be added to “income”. “Income” does not include gifts  
16 from natural persons, cash reimbursement payments made under title XX of the  
17 federal ~~social security act~~ Social Security Act, surplus food or other relief in kind  
18 supplied by a governmental agency, the gain on the sale of a personal residence  
19 deferred under section 1034 of the ~~internal revenue code~~ Internal Revenue Code or  
20 nonrecognized gain from involuntary conversions under section 1033 of the ~~internal~~  
21 ~~revenue code~~ Internal Revenue Code. Amounts not included in adjusted gross  
22 income but added to “income” under this subsection in a previous year and repaid  
23 may be subtracted from income for the year during which they are repaid.  
24 Scholarship and fellowship gifts or income that are included in Wisconsin adjusted  
25 gross income and that were added to household income for purposes of determining




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1 the credit under this subchapter in a previous year may be subtracted from income  
2 for the current year in determining the credit under this subchapter. A marital  
3 property agreement or unilateral statement under ch. 766 has no effect in computing  
4 "income" for a person whose homestead is not the same as the homestead of that  
5 person's spouse.

6 **SECTION 2.** 71.52 (6) of the statutes, as affected by 2003 Wisconsin Act .... (this  
7 act), is amended to read:

8 71.52 (6) "Income" means the sum of Wisconsin adjusted gross income and the  
9 following amounts, to the extent not included in Wisconsin adjusted gross income:  
10 maintenance payments (except foster care maintenance and supplementary  
11 payments excludable under section 131 of the Internal Revenue Code), support  
12 money, cash public assistance (not including credit granted under this subchapter  
13 and amounts under s. 46.27), cash benefits paid by counties under s. 59.53 (21),  
14 ~~except as otherwise provided in this subsection~~ the gross amount of any pension or  
15 annuity (including railroad retirement benefits; all payments received under the  
16 federal Social Security Act, ~~except that if such payments represent at least 50% of~~  
17 ~~a claimant's Wisconsin adjusted gross income, any payments received under the~~  
18 ~~Social Security Act in excess of \$2,500;~~ and veterans disability pensions), nontaxable  
19 interest received from the federal government or any of its instrumentalities,  
20 nontaxable interest received on state or municipal bonds, worker's compensation,  
21 unemployment insurance, the gross amount of "loss of time" insurance,  
22 compensation and other cash benefits received from the United States for past or  
23 present service in the armed forces, scholarship and fellowship gifts or income,  
24 capital gains, gain on the sale of a personal residence excluded under section 121 of  
25 the Internal Revenue Code, dividends, income of a nonresident or part-year resident



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1 who is married to a full-year resident, housing allowances provided to members of  
2 the clergy, the amount by which a resident manager's rent is reduced, nontaxable  
3 income of an American Indian, nontaxable income from sources outside this state  
4 and nontaxable deferred compensation. Intangible drilling costs, depletion  
5 allowances and depreciation, including first-year depreciation allowances under  
6 section 179 of the Internal Revenue Code, amortization, contributions to individual  
7 retirement accounts under section 219 of the Internal Revenue Code, contributions  
8 to Keogh plans, net operating loss carry-forwards and capital loss carry-forwards  
9 deducted in determining Wisconsin adjusted gross income shall be added to  
10 "income". "Income" does not include gifts from natural persons, cash reimbursement  
11 payments made under title XX of the federal Social Security Act, surplus food or  
12 other relief in kind supplied by a governmental agency, the gain on the sale of a  
13 personal residence deferred under section 1034 of the Internal Revenue Code or  
14 nonrecognized gain from involuntary conversions under section 1033 of the Internal  
15 Revenue Code. Amounts not included in adjusted gross income but added to  
16 "income" under this subsection in a previous year and repaid may be subtracted from  
17 income for the year during which they are repaid. Scholarship and fellowship gifts  
18 or income that are included in Wisconsin adjusted gross income and that were added  
19 to household income for purposes of determining the credit under this subchapter in  
20 a previous year may be subtracted from income for the current year in determining  
21 the credit under this subchapter. A marital property agreement or unilateral  
22 statement under ch. 766 has no effect in computing "income" for a person whose  
23 homestead is not the same as the homestead of that person's spouse.

24 **SECTION 3.** 71.54 (2m) of the statutes is created to read:

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1           71.54 (2m) MULTIPLIER FOR 2004. For claims filed in 2005, based on property  
 2 taxes accrued or rent constituting property taxes accrued during 2004, a claimant  
 3 may claim a credit under this section in an amount equal to the credit amount that  
 4 the claimant is eligible for under sub. (1) (f), multiplied by 120 percent.

5           **SECTION 4.** 71.58 (7) (a) of the statutes is amended to read:

6           71.58 (7) (a) For an individual, means income as defined under s. 71.52 (6),  
 7 2001 stats., plus nonfarm business losses, plus amounts under s. 46.27, less net  
 8 operating loss carry-forwards, less first-year depreciation allowances under section  
 9 179 of the internal revenue code and less the first \$25,000 of depreciation expenses  
 10 in respect to the farm claimed by all of the individuals in a household.

11           **SECTION 5.** 71.58 (7) (a) of the statutes, as affected by 2003 Wisconsin Act ....  
 12 (this act), is amended to read:

13           71.58 (7) (a) For an individual, means income as defined under s. 71.52 (6),  
 14 2001 stats., plus nonfarm business losses, plus amounts under s. 46.27, less net  
 15 operating loss carry-forwards, less first-year depreciation allowances under section  
 16 179 of the internal revenue code and less the first \$25,000 of depreciation expenses  
 17 in respect to the farm claimed by all of the individuals in a household.

*end of 4-15*

18 **INS 10-98 SECTION 6. Initial applicability.**

19           (1) The amendment of sections 71.52 (6) (by SECTION 1) and 71.58 (7) (a) (by  
 20 SECTION 4) of the statutes first applies to taxable years beginning on January 1, 2004,  
 21 and the amendment of sections 71.52 (6) (by SECTION 2) and 71.58 (7) (a) (by SECTION  
 22 5) of the statutes first applies to taxable years beginning on January 1, 2005.

23           **SECTION 7. Effective dates.** This act takes effect on the day after publication,  
 24 except as follows:

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1 (1) The treatment of section 71.52 (6) (by SECTION 2) and 71.58 (7) (a) (by  
2 SECTION 5) of the statutes takes effect on January 1, 2005.

3 (END)

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subsequent payment of real property taxes in installments. Interest and penalties on delinquent real property taxes are charged from the previous February 1 on the entire amount of unpaid real property taxes. Similarly, interest and penalties on a delinquent special assessment are charged from the previous February 1 on the entire amount of the unpaid special assessment and on any unpaid real property taxes. These provisions continue to apply to a person who is delinquent on real property tax payments or special assessment payments more than twice.

Under this bill, if an installment payment of real property taxes or special assessments is delinquent, not more than twice, interest and penalties are charged only on the amount of the delinquent installment payment, not the amount of unpaid real property taxes or special assessments, and only from the day after the delinquent installment payment was due, not from the preceding February 1. Under the bill, a person who is delinquent, not more than twice, in an installment payment of real property taxes or special assessments would retain the right to make subsequent installment payments of real property taxes or special assessments without interest and penalty.

Under current law, a homeowner 65 years of age or older with total household income of no more than \$20,000 may annually apply to the Wisconsin Housing and Economic Development Authority for a loan to pay all or a portion of the individual's current property taxes and special assessments, and any interest or penalties on delinquent property taxes. The maximum annual loan amount is \$2,500. This bill increases the income limit under this program to \$33,500 and increases the maximum annual loan amount to \$3,200.

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. 74.11 (7) of the statutes is renumbered 74.11 (7) (a) and amended  
2 to read:

3 74.11 (7) (a) If the first installment of taxes on real property or improvements  
4 on leased land is not paid on or before January 31, the entire amount of the taxes  
5 remaining unpaid is delinquent as of February 1. This paragraph applies only to a  
6 person's 3rd or subsequent delinquency.

7 SECTION 2. 74.11 (7) (b) of the statutes is created to read:



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Ⓟ ~~7.7~~ The bill creates a special committee to be called  
Structure  
the COMMISSION on State and Local Tax Structure,  
which consists of members appointed by the governor. The  
Commission State's state and local  
commission must study this state's state and local  
tax structure and determine the tax burden, by income  
tax structure and determine the tax burden, by income  
on  
category, ~~or~~ on Wisconsin residents and must report  
January  
its findings and recommendations no later than January 1, 2005.

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1 shall return the tax roll to the county treasurer. The county treasurer shall collect  
 2 all returned delinquent real property taxes, special assessments, special charges,  
 3 and special taxes, together with interest and penalty assessed from the day after real  
 4 property taxes, special assessments, special charges, and special taxes are due, as  
 5 provided under s. 74.47. This paragraph applies only to a person's 1st or 2nd  
 6 delinquency.

7 **SECTION 20.** 234.623 (5) of the statutes is amended to read:

8 234.623 (5) The participant earned no more than \$20,000 \$33,500 in income,  
 9 as defined under s. 71.52 (5), in the year prior to the year in which the property taxes  
 10 or special assessments for which the loan is made are due.

11 **SECTION 21.** 234.625 (1) of the statutes is amended to read:

12 234.625 (1) The authority shall enter into agreements with participants and  
 13 their co-owners to loan funds to pay property taxes and special assessments on their  
 14 qualifying dwelling units. The maximum loan under ss. 234.621 to 234.626 in any  
 15 one year is limited to the lesser of \$2,500 \$3,200 or the amount obtained by adding  
 16 the property taxes levied on the qualifying dwelling unit for the year for which the  
 17 loan is sought, the special assessments levied on the dwelling unit, and the interest  
 18 and penalties for delinquency attributable to the property taxes or special  
 19 assessments. Loans shall bear interest at a rate equal to the prime lending rate at  
 20 the time the rate is set, as reported by the federal reserve board in federal reserve  
 21 statistical release H. 15, plus 1%. The executive director shall set the rate no later  
 22 than October 15 of each year, and that rate shall apply to loans made in the following  
 23 year.

24 **SECTION 22. Initial applicability.**

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(1) LATE PAYMENTS OF PROPERTY TAX INSTALLMENTS. The treatment of sections 74.11 (7) (b), (10) (a), (b), and (c), and (11) (a), (b), and (c) and 74.12 (7) (b), (8) (b), (9) (a) and (b), (10) (a), (b), (c), and (d), and (12) (a) and (c) of the statutes and the renumbering and amendment of sections 74.11 (7) and 74.12 (7) and (8) of the statutes first apply to taxes based on the assessment as of the January 1 after publication.

(2) PROPERTY TAX DEFERRAL LOANS. The treatment of sections 234.623 (5) and 234.625 (1) of the statutes first applies to applications under section 234.623 (1) of the statutes that are pending on the effective date of this subsection. *Lead ins*

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*NEW STAT*

1 ~~§~~ COMMISSION ON STATE AND LOCAL TAX STRUCTURE.

2 (a) There is created a special committee to be called the commission on state  
3 and local tax structure, which shall consist of members appointed by the governor.

4 (b) The governor shall appoint or determine the method of appointment of the  
5 officers of the commission and shall call the first meeting of the commission.

6 (c) The department of administration shall do all of the following:

7 1. Provide all necessary administrative support services to the commission.

8 2. Reimburse members of the commission for their actual and necessary  
9 expenses incurred in carrying out their functions from the appropriation under  
10 section 20.505 (4) (ba) of the statutes, within the budget of the committee authorized  
11 under section 16.40 (14) of the statutes.

12 (d) The commission shall study Wisconsin's state and local tax structure and  
13 determine the tax burden, by income category, on Wisconsin taxpayers.

14 (e) No later than January 1, 2005, the commission shall report its findings and  
15 recommendations to the legislature in the manner provided under section 13.172 (2)  
16 of the statutes and to the governor. Upon submitting its report, the commission  
17 ceases to exist.

End of Insert 9 - 23



SENATOR JEFF PLALE  
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Instructions  
for 13

Rick,

ATTACHED IS A MEMO ON THE LAST PAGE OF  
THIS PACKAGE. THANKS AND PLEASE CAN  
WITH QUESTIONS

- JEFF VALENZUELA

Marc,

CAN you redraft  
- 3341 & include  
this piece. You  
should probably put  
your initials first on  
the draft, since you'll  
be "man"! RAC



## Seniors Property Tax Relief Proposal

A maximum refundable credit of \$120, the average increase in property taxes paid on the average value of Wisconsin homes from 2001/02 to 2002/03, would be available to elderly homeowners on claims filed in 2004. The maximum credit would be available to elderly homeowners with household income, as defined for purposes of the Homestead Tax Credit, not exceeding \$45,000 and would be phased out as household income rose to \$85,000. The credit would be one-time relief, payable in 2004 for property taxes accrued in 2003.

About 271,000 elderly couples or individuals would receive an additional \$28 million in property tax relief as a result of the proposed credit. The average credit would be \$102; all filers with income under \$45,000 would get the \$120 maximum.

The credit would be in addition to property tax relief currently provided by the school property tax credit allowed against individual income tax liability and the Homestead credit. The school property tax credit, sometimes called the property tax/rent credit, equals 12% of property tax, or rent constituting property tax, not exceeding \$2,500; the maximum credit is \$300. The credit is nonrefundable, that is, limited to the amount of income tax otherwise due. The Homestead Credit equals 80% of the first \$1,450 of property tax, or rent equivalent, when household income does not exceed \$8,000 and is phased out as income rises to \$24,500. The maximum credit is \$1,160. The Homestead Credit is refundable, that is, any amount in excess of income tax otherwise due is refunded to the claimant.

Currently, about 9% of all property taxes paid by elderly homeowners are refunded through the school property tax and Homestead credits; the new credit would raise this to 12%.

- 1) Credit available to those 65 + over
- 2) just one spouse need be 65 or over
- 3) prorated if not full yr
- 4) like homestead credit, only 1 claimant/household



State of Wisconsin  
2003 - 2004 LEGISLATURE

LRB-3341/23

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2003 BILL

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1 AN ACT to repeal 20.835 (3) (c) and 79.155; to amend 20.866 (2) (xe), 71.52 (6),  
2 71.52 (6), 71.58 (7) (a), 71.58 (7) (a), 74.09 (3) (b) 6., 234.623 (5), 234.625 (1),  
3 655.26 (2), 655.27 (3) (am), 655.27 (4) (a), 655.27 (5) (e) and 655.275 (5) (a)  
4 (intro.); to repeal and recreate 74.09 (3) (b) 6.; and to create 16.406, 20.145  
5 (2) (a), 20.835 (3) (c), 71.54 (2m) and 79.155 of the statutes; relating to:  
6 *creating an individual income tax credit for senior citizens,*  
7 property tax credits based on municipal tax levies; loans issued by the  
8 Wisconsin Housing and Economic Development Authority; refinancing certain  
9 public debt; for taxable year 2004 only, modifying the definition of income under  
10 the homestead tax credit and increasing the homestead tax credit; a transfer  
11 from the patients compensation fund to the general fund; studying the  
12 feasibility of covering local government and school district employees under the  
state employee health care coverage program; studying the state's state and

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1 local tax structure; granting rule-making authority; and making  
2 appropriations.

***Analysis by the Legislative Reference Bureau***

This bill does all of the following:

1. This bill creates, for property tax assessments payable in 2005, a property tax credit for all taxpayers whose property is located in a municipality that increases its municipal purpose levy for 2004 by an amount that is 2 percent or less of the amount of the municipality's municipal purpose levy for 2003. If the municipality's municipal purpose levy for 2004 is the same amount as the municipality's municipal purpose levy for 2003, the municipality will receive an amount to distribute as tax credits that is equal to the taxes levied by the municipality for municipal purposes in 2004, multiplied by 25 percent. If the municipality increased its municipal purpose levy for 2004 by an amount that is greater than 0 percent, but not more than 2 percent, of the amount of the municipality's municipal purpose levy for 2003, the municipality will receive an amount to distribute as tax credits that is equal to the taxes levied by the municipality for municipal purposes in 2004, multiplied by 12.5 percent. The estimated amount to be distributed to municipalities in fiscal year 2004-05 is \$350,000,000.

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→ Under current law, for claims filed in 2001 and thereafter, the homestead tax credit threshold income is \$8,000, the maximum property taxes, or rent constituting property taxes, that a claimant may use in calculating his or her credit are \$1,450, and the maximum income is \$24,500. Under the current law formula, as a claimant's income exceeds \$8,000, the credit is phased out until the credit equals zero when income exceeds \$24,500. Also under the formula, if the household income is \$8,000 or less, the credit is 80% of the property taxes accrued or rent constituting property taxes accrued. Using the formula, the credit that may be claimed ranges from \$10 to \$1,160.

Under this bill, for claims filed in 2005, based on property taxes accrued or rent constituting property taxes accrued in 2004, a claimant may claim a credit of 120% of the amount that he or she is otherwise eligible to claim using the current law formula.

Also under current law, "income" is defined under the homestead tax credit as the sum of Wisconsin adjusted gross income (AGI) and a number of other items, to the extent that the other items are not included in Wisconsin AGI, such as certain public assistance payments, nontaxable interest received on state and municipal bonds, unemployment insurance, and all payments received under the federal Social Security Act, other than cash reimbursement payments made under title XX of that act.

Under the bill, for taxable year 2004, the definition of "income" for homestead credit purposes is modified such that only payments received under the Social Security Act in excess of \$2,500 are included in the definition of "income" if social security payments represent at least 50 percent of a claimant's Wisconsin AGI. If



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social security payments do not represent at least 50 percent of a claimant's Wisconsin AGI, the entire amount of such payments is included in the definition of income. Also for taxable year 2004, all amounts of unemployment compensation are excluded from the definition of income under the homestead credit.

→ ~~3.4~~ Currently, before June 30, 2003, for public debt that is used to finance tax-supported or self-amortizing facilities, the state may contract additional public debt in an amount not to exceed \$75,000,000 to refund the indebtedness. The bill increases that amount to \$425,000,000 and provides that the refinancing of the debt must occur before June 30, 2005.

The bill also provides that this public debt may only be contracted if the secretary of administration makes a specific request to the Building Commission and that the secretary may make this request only if the Department of Administration determines that the estimated net general fund balance for the fiscal year is less than the estimated net general fund balance for that fiscal year as shown in the most recent schedule summary.

→ ~~4.5~~ Under current law, certain health care providers are required to carry health care liability insurance with liability limits of at least \$1,000,000 for each occurrence and at least \$3,000,000 for all occurrences in a policy year. Any portion of a medical malpractice claim against a health care provider subject to the health care liability insurance requirements that exceeds the policy limits of the health care provider's health care liability insurance is paid by the patients compensation fund. Money for the fund comes from annual assessments paid by the health care providers subject to the health care liability insurance requirements. This bill transfers from the patients compensation fund to the general fund \$100,000,000 in fiscal year 2003-04 and \$100,000,000 in fiscal year 2004-05, increases the general school aid appropriation by these amounts, and creates a general purpose revenue sum sufficient appropriation to cover payment of any medical malpractice claim that exceeds the moneys remaining in the patients compensation fund.

→ ~~5.6~~ Under current law, a homeowner 65 years of age or older with total household income of no more than \$20,000 may annually apply to the Wisconsin Housing and Economic Development Authority for a loan to pay all or a portion of the individual's current property taxes and special assessments, and any interest or penalties on delinquent property taxes. The maximum annual loan amount is \$2,500. This bill increases the income limit under this program to \$33,500 and increases the maximum annual loan amount to \$3,200.

→ ~~6.7~~ The bill creates a special committee to be called the Commission on Municipal Employer Health Care Coverage Costs (MEHCC), which consists of the governor or his or her designee; the secretary of revenue or his or her designee; the secretary of administration or his or her designee; one member of the assembly, appointed by the speaker of the assembly; one member of the senate, appointed by the president of the senate; one member who represents labor organizations, appointed by the governor; and one member who represents the public interest, appointed by the governor. Under the bill, MEHCC must study the feasibility of allowing all local government and school district employers to provide their employees with health insurance coverage under the health care coverage plan for

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state employees that is administered by the Group Insurance Board and must report its findings and recommendations no later than December 31, 2004.

→ ~~§~~<sup>6</sup>The bill creates a special committee to be called the Commission on State and Local Tax Structure, which consists of members appointed by the governor. The commission must study this state's state and local tax structure and determine the tax burden, by income category, on Wisconsin residents and must report its findings and recommendations no later than January 1, 2005.

For further information see the *state and local* 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:*

1           **SECTION 1.** 16.406 of the statutes is created to read:

2           **16.406 Request to issue certain general obligation debt.** Annually, on or  
3 before September 1, but not after 2005, the department shall prepare an estimate of  
4 the net balances of the general fund for the fiscal year corresponding with the year  
5 in which the department makes an estimate under this section. Copies of the  
6 estimates shall be provided to the cochairpersons of the joint committee on finance  
7 and to the legislative fiscal bureau. If the estimated net general fund balance for the  
8 fiscal year, as certified by the department, is less than the estimated net general fund  
9 balance for that fiscal year as shown in the most recent schedule under s. 20.005 (1),  
10 the secretary of administration may request that the building commission refund the  
11 whole or any part of any unpaid indebtedness used to finance tax-supported or  
12 self-amortizing facilities from moneys appropriated under s. 20:866 (2) (xe).

13           **SECTION 2.** 20.145 (2) (a) of the statutes is created to read:

14           **20.145 (2) (a) Claims payable by patients compensation fund.** A sum sufficient  
15 for paying any portion of a claim for damages arising out of the rendering of health  
16 care services that the patients compensation fund under s. 655.27 is required to pay

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1 under ch. 655 but that the patients compensation fund is unable to pay because of  
2 insufficient moneys.

3 **SECTION 3.** 20.835 (3) (c) of the statutes is created to read:

4 20.835 (3) (c) *Municipal purpose levy credit.* A sum sufficient to make  
5 payments under s. 79.155.

6 **SECTION 4.** 20.835 (3) (c) of the statutes, as created by 2003 Wisconsin Act ....  
7 (this act), is repealed.

8 **SECTION 5.** 20.866 (2) (xe) of the statutes is amended to read:

9 20.866 (2) (xe) *Building commission; refunding tax-supported and*  
10 *self-amortizing general obligation debt incurred before June 30, 2003 2005.* From  
11 the capital improvement fund, a sum sufficient to refund the whole or any part of any  
12 unpaid indebtedness used to finance tax-supported or self-amortizing facilities.  
13 The state may contract public debt in an amount not to exceed \$75,000,000  
14 \$425,000,000 for this purpose. Such indebtedness shall be construed to include any  
15 premium and interest payable with respect thereto. Debt incurred by this paragraph  
16 shall be incurred before June 30, 2003 2005, but only pursuant to a request by the  
17 secretary of administration under s. 16.406, and shall be repaid under the  
18 appropriations providing for the retirement of public debt incurred for  
19 tax-supported and self-amortizing facilities in proportional amounts to the  
20 purposes for which the debt was refinanced.

21 **SECTION 6.** 71.52 (6) of the statutes is amended to read:

22 71.52 (6) "Income" means the sum of Wisconsin adjusted gross income and the  
23 following amounts, to the extent not included in Wisconsin adjusted gross income:  
24 maintenance payments (except foster care maintenance and supplementary  
25 payments excludable under section 131 of the ~~internal revenue code~~ Internal

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5-20

**BILL****SECTION 6**

1 Revenue Code), support money, cash public assistance (not including credit granted  
2 under this subchapter and amounts under s. 46.27), cash benefits paid by counties  
3 under s. 59.53 (21), except as otherwise provided in this subsection the gross amount  
4 of any pension or annuity (including railroad retirement benefits; all payments  
5 received under the federal ~~social security act~~ Social Security Act, except that if such  
6 payments represent at least 50% of a claimant's Wisconsin adjusted gross income,  
7 any payments received under the Social Security Act in excess of \$2,500; and  
8 veterans disability pensions), nontaxable interest received from the federal  
9 government or any of its instrumentalities, nontaxable interest received on state or  
10 municipal bonds, worker's compensation, ~~unemployment insurance~~, the gross  
11 amount of "loss of time" insurance, compensation and other cash benefits received  
12 from the United States for past or present service in the armed forces, scholarship  
13 and fellowship gifts or income, capital gains, gain on the sale of a personal residence  
14 excluded under section 121 of the ~~internal revenue code~~ Internal Revenue Code,  
15 dividends, income of a nonresident or part-year resident who is married to a  
16 full-year resident, housing allowances provided to members of the clergy, the  
17 amount by which a resident manager's rent is reduced, nontaxable income of an  
18 American Indian, nontaxable income from sources outside this state and nontaxable  
19 deferred compensation. Intangible drilling costs, depletion allowances and  
20 depreciation, including first-year depreciation allowances under section 179 of the  
21 ~~internal revenue code~~ Internal Revenue Code, amortization, contributions to  
22 individual retirement accounts under section 219 of the ~~internal revenue code~~  
23 Internal Revenue Code, contributions to Keogh plans, net operating loss  
24 carry-forwards and capital loss carry-forwards deducted in determining Wisconsin  
25 adjusted gross income shall be added to "income". "Income" does not include gifts

**BILL**

1 from natural persons, cash reimbursement payments made under title XX of the  
2 federal ~~social security act~~ Social Security Act, surplus food or other relief in kind  
3 supplied by a governmental agency, the gain on the sale of a personal residence  
4 deferred under section 1034 of the ~~internal revenue code~~ Internal Revenue Code or  
5 nonrecognized gain from involuntary conversions under section 1033 of the ~~internal~~  
6 ~~revenue code~~ Internal Revenue Code. Amounts not included in adjusted gross  
7 income but added to “income” under this subsection in a previous year and repaid  
8 may be subtracted from income for the year during which they are repaid.  
9 Scholarship and fellowship gifts or income that are included in Wisconsin adjusted  
10 gross income and that were added to household income for purposes of determining  
11 the credit under this subchapter in a previous year may be subtracted from income  
12 for the current year in determining the credit under this subchapter. A marital  
13 property agreement or unilateral statement under ch. 766 has no effect in computing  
14 “income” for a person whose homestead is not the same as the homestead of that  
15 person’s spouse.

16 **SECTION 7.** 71.52 (6) of the statutes, as affected by 2003 Wisconsin Act ... (this  
17 act), is amended to read:

18 71.52 (6) “Income” means the sum of Wisconsin adjusted gross income and the  
19 following amounts, to the extent not included in Wisconsin adjusted gross income:  
20 maintenance payments (except foster care maintenance and supplementary  
21 payments excludable under section 131 of the Internal Revenue Code), support  
22 money, cash public assistance (not including credit granted under this subchapter  
23 and amounts under s. 46.27), cash benefits paid by counties under s. 59.53 (21),  
24 ~~except as otherwise provided in this subsection~~ the gross amount of any pension or  
25 annuity (including railroad retirement benefits; all payments received under the

**BILL**

1 federal Social Security Act, ~~except that if such payments represent at least 50% of~~  
2 ~~a claimant's Wisconsin adjusted gross income, any payments received under the~~  
3 ~~Social Security Act in excess of \$2,500; and veterans disability pensions), nontaxable~~  
4 interest received from the federal government or any of its instrumentalities,  
5 nontaxable interest received on state or municipal bonds, worker's compensation,  
6 unemployment insurance, the gross amount of "loss of time" insurance,  
7 compensation and other cash benefits received from the United States for past or  
8 present service in the armed forces, scholarship and fellowship gifts or income,  
9 capital gains, gain on the sale of a personal residence excluded under section 121 of  
10 the Internal Revenue Code, dividends, income of a nonresident or part-year resident  
11 who is married to a full-year resident, housing allowances provided to members of  
12 the clergy, the amount by which a resident manager's rent is reduced, nontaxable  
13 income of an American Indian, nontaxable income from sources outside this state  
14 and nontaxable deferred compensation. Intangible drilling costs, depletion  
15 allowances and depreciation, including first-year depreciation allowances under  
16 section 179 of the Internal Revenue Code, amortization, contributions to individual  
17 retirement accounts under section 219 of the Internal Revenue Code, contributions  
18 to Keogh plans, net operating loss carry-forwards and capital loss carry-forwards  
19 deducted in determining Wisconsin adjusted gross income shall be added to  
20 "income". "Income" does not include gifts from natural persons, cash reimbursement  
21 payments made under title XX of the federal Social Security Act, surplus food or  
22 other relief in kind supplied by a governmental agency, the gain on the sale of a  
23 personal residence deferred under section 1034 of the Internal Revenue Code or  
24 nonrecognized gain from involuntary conversions under section 1033 of the Internal  
25 Revenue Code. Amounts not included in adjusted gross income but added to

**BILL**

1 “income” under this subsection in a previous year and repaid may be subtracted from  
2 income for the year during which they are repaid. Scholarship and fellowship gifts  
3 or income that are included in Wisconsin adjusted gross income and that were added  
4 to household income for purposes of determining the credit under this subchapter in  
5 a previous year may be subtracted from income for the current year in determining  
6 the credit under this subchapter. A marital property agreement or unilateral  
7 statement under ch. 766 has no effect in computing “income” for a person whose  
8 homestead is not the same as the homestead of that person’s spouse.

9 **SECTION 8.** 71.54 (2m) of the statutes is created to read:

10 71.54 (2m) MULTIPLIER FOR 2004. For claims filed in 2005, based on property  
11 taxes accrued or rent constituting property taxes accrued during 2004, a claimant  
12 may claim a credit under this section in an amount equal to the credit amount that  
13 the claimant is eligible for under sub. (1) (f), multiplied by 120 percent.

14 **SECTION 9.** 71.58 (7) (a) of the statutes is amended to read:

15 71.58 (7) (a) For an individual, means income as defined under s. 71.52 (6),  
16 2001 stats., plus nonfarm business losses, plus amounts under s. 46.27, less net  
17 operating loss carry-forwards, less first-year depreciation allowances under section  
18 179 of the internal revenue code and less the first \$25,000 of depreciation expenses  
19 in respect to the farm claimed by all of the individuals in a household.

20 **SECTION 10.** 71.58 (7) (a) of the statutes, as affected by 2003 Wisconsin Act ...  
21 (this act), is amended to read:

22 71.58 (7) (a) For an individual, means income as defined under s. 71.52 (6),  
23 2001 stats., plus nonfarm business losses, plus amounts under s. 46.27, less net  
24 operating loss carry-forwards, less first-year depreciation allowances under section

**BILL****SECTION 10**

1 179 of the internal revenue code and less the first \$25,000 of depreciation expenses  
2 in respect to the farm claimed by all of the individuals in a household.

3 **SECTION 11.** 74.09 (3) (b) 6. of the statutes is amended to read:

4 74.09 (3) (b) 6. The amount of the credit under s. 79.10 (5) allocable to the  
5 property for the previous year and the current year, and the percentage change  
6 between those years, and the amount of the credit under s. 79.155 (3) allocable to the  
7 property for the current year.

8 **SECTION 12.** 74.09 (3) (b) 6. of the statutes, as affected by 2003 Wisconsin Act  
9 .... (this act), is repealed and recreated to read:

10 74.09 (3) (b) 6. The amount of the credit under s. 79.10 (5) allocable to the  
11 property for the previous year and the current year, and the percentage change  
12 between those years.

13 **SECTION 13.** 79.155 of the statutes is created to read:

14 **79.155 Municipal purpose levy credit. (1) DEFINITIONS.** In this section:

15 (a) “Municipal purpose levy” means the amount of total town, village, or city  
16 taxes, excluding total tax increments.

17 (b) “Total tax increments” means total tax increments as defined by rule, and  
18 as adjusted, by the department of revenue, based on the total tax increments  
19 reported on the statement of taxes filed by the taxation district with the department.

20 (c) “Total town, village, or city taxes” means total town, village, or city taxes as  
21 defined by rule, and as adjusted, by the department of revenue, based on the total  
22 town, village, or city taxes reported on the statement of taxes filed by the taxation  
23 district with the department.

24 **(2) DISTRIBUTION TO MUNICIPALITIES.** On or before March 28, 2005, each  
25 municipality that increases its municipal purpose levy for 2004 by an amount that



**BILL**

1 is 2 percent or less of the amount of the municipality's municipal purpose levy for  
2 2003 shall receive, from the appropriation under s. 20.835 (3) (c), an amount  
3 determined as follows:

4 (a) If the municipality's municipal purpose levy for 2004 is the same amount  
5 as the municipality's municipal purpose levy for 2003, an amount equal to the  
6 amount of the taxes levied by the municipality for municipal purposes in 2004,  
7 multiplied by 25 percent.

8 (b) If the municipality increased its municipal purpose levy for 2004 by an  
9 amount that is greater than 0 percent, but not more than 2 percent, of the amount  
10 of the municipality's municipal purpose levy for 2003, an amount equal to the  
11 amount of the taxes levied by the municipality for municipal purposes in 2004,  
12 multiplied by 12.5 percent.

13 (3) CREDIT AGAINST TAX LIABILITY. (a) For the property tax assessments as of  
14 January 1, 2004, every property taxpayer in a municipality that is eligible for a  
15 distribution under sub. (2) shall receive a tax credit in an amount determined by  
16 applying the percentage of the amount of the value of the property assessed to the  
17 taxpayer to the amount of the distribution to be made to the municipality under sub.  
18 (2), except that no taxpayer may receive a credit that is greater than the total amount  
19 of property taxes to be paid on each parcel for which tax is levied for that year by that  
20 taxpayer. The credit under this paragraph shall reduce the property taxes otherwise  
21 payable by the taxpayer.

22 (b) On or before March 1, 2005, each taxation district shall notify the  
23 department of revenue of the total amount of credits allocated under par. (a).

24 (4) CORRECTIONS. (a) If the department of administration or the department  
25 of revenue determines by June 30, 2005, that there was an overpayment in the

**BILL****SECTION 13**

1 distribution to a municipality under sub. (2), the overpayment shall be corrected by  
2 reducing the amount of the municipality's subsequent payment under s. 79.035.

3 (b) If the department of administration or the department of revenue  
4 determines by June 30, 2005, that there was an underpayment in the distribution  
5 to a municipality under sub. (2), the underpayment shall be corrected by increasing  
6 the amount of the municipality's subsequent payment under s. 79.035.

7 (5) APPROPRIATION. The amount that is estimated to be expended from the  
8 appropriation under s. 20.835 (3) (c) is \$350,000,000 in the 2004–05 fiscal year.

9 **SECTION 14.** 79.155 of the statutes, as created by 2003 Wisconsin Act .... (this  
10 act), is repealed.

11 **SECTION 15.** 234.623 (5) of the statutes is amended to read:

12 234.623 (5) The participant earned no more than ~~\$20,000~~ \$33,500 in income,  
13 as defined under s. 71.52 (5), in the year prior to the year in which the property taxes  
14 or special assessments for which the loan is made are due.

15 **SECTION 16.** 234.625 (1) of the statutes is amended to read:

16 234.625 (1) The authority shall enter into agreements with participants and  
17 their co-owners to loan funds to pay property taxes and special assessments on their  
18 qualifying dwelling units. The maximum loan under ss. 234.621 to 234.626 in any  
19 one year is limited to the lesser of ~~\$2,500~~ \$3,200 or the amount obtained by adding  
20 the property taxes levied on the qualifying dwelling unit for the year for which the  
21 loan is sought, the special assessments levied on the dwelling unit, and the interest  
22 and penalties for delinquency attributable to the property taxes or special  
23 assessments. Loans shall bear interest at a rate equal to the prime lending rate at  
24 the time the rate is set, as reported by the federal reserve board in federal reserve  
25 statistical release H. 15, plus 1%. The executive director shall set the rate no later

**BILL**

1 than October 15 of each year, and that rate shall apply to loans made in the following  
2 year.

3 **SECTION 17.** 655.26 (2) of the statutes is amended to read:

4 655.26 (2) By the 15th day of each month, the board of governors shall report  
5 the information specified in sub. (1) to the medical examining board for each claim  
6 paid by the fund or from the appropriation under s. 20.145 (2) (a) during the previous  
7 month for damages arising out of the rendering of health care services by a health  
8 care provider or an employee of a health care provider.

9 **SECTION 18.** 655.27 (3) (am) of the statutes is amended to read:

10 655.27 (3) (am) *Assessments for peer review council.* The fund, a mandatory  
11 health care liability risk-sharing plan established under s. 619.04, and a private  
12 health care liability insurer shall be assessed, as appropriate, fees sufficient to cover  
13 the costs of the patients compensation fund peer review council, including costs of  
14 administration, for reviewing claims paid by the fund, or from the appropriation  
15 under s. 20.145 (2) (a), by the plan, and by the insurer, respectively, under s. 655.275  
16 (5). The fees shall be set by the commissioner by rule, after approval by the board  
17 of governors, and shall be collected by the commissioner for deposit in the fund. The  
18 costs of the patients compensation fund peer review council shall be funded from the  
19 appropriation under s. 20.145 (2) (um).

20 **SECTION 19.** 655.27 (4) (a) of the statutes is amended to read:

21 655.27 (4) (a) Moneys shall be withdrawn from the fund, or paid from the  
22 appropriation under s. 20.145 (2) (a), by the commissioner only upon vouchers  
23 approved and authorized by the board of governors.

24 **SECTION 20.** 655.27 (5) (e) of the statutes is amended to read:

**BILL****SECTION 20**

1           655.27 (5) (e) Claims filed against the fund shall be paid in the order received  
2           within 90 days after filing unless appealed by the fund. If the amounts in the fund  
3           are not sufficient to pay all of the claims, claims received after the funds are  
4           exhausted shall be ~~immediately payable the following year in the order in which they~~  
5           ~~were received~~ paid from the appropriation under s. 20.145 (2) (a).

6           **SECTION 21.** 655.275 (5) (a) (intro.) of the statutes is amended to read:

7           655.275 (5) (a) (intro.) The council shall review, within one year of the date of  
8           first payment on the claim, each claim that is paid by the fund, or from the  
9           appropriation under s. 20.145 (2) (a), by a mandatory health care liability  
10          risk-sharing plan established under s. 619.04, by a private health care liability  
11          insurer, or by a self-insurer for damages arising out of the rendering of medical care  
12          by a health care provider or an employee of the health care provider and shall make  
13          recommendations to all of the following:

14          **SECTION 22. Nonstatutory provisions.**

15          (1) COMMISSION ON MUNICIPAL EMPLOYER HEALTH CARE COVERAGE COSTS.

16          (a) In this subsection, “municipal employer” has the meaning given in section  
17          111.70 (1) (j) of the statutes.

18          (b) There is created a special committee to be called the commission on  
19          municipal employer health care coverage costs. The commission shall consist of the  
20          following members:

- 21           1. The governor or his or her designee.
- 22           2. The secretary of revenue or his or her designee.
- 23           3. The secretary of administration or his or her designee.
- 24           4. One member of the assembly, appointed by the speaker of the assembly.
- 25           5. One member of the senate, appointed by the president of the senate.

**BILL**

1           6. One member who represents labor organizations, as defined in section 111.70  
2 (1) (h) of the statutes, appointed by the governor.

3           7. One member who represents the public interest, appointed by the governor.

4           (c) The governor shall call the first meeting of the commission and the  
5 commission, at that meeting, shall select a chairperson.

6           (d) The department of administration shall do all of the following:

7           1. Provide all necessary administrative support services to the commission.

8           2. Reimburse members of the commission for their actual and necessary  
9 expenses incurred in carrying out their functions from the appropriation under  
10 section 20.505 (4) (ba) of the statutes, within the budget of the committee authorized  
11 under section 16.40 (14) of the statutes.

12           (e) The commission shall study the feasibility of allowing municipal employers  
13 to provide their employees with health insurance coverage under section 40.51 (6)  
14 of the statutes.

15           (f) No later than December 31, 2004, the commission shall report its findings  
16 and recommendations to the governor, and to the legislature in the manner provided  
17 in section 13.172 (2) of the statutes. Upon submittal of its report, the commission  
18 ceases to exist.

19           (2) DATE OF SCHOOL AID CALCULATION. Notwithstanding section 121.15 (4) (b) of  
20 the statutes, the department of public instruction shall calculate the total amount  
21 of school aid that each school district will receive in the 2003–04 school year by  
22 November 1, 2003.

23           (3) DATE OF LEVY AMOUNT. Notwithstanding section 120.12 (3) and (4) of the  
24 statutes, each school board of a common or union high school district shall determine

**BILL**

1 the amount necessary to be levied under section 120.12 (3) and (4) of the statutes for  
2 the 2003–04 school year by November 30, 2003.

3 (4) COMMISSION ON STATE AND LOCAL TAX STRUCTURE.

4 (a) There is created a special committee to be called the commission on state  
5 and local tax structure, which shall consist of members appointed by the governor.

6 (b) The governor shall appoint or determine the method of appointment of the  
7 officers of the commission and shall call the first meeting of the commission.

8 (c) The department of administration shall do all of the following:

9 1. Provide all necessary administrative support services to the commission.

10 2. Reimburse members of the commission for their actual and necessary  
11 expenses incurred in carrying out their functions from the appropriation under  
12 section 20.505 (4) (ba) of the statutes, within the budget of the committee authorized  
13 under section 16.40 (14) of the statutes.

14 (d) The commission shall study Wisconsin's state and local tax structure and  
15 determine the tax burden, by income category, on Wisconsin taxpayers.

16 (e) No later than January 1, 2005, the commission shall report its findings and  
17 recommendations to the legislature in the manner provided under section 13.172 (2)  
18 of the statutes and to the governor. Upon submitting its report, the commission  
19 ceases to exist.

20 **SECTION 23. Appropriation changes.**

21 (1) PATIENTS COMPENSATION FUND TRANSFER. There is transferred from the  
22 patients compensation fund to the general fund \$100,000,000 in fiscal year 2003–04  
23 and \$100,000,000 in fiscal year 2004–05.

24 (2) GENERAL EQUALIZATION AIDS. In the schedule under section 20.005 (3) of the  
25 statutes for the appropriation to the department of public instruction under section

**BILL**

1 20.255 (2) (ac) of the statutes, as affected by the acts of 2003, the dollar amount is  
2 increased by \$100,000,000 for fiscal year 2003–04 and the dollar amount is increased  
3 by \$100,000,000 for fiscal year 2004–05 to increase funding for the purpose for which  
4 the appropriation is made.

**SECTION 24. Initial applicability.**

5  
6 (1) PROPERTY TAX DEFERRAL LOANS. The treatment of sections 234.623 (5) and  
7 234.625 (1) of the statutes first applies to applications under section 234.623 (1) of  
8 the statutes that are pending on the effective date of this subsection.

9 (2) The amendment of sections 71.52 (6) (by SECTION 6) and 71.58 (7) (a) (by  
10 SECTION 9) of the statutes first applies to taxable years beginning on January 1, 2004,  
11 and the amendment of sections 71.52 (6) (by SECTION 7) and 71.58 (7) (a) (by SECTION  
12 (10) of the statutes first applies to taxable years beginning on January 1, 2005.

13 **SECTION 25. Effective dates.** This act takes effect on the day after publication,  
14 except as follows:

15 (1) The repeal of sections 20.835 (3) (c) and 79.155 of the statutes and the repeal  
16 and recreation of section 74.09 (3) (b) 6. of the statutes take effect on July 1, 2005.

17 (2) The treatment of section 71.52 (6) (by SECTION 7) and 71.58 (7) (a) (by  
18 SECTION 10) of the statutes takes effect on January 1, 2005.

19 (END)

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2003-2004 DRAFTING INSERT  
FROM THE  
LEGISLATIVE REFERENCE BUREAU

LRB-3341/3insMES  
RC/JK/MS/Rm/PK/ML:all:jf

SA J  
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This bill creates

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2. ~~Creates~~ a refundable individual income tax credit, for taxable year 2003 only, for senior citizens who are at least 65 years old. A claimant under the credit must reside in and own his or her principal dwelling, which must be located in this state. Similar to the homestead credit, if both spouses of a married couple are eligible to claim the credit, they must decide between them who the claimant is.

If the claimant's household income is \$45,000 or less, the claimant may claim a credit of \$120. The credit amount is phased down to zero as the claimant's income increases from more than \$45,000 to less than \$85,000, and no credit may be claimed if the claimant's income is \$85,000 or more. The credit amount that may be claimed under the bill is also prorated if the claimant, or the claimant's spouse, is a part-year resident of the state or if the claimant's spouse is a nonresident of the state, based on a ratio of the claimant's Wisconsin adjusted gross income (AGI) to federal AGI. If the amount of the credit for which the claimant is eligible exceeds the claimant's tax liability, the excess amount of the credit is refunded to the claimant by check.

INSERT 5-2

SECTION 1. 20.835 (2) (e) of the statutes is created to read:

20.835 (2) (e) *Senior citizen tax credit.* A sum sufficient to pay the claims approved under s. 71.07 (8m).

INSERT 5-20

SECTION 2. 71.07 (8m) of the statutes is created to read:

71.07 (8m) SENIOR CITIZEN TAX CREDIT. (a) *Definitions.* In this subsection:

1. "Claimant" means an individual who files a claim under this subsection, is at least 65 years old in the year to which the claim relates, and who resides in and owns his or her principal dwelling, which must be located in this state. When 2 individuals of a household are able to meet the qualifications for a claimant, they may determine between them as to who the claimant is. If they are unable to agree, the matter shall be referred to the secretary of revenue and the secretary's decision is final.

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2. "Household" means a claimant and an individual related to the claimant as husband or wife.

3. "Household income" has the meaning given in s. 71.52 (5).

4. "Income" has the meaning given in s. 71.52 (6).

(b) *Filing claims.* Subject to the limitations provided in this subsection, a claimant may claim as a credit against the tax imposed under s. 71.02 an amount that is calculated under this paragraph, and if the allowable amount of the claim exceeds the income taxes otherwise due on the claimant's income, the amount of the claim not used as an offset against those taxes shall be certified by the department of revenue to the department of administration for payment to the claimant by check, share draft, or other draft from the appropriation under s. 20.835 (2) (e):

1. If the claimant's household income is \$45,000 or less in the year to which the claim relates, the claimant may claim a credit of \$120.

2. If the claimant's household income is greater than \$45,000 but less than \$85,000 in the year to which the claim relates, the claimant may claim a credit calculated as follows:

a. Calculate the value of a fraction, the denominator of which is \$40,000 and the numerator of which is the difference between the claimant's household income and \$45,000.

b. Subtract from 1.0 the amount that is calculated under <sup>this</sup> subd. 2. a.

c. Multiply \$120 by the amount that is calculated under <sup>this</sup> subd. 2. b.

(c) *Limitations.* 1. No credit may be allowed under this subsection unless it is claimed within the time period under s. 71.75 (2).

2. For a claimant who is a part-year resident of this state and who is a single person or a married person filing a separate return, multiply the credit for which the

✓

claimant is eligible under par. (b) by a fraction the numerator of which is the individual's Wisconsin adjusted gross income and the denominator of which is the individual's federal adjusted gross income. If a claimant is married and files a joint return, and if the claimant or the claimant's spouse, or both, are part-year residents of this state, or if the claimant's spouse is a nonresident of this state, multiply the credit for which the claimant is eligible under par. (b) by a fraction the numerator of which is the couple's joint Wisconsin adjusted gross income and the denominator of which is the couple's joint federal adjusted gross income. ✓

3. Nonresidents of this state are not eligible for the credit under this subsection. ✓

4. No credit may be claimed under this subsection if the claimant's household income is \$85,000 or more. ✓

5. No credit may be claimed under this subsection for a taxable year that begins after December 31, 2003. ✓ *\*6. Only one claim may be filed each taxable year per household.*

(d) *Administration.* The department may enforce the credit under this subsection and may take any action, conduct any proceeding, and proceed as it is authorized in respect to taxes under this chapter. The income tax provisions in this chapter relating to assessments, refunds, appeals, collection, interest, and penalties apply to the credit under this subsection. ✓

**SECTION 3.** 71.08 (1) (intro.) of the statutes is amended to read:

71.08 (1) IMPOSITION. (intro.) If the tax imposed on a natural person, married couple filing jointly, trust or estate under s. 71.02, not considering the credits under ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (2fd), (3m), (3s), (6), (6s), (8m), and (9e), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (2m) and (3) and 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (2m) and (3) and subchs. VIII and IX and payments to other states under s. 71.07 (7), is less than the

tax under this section, there is imposed on that natural person, married couple filing jointly, trust or estate, instead of the tax under s. 71.02, an alternative minimum tax computed as follows:

~~NOTE NOTE Sub. (1) (intro.) is shown as amended eff. 7-30-02 by 2001 Wis. Act 109. However, the treatment by 2002 Wis. Act 109 was held to be unconstitutional and void by the United States District Court for the Western District of Wisconsin in Wisconsin Realtors Assoc. v. Ponto, Case # 02-C-424-C. Prior to 7-30-02 it read:NOTE~~

~~(1) Imposition. If the tax imposed on a natural person, married couple filing jointly, trust or estate under s. 71.02, not considering the credits under ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dl), (2dr), (2ds), (2dx), (2fd), (3m), (3s), (6), and (9e), 71.28 (1dd), (1de), (1di), (1dj), (1dl), (1ds), (1dx), (1fd), (2m) and (3) and 71.47 (1dd), (1de), (1di), (1dj), (1dl), (1ds), (1dx), (1fd), (2m) and (3) and subchs. VIII and IX and payments to other states under s. 71.07 (7), is less than the tax under this section, there is imposed on that natural person, married couple filing jointly, trust or estate, instead of the tax under s. 71.02, an alternative minimum tax computed as follows:~~

~~History: 1987 a. 312, 411; 1989 a. 31; 1991 a. 39; 1995 a. 27, 209; 1997 a. 27, 237; 1999 a. 9; 2001 a. 109.~~

**SECTION 4. 71.10 (4) (i) of the statutes is amended to read:**

71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland preservation credit under subch. IX, homestead credit under subch. VIII, farmland tax relief credit under s. 71.07 (3m), farmers' drought property tax credit under s. 71.07 (2fd), senior citizens tax credit under s. 71.07 (8m), earned income tax credit under s. 71.07 (9e), estimated tax payments under s. 71.09, and taxes withheld under subch. X.

~~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, 109; 2003 a. 33.~~

**INSERT 17-12**

~~(8)~~ The treatment of section 71.07 (8m) of the statutes first applies to taxable years beginning on January 1, 2003.

Use  
auto  
number not  
hard number

**Kahler, Pam**

---

**From:** Venskus, Katy  
**Sent:** Thursday, October 02, 2003 12:34 PM  
**To:** Kahler, Pam  
**Subject:** re-draft on LRB 3341

Pam-

Can you re-draft the transfer from patient's comp to be a \$250 million appropriation out of the residual monies left over after the gov's vetos?  
Call if you have questions.

Thanks,  
Katy

Katy Venskus  
Office of Senator Jeff Plale  
State Capitol, 106 South  
Madison, WI  
608.266.7505

use general fund \$  
w/o patients compensation  
fund transfer  
for school aids ↑ and for  
Homestead credit change



State of Wisconsin  
2003 - 2004 LEGISLATURE

LRB-3341/4  
MS/RC/JK/RM/ML:all:pb

PK  
out

rm is run

2003 BILL

Friday

Repeal ↓

1 AN ACT *to repeal* 20.835 (3) (c) and 79.155; *to amend* 20.866 (2) (xe), 71.08 (1)

2 (intro.), 71.10 (4) (i), 71.52 (6), 71.52 (6), 71.58 (7) (a), 71.58 (7) (a), 74.09 (3) (b)

3 6., 234.623 (5), 234.625 (1), 655.26 (2), 655.27 (3) (am), 655.27 (4) (a), 655.27 (5)

4 (e) and 655.275 (5) (a) (intro.); *to repeal and recreate* 74.09 (3) (b) 6.; and *to*

5 *create* 16.406, 20.145 (2) (a), 20.835 (2) (e), 20.835 (3) (c), 71.07 (8m), 71.54 (2m)

6 and 79.155 of the statutes; **relating to:** property tax credits based on municipal

7 tax levies; loans issued by the Wisconsin Housing and Economic Development

8 Authority; refinancing certain public debt; for taxable year 2004 only, creating

9 an individual income tax credit for senior citizens, modifying the definition of

10 income under the homestead tax credit and increasing the homestead tax

11 credit, a transfer from the patients compensation fund to the general fund;

12 studying the feasibility of covering local government and school district

13 employees under the state employee health care coverage program; studying

**BILL**

1 the state's state and local tax structure; granting rule-making authority; and  
2 making appropriations.

---

***Analysis by the Legislative Reference Bureau***

This bill does all of the following:

1. This bill creates, for property tax assessments payable in 2005, a property tax credit for all taxpayers whose property is located in a municipality that increases its municipal purpose levy for 2004 by an amount that is 2 percent or less of the amount of the municipality's municipal purpose levy for 2003. If the municipality's municipal purpose levy for 2004 is the same amount as the municipality's municipal purpose levy for 2003, the municipality will receive an amount to distribute as tax credits that is equal to the taxes levied by the municipality for municipal purposes in 2004, multiplied by 25 percent. If the municipality increased its municipal purpose levy for 2004 by an amount that is greater than 0 percent, but not more than 2 percent, of the amount of the municipality's municipal purpose levy for 2003, the municipality will receive an amount to distribute as tax credits that is equal to the taxes levied by the municipality for municipal purposes in 2004, multiplied by 12.5 percent. The estimated amount to be distributed to municipalities in fiscal year 2004-05 is \$350,000,000.

2. This bill creates a refundable individual income tax credit, for taxable year 2003 only, for senior citizens who are at least 65 years old. A claimant under the credit must reside in and own his or her principal dwelling, which must be located in this state. Similar to the homestead credit, if both spouses of a married couple are eligible to claim the credit, they must decide between them who the claimant is.

If the claimant's household income is \$45,000 or less, the claimant may claim a credit of \$120. The credit amount is phased down to zero as the claimant's income increases from more than \$45,000 to less than \$85,000, and no credit may be claimed if the claimant's income is \$85,000 or more. The credit amount that may be claimed under the bill is also prorated if the claimant, or the claimant's spouse, is a part-year resident of the state or if the claimant's spouse is a nonresident of the state, based on a ratio of the claimant's Wisconsin adjusted gross income (AGI) to federal AGI. If the amount of the credit for which the claimant is eligible exceeds the claimant's tax liability, the excess amount of the credit is refunded to the claimant by check.

3. Under current law, for claims filed in 2001 and thereafter, the homestead tax credit threshold income is \$8,000, the maximum property taxes, or rent constituting property taxes, that a claimant may use in calculating his or her credit are \$1,450, and the maximum income is \$24,500. Under the current law formula, as a claimant's income exceeds \$8,000, the credit is phased out until the credit equals zero when income exceeds \$24,500. Also under the formula, if the household income is \$8,000 or less, the credit is 80% of the property taxes accrued or rent constituting property taxes accrued. Using the formula, the credit that may be claimed ranges from \$10 to \$1,160.

**BILL**

Under this bill, for claims filed in 2005, based on property taxes accrued or rent constituting property taxes accrued in 2004, a claimant may claim a credit of 120% of the amount that he or she is otherwise eligible to claim using the current law formula.

Also under current law, "income" is defined under the homestead tax credit as the sum of Wisconsin adjusted gross income (AGI) and a number of other items, to the extent that the other items are not included in Wisconsin AGI, such as certain public assistance payments, nontaxable interest received on state and municipal bonds, unemployment insurance, and all payments received under the federal Social Security Act, other than cash reimbursement payments made under title XX of that act.

Under the bill, for taxable year 2004, the definition of "income" for homestead credit purposes is modified such that only payments received under the Social Security Act in excess of \$2,500 are included in the definition of "income" if social security payments represent at least 50 percent of a claimant's Wisconsin AGI. If social security payments do not represent at least 50 percent of a claimant's Wisconsin AGI, the entire amount of such payments is included in the definition of income. Also for taxable year 2004, all amounts of unemployment compensation are excluded from the definition of income under the homestead credit.

4. Currently, before June 30, 2003, for public debt that is used to finance tax-supported or self-amortizing facilities, the state may contract additional public debt in an amount not to exceed \$75,000,000 to refund the indebtedness. The bill increases that amount to \$425,000,000 and provides that the refinancing of the debt must occur before June 30, 2005.

The bill also provides that this public debt may only be contracted if the secretary of administration makes a specific request to the Building Commission and that the secretary may make this request only if the Department of Administration determines that the estimated net general fund balance for the fiscal year is less than the estimated net general fund balance for that fiscal year as shown in the most recent schedule summary.

5. Under current law, certain health care providers are required to carry health care liability insurance with liability limits of at least \$1,000,000 for each occurrence and at least \$3,000,000 for all occurrences in a policy year. Any portion of a medical malpractice claim against a health care provider subject to the health care liability insurance requirements that exceeds the policy limits of the health care provider's health care liability insurance is paid by the patients compensation fund. Money for the fund comes from annual assessments paid by the health care providers subject to the health care liability insurance requirements. This bill ~~increases the patients compensation fund to the general fund~~ \$100,000,000 in fiscal year 2003-04 and \$100,000,000 in fiscal year 2004-05, ~~increases the general school aid appropriation by these amounts, and creates a general purpose revenue surcharge sufficient appropriation to cover payment of any medical malpractice claim that exceeds the moneys remaining in the patients compensation fund.~~

6. Under current law, a homeowner 65 years of age or older with total household income of no more than \$20,000 may annually apply to the Wisconsin Housing and

**BILL**

Economic Development Authority for a loan to pay all or a portion of the individual's current property taxes and special assessments, and any interest or penalties on delinquent property taxes. The maximum annual loan amount is \$2,500. This bill increases the income limit under this program to \$33,500 and increases the maximum annual loan amount to \$3,200.

7. The bill creates a special committee to be called the Commission on Municipal Employer Health Care Coverage Costs (MEHCC), which consists of the governor or his or her designee; the secretary of revenue or his or her designee; the secretary of administration or his or her designee; one member of the assembly, appointed by the speaker of the assembly; one member of the senate, appointed by the president of the senate; one member who represents labor organizations, appointed by the governor; and one member who represents the public interest, appointed by the governor. Under the bill, MEHCC must study the feasibility of allowing all local government and school district employers to provide their employees with health insurance coverage under the health care coverage plan for state employees that is administered by the Group Insurance Board and must report its findings and recommendations no later than December 31, 2004.

8. The bill creates a special committee to be called the Commission on State and Local Tax Structure, which consists of members appointed by the governor. The commission must study this state's state and local tax structure and determine the tax burden, by income category, on Wisconsin residents and must report its findings and recommendations no later than January 1, 2005.

For further information see the *state and local* 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:*

1           **SECTION 1.** 16.406 of the statutes is created to read:

2           **16.406 Request to issue certain general obligation debt.** Annually, on or  
3 before September 1, but not after 2005, the department shall prepare an estimate of  
4 the net balances of the general fund for the fiscal year corresponding with the year  
5 in which the department makes an estimate under this section. Copies of the  
6 estimates shall be provided to the cochairpersons of the joint committee on finance  
7 and to the legislative fiscal bureau. If the estimated net general fund balance for the  
8 fiscal year, as certified by the department, is less than the estimated net general fund  
9 balance for that fiscal year as shown in the most recent schedule under s. 20.005 (1),



**BILL**

1 the secretary of administration may request that the building commission refund the  
2 whole or any part of any unpaid indebtedness used to finance tax-supported or  
3 self-amortizing facilities from moneys appropriated under s. 20.866 (2) (xe).

4 **SECTION 2.** 20.145 (2) (a) of the statutes is created to read:

5 20.145 (2) (a) *Claims payable by patients compensation fund.* A sum sufficient  
6 for paying any portion of a claim for damages arising out of the rendering of health  
7 care services that the patients compensation fund under s. 655.27 is required to pay  
8 under ch. 655 but that the patients compensation fund is unable to pay because of  
9 insufficient moneys.

10 **SECTION 3.** 20.835 (2) (e) of the statutes is created to read:

11 20.835 (2) (e) *Senior citizen tax credit.* A sum sufficient to pay the claims  
12 approved under s. 71.07 (8m).

13 **SECTION 4.** 20.835 (3) (c) of the statutes is created to read:

14 20.835 (3) (c) *Municipal purpose levy credit.* A sum sufficient to make  
15 payments under s. 79.155.

16 **SECTION 5.** 20.835 (3) (c) of the statutes, as created by 2003 Wisconsin Act ....  
17 (this act), is repealed.

18 **SECTION 6.** 20.866 (2) (xe) of the statutes is amended to read:

19 20.866 (2) (xe) *Building commission; refunding tax-supported and*  
20 *self-amortizing general obligation debt incurred before June 30, 2003 2005.* From  
21 the capital improvement fund, a sum sufficient to refund the whole or any part of any  
22 unpaid indebtedness used to finance tax-supported or self-amortizing facilities.  
23 The state may contract public debt in an amount not to exceed \$75,000,000  
24 \$425,000,000 for this purpose. Such indebtedness shall be construed to include any  
25 premium and interest payable with respect thereto. Debt incurred by this paragraph

**BILL**

1 shall be incurred before June 30, ~~2003~~ 2005, but only pursuant to a request by the  
2 secretary of administration under s. 16.406, and shall be repaid under the  
3 appropriations providing for the retirement of public debt incurred for  
4 tax-supported and self-amortizing facilities in proportional amounts to the  
5 purposes for which the debt was refinanced.

6 **SECTION 7.** 71.07 (8m) of the statutes is created to read:

7 **71.07 (8m) SENIOR CITIZEN TAX CREDIT.** (a) *Definitions.* In this subsection:

8 1. “Claimant” means an individual who files a claim under this subsection, is  
9 at least 65 years old in the year to which the claim relates, and who resides in and  
10 owns his or her principal dwelling, which must be located in this state. If 2  
11 individuals of a household are able to meet the qualifications for a claimant, they  
12 may determine between them as to who the claimant is. If they are unable to agree,  
13 the matter shall be referred to the secretary of revenue and the secretary’s decision  
14 is final.

15 2. “Household” means a claimant and an individual related to the claimant as  
16 husband or wife.

17 3. “Household income” has the meaning given in s. 71.52 (5).

18 4. “Income” has the meaning given in s. 71.52 (6).

19 (b) *Filing claims.* Subject to the limitations provided in this subsection, a  
20 claimant may claim as a credit against the tax imposed under s. 71.02 an amount  
21 that is calculated under this paragraph, and if the allowable amount of the claim  
22 exceeds the income taxes otherwise due on the claimant’s income, the amount of the  
23 claim not used as an offset against those taxes shall be certified by the department  
24 of revenue to the department of administration for payment to the claimant by check,  
25 share draft, or other draft from the appropriation under s. 20.835 (2) (e):

**BILL**

1           1. If the claimant's household income is \$45,000 or less in the year to which the  
2 claim relates, the claimant may claim a credit of \$120.

3           2. If the claimant's household income is greater than \$45,000 but less than  
4 \$85,000 in the year to which the claim relates, the claimant may claim a credit  
5 calculated as follows:

6           a. Calculate the value of a fraction, the denominator of which is \$40,000 and  
7 the numerator of which is the difference between the claimant's household income  
8 and \$45,000.

9           b. Subtract from 1.0 the amount that is calculated under this subd. 2. a.

10          c. Multiply \$120 by the amount that is calculated under this subd. 2. b.

11          (c) *Limitations.* 1. No credit may be allowed under this subsection unless it  
12 is claimed within the time period under s. 71.75 (2).

13          2. For a claimant who is a part-year resident of this state and who is a single  
14 person or a married person filing a separate return, multiply the credit for which the  
15 claimant is eligible under par. (b) by a fraction the numerator of which is the  
16 individual's Wisconsin adjusted gross income and the denominator of which is the  
17 individual's federal adjusted gross income. If a claimant is married and files a joint  
18 return, and if the claimant or the claimant's spouse, or both, are part-year residents  
19 of this state, or if the claimant's spouse is a nonresident of this state, multiply the  
20 credit for which the claimant is eligible under par. (b) by a fraction the numerator of  
21 which is the couple's joint Wisconsin adjusted gross income and the denominator of  
22 which is the couple's joint federal adjusted gross income.

23          3. Nonresidents of this state are not eligible for the credit under this subsection.

24          4. No credit may be claimed under this subsection if the claimant's household  
25 income is \$85,000 or more.

**BILL**

1           5. No credit may be claimed under this subsection for a taxable year that begins  
2 after December 31, 2003.

3           6. Only one claim may be filed each taxable year per household.

4           (d) *Administration.* The department may enforce the credit under this  
5 subsection and may take any action, conduct any proceeding, and proceed as it is  
6 authorized in respect to taxes under this chapter. The income tax provisions in this  
7 chapter relating to assessments, refunds, appeals, collection, interest, and penalties  
8 apply to the credit under this subsection.

9           **SECTION 8.** 71.08 (1) (intro.) of the statutes is amended to read:

10           71.08 (1) IMPOSITION. (intro.) If the tax imposed on a natural person, married  
11 couple filing jointly, trust or estate under s. 71.02, not considering the credits under  
12 ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (2fd), (3m), (3s), (6),  
13 (6s), (8m), and (9e), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (2m) and  
14 (3) and 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (2m) and (3) and  
15 subchs. VIII and IX and payments to other states under s. 71.07 (7), is less than the  
16 tax under this section, there is imposed on that natural person, married couple filing  
17 jointly, trust or estate, instead of the tax under s. 71.02, an alternative minimum tax  
18 computed as follows:

19           **SECTION 9.** 71.10 (4) (i) of the statutes is amended to read:

20           71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland  
21 preservation credit under subch. IX, homestead credit under subch. VIII, farmland  
22 tax relief credit under s. 71.07 (3m), farmers' drought property tax credit under s.  
23 71.07 (2fd), senior citizen tax credit under s. 71.07 (8m), earned income tax credit  
24 under s. 71.07 (9e), estimated tax payments under s. 71.09, and taxes withheld under  
25 subch. X.

**BILL**

1           **SECTION 10.** 71.52 (6) of the statutes is amended to read:

2           71.52 (6) “Income” means the sum of Wisconsin adjusted gross income and the  
3 following amounts, to the extent not included in Wisconsin adjusted gross income:  
4 maintenance payments (except foster care maintenance and supplementary  
5 payments excludable under section 131 of the ~~internal revenue code~~ Internal  
6 Revenue Code), support money, cash public assistance (not including credit granted  
7 under this subchapter and amounts under s. 46.27), cash benefits paid by counties  
8 under s. 59.53 (21), except as otherwise provided in this subsection the gross amount  
9 of any pension or annuity (including railroad retirement benefits; all payments  
10 received under the federal ~~social security act~~ Social Security Act, except that if such  
11 payments represent at least 50% of a claimant’s Wisconsin adjusted gross income,  
12 any payments received under the Social Security Act in excess of \$2,500; and  
13 veterans disability pensions), nontaxable interest received from the federal  
14 government or any of its instrumentalities, nontaxable interest received on state or  
15 municipal bonds, worker’s compensation, ~~unemployment insurance~~, the gross  
16 amount of “loss of time” insurance, compensation and other cash benefits received  
17 from the United States for past or present service in the armed forces, scholarship  
18 and fellowship gifts or income, capital gains, gain on the sale of a personal residence  
19 excluded under section 121 of the ~~internal revenue code~~ Internal Revenue Code,  
20 dividends, income of a nonresident or part-year resident who is married to a  
21 full-year resident, housing allowances provided to members of the clergy, the  
22 amount by which a resident manager’s rent is reduced, nontaxable income of an  
23 American Indian, nontaxable income from sources outside this state and nontaxable  
24 deferred compensation. Intangible drilling costs, depletion allowances and  
25 depreciation, including first-year depreciation allowances under section 179 of the

**BILL****SECTION 10**

1 ~~internal revenue code~~ Internal Revenue Code, amortization, contributions to  
2 individual retirement accounts under section 219 of the ~~internal revenue code~~  
3 Internal Revenue Code, contributions to Keogh plans, net operating loss  
4 carry-forwards and capital loss carry-forwards deducted in determining Wisconsin  
5 adjusted gross income shall be added to “income”. “Income” does not include gifts  
6 from natural persons, cash reimbursement payments made under title XX of the  
7 federal ~~social security act~~ Social Security Act, surplus food or other relief in kind  
8 supplied by a governmental agency, the gain on the sale of a personal residence  
9 deferred under section 1034 of the ~~internal revenue code~~ Internal Revenue Code or  
10 nonrecognized gain from involuntary conversions under section 1033 of the ~~internal~~  
11 ~~revenue code~~ Internal Revenue Code. Amounts not included in adjusted gross  
12 income but added to “income” under this subsection in a previous year and repaid  
13 may be subtracted from income for the year during which they are repaid.  
14 Scholarship and fellowship gifts or income that are included in Wisconsin adjusted  
15 gross income and that were added to household income for purposes of determining  
16 the credit under this subchapter in a previous year may be subtracted from income  
17 for the current year in determining the credit under this subchapter. A marital  
18 property agreement or unilateral statement under ch. 766 has no effect in computing  
19 “income” for a person whose homestead is not the same as the homestead of that  
20 person’s spouse.

21 **SECTION 11.** 71.52 (6) of the statutes, as affected by 2003 Wisconsin Act ... (this  
22 act), is amended to read:

23 71.52 (6) “Income” means the sum of Wisconsin adjusted gross income and the  
24 following amounts, to the extent not included in Wisconsin adjusted gross income:  
25 maintenance payments (except foster care maintenance and supplementary

**BILL**

1 payments excludable under section 131 of the Internal Revenue Code), support  
2 money, cash public assistance (not including credit granted under this subchapter  
3 and amounts under s. 46.27), cash benefits paid by counties under s. 59.53 (21),  
4 ~~except as otherwise provided in this subsection~~ the gross amount of any pension or  
5 annuity (including railroad retirement benefits; all payments received under the  
6 federal Social Security Act, ~~except that if such payments represent at least 50% of~~  
7 ~~a claimant's Wisconsin adjusted gross income, any payments received under the~~  
8 ~~Social Security Act in excess of \$2,500; and veterans disability pensions), nontaxable~~  
9 interest received from the federal government or any of its instrumentalities,  
10 nontaxable interest received on state or municipal bonds, worker's compensation,  
11 unemployment insurance, the gross amount of "loss of time" insurance,  
12 compensation and other cash benefits received from the United States for past or  
13 present service in the armed forces, scholarship and fellowship gifts or income,  
14 capital gains, gain on the sale of a personal residence excluded under section 121 of  
15 the Internal Revenue Code, dividends, income of a nonresident or part-year resident  
16 who is married to a full-year resident, housing allowances provided to members of  
17 the clergy, the amount by which a resident manager's rent is reduced, nontaxable  
18 income of an American Indian, nontaxable income from sources outside this state  
19 and nontaxable deferred compensation. Intangible drilling costs, depletion  
20 allowances and depreciation, including first-year depreciation allowances under  
21 section 179 of the Internal Revenue Code, amortization, contributions to individual  
22 retirement accounts under section 219 of the Internal Revenue Code, contributions  
23 to Keogh plans, net operating loss carry-forwards and capital loss carry-forwards  
24 deducted in determining Wisconsin adjusted gross income shall be added to  
25 "income". "Income" does not include gifts from natural persons, cash reimbursement

**BILL**

1 payments made under title XX of the federal Social Security Act, surplus food or  
2 other relief in kind supplied by a governmental agency, the gain on the sale of a  
3 personal residence deferred under section 1034 of the Internal Revenue Code or  
4 nonrecognized gain from involuntary conversions under section 1033 of the Internal  
5 Revenue Code. Amounts not included in adjusted gross income but added to  
6 “income” under this subsection in a previous year and repaid may be subtracted from  
7 income for the year during which they are repaid. Scholarship and fellowship gifts  
8 or income that are included in Wisconsin adjusted gross income and that were added  
9 to household income for purposes of determining the credit under this subchapter in  
10 a previous year may be subtracted from income for the current year in determining  
11 the credit under this subchapter. A marital property agreement or unilateral  
12 statement under ch. 766 has no effect in computing “income” for a person whose  
13 homestead is not the same as the homestead of that person’s spouse.

14 **SECTION 12.** 71.54 (2m) of the statutes is created to read:

15 71.54 (2m) MULTIPLIER FOR 2004. For claims filed in 2005, based on property  
16 taxes accrued or rent constituting property taxes accrued during 2004, a claimant  
17 may claim a credit under this section in an amount equal to the credit amount that  
18 the claimant is eligible for under sub. (1) (f), multiplied by 120 percent.

19 **SECTION 13.** 71.58 (7) (a) of the statutes is amended to read:

20 71.58 (7) (a) For an individual, means income as defined under s. 71.52 (6),  
21 2001 stats., plus nonfarm business losses, plus amounts under s. 46.27, less net  
22 operating loss carry-forwards, less first-year depreciation allowances under section  
23 179 of the internal revenue code and less the first \$25,000 of depreciation expenses  
24 in respect to the farm claimed by all of the individuals in a household.



**BILL**

1           **SECTION 14.** 71.58 (7) (a) of the statutes, as affected by 2003 Wisconsin Act ....  
2 (this act), is amended to read:

3           71.58 (7) (a) For an individual, means income as defined under s. 71.52 (6),  
4 ~~2001 stats.~~, plus nonfarm business losses, plus amounts under s. 46.27, less net  
5 operating loss carry-forwards, less first-year depreciation allowances under section  
6 179 of the internal revenue code and less the first \$25,000 of depreciation expenses  
7 in respect to the farm claimed by all of the individuals in a household.

8           **SECTION 15.** 74.09 (3) (b) 6. of the statutes is amended to read:

9           74.09 (3) (b) 6. The amount of the credit under s. 79.10 (5) allocable to the  
10 property for the previous year and the current year, and the percentage change  
11 between those years, and the amount of the credit under s. 79.155 (3) allocable to the  
12 property for the current year.

13           **SECTION 16.** 74.09 (3) (b) 6. of the statutes, as affected by 2003 Wisconsin Act  
14 .... (this act), is repealed and recreated to read:

15           74.09 (3) (b) 6. The amount of the credit under s. 79.10 (5) allocable to the  
16 property for the previous year and the current year, and the percentage change  
17 between those years.

18           **SECTION 17.** 79.155 of the statutes is created to read:

19           **79.155 Municipal purpose levy credit. (1) DEFINITIONS.** In this section:

20           (a) “Municipal purpose levy” means the amount of total town, village, or city  
21 taxes, excluding total tax increments.

22           (b) “Total tax increments” means total tax increments as defined by rule, and  
23 as adjusted, by the department of revenue, based on the total tax increments  
24 reported on the statement of taxes filed by the taxation district with the department.

**BILL**

1 (c) “Total town, village, or city taxes” means total town, village, or city taxes as  
2 defined by rule, and as adjusted, by the department of revenue, based on the total  
3 town, village, or city taxes reported on the statement of taxes filed by the taxation  
4 district with the department.

5 (2) DISTRIBUTION TO MUNICIPALITIES. On or before March 28, 2005, each  
6 municipality that increases its municipal purpose levy for 2004 by an amount that  
7 is 2 percent or less of the amount of the municipality’s municipal purpose levy for  
8 2003 shall receive, from the appropriation under s. 20.835 (3) (c), an amount  
9 determined as follows:

10 (a) If the municipality’s municipal purpose levy for 2004 is the same amount  
11 as the municipality’s municipal purpose levy for 2003, an amount equal to the  
12 amount of the taxes levied by the municipality for municipal purposes in 2004,  
13 multiplied by 25 percent.

14 (b) If the municipality increased its municipal purpose levy for 2004 by an  
15 amount that is greater than 0 percent, but not more than 2 percent, of the amount  
16 of the municipality’s municipal purpose levy for 2003, an amount equal to the  
17 amount of the taxes levied by the municipality for municipal purposes in 2004,  
18 multiplied by 12.5 percent.

19 (3) CREDIT AGAINST TAX LIABILITY. (a) For the property tax assessments as of  
20 January 1, 2004, every property taxpayer in a municipality that is eligible for a  
21 distribution under sub. (2) shall receive a tax credit in an amount determined by  
22 applying the percentage of the amount of the value of the property assessed to the  
23 taxpayer to the amount of the distribution to be made to the municipality under sub.  
24 (2), except that no taxpayer may receive a credit that is greater than the total amount  
25 of property taxes to be paid on each parcel for which tax is levied for that year by that

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1 taxpayer. The credit under this paragraph shall reduce the property taxes otherwise  
2 payable by the taxpayer.

3 (b) On or before March 1, 2005, each taxation district shall notify the  
4 department of revenue of the total amount of credits allocated under par. (a).

5 (4) CORRECTIONS. (a) If the department of administration or the department  
6 of revenue determines by June 30, 2005, that there was an overpayment in the  
7 distribution to a municipality under sub. (2), the overpayment shall be corrected by  
8 reducing the amount of the municipality's subsequent payment under s. 79.035.

9 (b) If the department of administration or the department of revenue  
10 determines by June 30, 2005, that there was an underpayment in the distribution  
11 to a municipality under sub. (2), the underpayment shall be corrected by increasing  
12 the amount of the municipality's subsequent payment under s. 79.035.

13 (5) APPROPRIATION. The amount that is estimated to be expended from the  
14 appropriation under s. 20.835 (3) (c) is \$350,000,000 in the 2004–05 fiscal year.

15 **SECTION 18.** 79.155 of the statutes, as created by 2003 Wisconsin Act .... (this  
16 act), is repealed.

17 **SECTION 19.** 234.623 (5) of the statutes is amended to read:

18 234.623 (5) The participant earned no more than ~~\$20,000~~ \$33,500 in income,  
19 as defined under s. 71.52 (5), in the year prior to the year in which the property taxes  
20 or special assessments for which the loan is made are due.

21 **SECTION 20.** 234.625 (1) of the statutes is amended to read:

22 234.625 (1) The authority shall enter into agreements with participants and  
23 their co-owners to loan funds to pay property taxes and special assessments on their  
24 qualifying dwelling units. The maximum loan under ss. 234.621 to 234.626 in any  
25 one year is limited to the lesser of ~~\$2,500~~ \$3,200 or the amount obtained by adding

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1 the property taxes levied on the qualifying dwelling unit for the year for which the  
2 loan is sought, the special assessments levied on the dwelling unit, and the interest  
3 and penalties for delinquency attributable to the property taxes or special  
4 assessments. Loans shall bear interest at a rate equal to the prime lending rate at  
5 the time the rate is set, as reported by the federal reserve board in federal reserve  
6 statistical release H. 15, plus 1%. The executive director shall set the rate no later  
7 than October 15 of each year, and that rate shall apply to loans made in the following  
8 year.

9 **SECTION 21.** 655.26 (2) of the statutes is amended to read:

10 655.26 (2) By the 15th day of each month, the board of governors shall report  
11 the information specified in sub. (1) to the medical examining board for each claim  
12 ~~paid by the fund or from the appropriation under s. 20.145 (2) (a) during the previous~~  
13 ~~month for damages arising out of the rendering of health care services by a health~~  
14 ~~care provider or an employee of a health care provider.~~

15 **SECTION 22.** 655.27 (3) (am) of the statutes is amended to read:

16 655.27 (3) (am) ~~Assessments for peer review council.~~ The fund, a mandatory  
17 health care liability risk-sharing plan established under s. 619.04, and a private  
18 health care liability insurer shall be assessed, as appropriate, fees sufficient to cover  
19 the costs of the patients compensation fund peer review council, including costs of  
20 administration, for reviewing claims paid by the fund, ~~or from the appropriation~~  
21 ~~under s. 20.145 (2) (a), by the plan, and by the insurer, respectively, under s. 655.275~~  
22 (5). The fees shall be set by the commissioner by rule, after approval by the board  
23 of governors, and shall be collected by the commissioner for deposit in the fund. The  
24 costs of the patients compensation fund peer review council shall be funded from the  
25 appropriation under s. 20.145 (2) (um).

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1           **SECTION 23.** 655.27 (4) (a) of the statutes is amended to read:

2           655.27 (4) (a) Moneys shall be withdrawn from the fund, or paid from the  
3           appropriation under s. 20.145 (2) (a), by the commissioner only upon vouchers  
4           approved and authorized by the board of governors.

5           **SECTION 24.** 655.27 (5) (e) of the statutes is amended to read:

6           655.27 (5) (e) Claims filed against the fund shall be paid in the order received  
7           within 90 days after filing unless appealed by the fund. If the amounts in the fund  
8           are not sufficient to pay all of the claims, claims received after the funds are  
9           exhausted shall be ~~immediately payable the following year in the order in which they~~  
10          ~~were received~~ paid from the appropriation under s. 20.145 (2) (a).

11          **SECTION 25.** 655.275 (5) (a) (intro.) of the statutes is amended to read:

12          655.275 (5) (a) (intro.) The council shall review, within one year of the date of  
13          first payment on the claim, each claim that is paid by the fund, or from the  
14          appropriation under s. 20.145 (2) (a), by a mandatory health care liability  
15          risk-sharing plan established under s. 619.04, by a private health care liability  
16          ~~insurer, or by a self-insurer for damages arising out of the rendering of medical care~~  
17          by a health care provider or an employee of the health care provider and shall make  
18          recommendations to all of the following:

19          **SECTION 26. Nonstatutory provisions.**

20          (1) COMMISSION ON MUNICIPAL EMPLOYER HEALTH CARE COVERAGE COSTS.

21          (a) In this subsection, “municipal employer” has the meaning given in section  
22          111.70 (1) (j) of the statutes.

23          (b) There is created a special committee to be called the commission on  
24          municipal employer health care coverage costs. The commission shall consist of the  
25          following members:

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1           1. The governor or his or her designee.

2           2. The secretary of revenue or his or her designee.

3           3. The secretary of administration or his or her designee.

4           4. One member of the assembly, appointed by the speaker of the assembly.

5           5. One member of the senate, appointed by the president of the senate.

6           6. One member who represents labor organizations, as defined in section 111.70

7 (1) (h) of the statutes, appointed by the governor.

8           7. One member who represents the public interest, appointed by the governor.

9           (c) The governor shall call the first meeting of the commission and the  
10 commission, at that meeting, shall select a chairperson.

11           (d) The department of administration shall do all of the following:

12           1. Provide all necessary administrative support services to the commission.

13           2. Reimburse members of the commission for their actual and necessary  
14 expenses incurred in carrying out their functions from the appropriation under  
15 section 20.505 (4) (ba) of the statutes, within the budget of the committee authorized  
16 under section 16.40 (14) of the statutes.

17           (e) The commission shall study the feasibility of allowing municipal employers  
18 to provide their employees with health insurance coverage under section 40.51 (6)  
19 of the statutes.

20           (f) No later than December 31, 2004, the commission shall report its findings  
21 and recommendations to the governor, and to the legislature in the manner provided  
22 in section 13.172 (2) of the statutes. Upon submittal of its report, the commission  
23 ceases to exist.

24           (2) DATE OF SCHOOL AID CALCULATION. Notwithstanding section 121.15 (4) (b) of  
25 the statutes, the department of public instruction shall calculate the total amount

**BILL**

1 of school aid that each school district will receive in the 2003–04 school year by  
2 November 1, 2003.

3 (3) DATE OF LEVY AMOUNT. Notwithstanding section 120.12 (3) and (4) of the  
4 statutes, each school board of a common or union high school district shall determine  
5 the amount necessary to be levied under section 120.12 (3) and (4) of the statutes for  
6 the 2003–04 school year by November 30, 2003.

7 (4) COMMISSION ON STATE AND LOCAL TAX STRUCTURE.

8 (a) There is created a special committee to be called the commission on state  
9 and local tax structure, which shall consist of members appointed by the governor.

10 (b) The governor shall appoint or determine the method of appointment of the  
11 officers of the commission and shall call the first meeting of the commission.

12 (c) The department of administration shall do all of the following:

13 1. Provide all necessary administrative support services to the commission.

14 2. Reimburse members of the commission for their actual and necessary  
15 expenses incurred in carrying out their functions from the appropriation under  
16 section 20.505 (4) (ba) of the statutes, within the budget of the committee authorized  
17 under section 16.40 (14) of the statutes.

18 (d) The commission shall study Wisconsin's state and local tax structure and  
19 determine the tax burden, by income category, on Wisconsin taxpayers.

20 (e) No later than January 1, 2005, the commission shall report its findings and  
21 recommendations to the legislature in the manner provided under section 13.172 (2)  
22 of the statutes and to the governor. Upon submitting its report, the commission  
23 ceases to exist.

24 **SECTION 27. Appropriation changes.**

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1 (1) PATIENTS COMPENSATION FUND TRANSFER. There is transferred from the  
2 patients compensation fund to the general fund \$100,000,000 in fiscal year 2003-04  
3 and \$100,000,000 in fiscal year 2004-05.

4 STE (A) GENERAL EQUALIZATION AIDS. In the schedule under section 20.005 (3) of the  
5 statutes for the appropriation to the department of public instruction under section  
6 20.255 (2) (ac) of the statutes, as affected by the acts of 2003, the dollar amount is  
7 increased by \$100,000,000 for fiscal year 2003-04 and the dollar amount is increased  
8 by \$100,000,000 for fiscal year 2004-05 to increase funding for the purpose for which  
9 the appropriation is made.

**SECTION 28. Initial applicability.**

11 (1) PROPERTY TAX DEFERRAL LOANS. The treatment of sections 234.623 (5) and  
12 234.625 (1) of the statutes first applies to applications under section 234.623 (1) of  
13 the statutes that are pending on the effective date of this subsection.

14 (2) The amendment of sections 71.52 (6) (by SECTION 10) and 71.58 (7) (a) (by  
15 SECTION 13) of the statutes first applies to taxable years beginning on January 1,  
16 2004, and the amendment of sections 71.52 (6) (by SECTION 11) and 71.58 (7) (a) (by  
17 SECTION 14) of the statutes first applies to taxable years beginning on January 1,  
18 2005.

19 (3) The treatment of section 71.07 (8m) of the statutes first applies to taxable  
20 years beginning on January 1, 2003.

21 **SECTION 29. Effective dates.** This act takes effect on the day after publication,  
22 except as follows:

23 (1) The repeal of sections 20.835 (3) (c) and 79.155 of the statutes and the repeal  
24 and recreation of section 74.09 (3) (b) 6. of the statutes take effect on July 1, 2005.







# State of Wisconsin

## LEGISLATIVE REFERENCE BUREAU

1 EAST MAIN, SUITE 200  
P. O. BOX 2037  
MADISON, WI 53701-2037

LEGAL SECTION: (608) 266-3561  
REFERENCE SECTION: (608) 266-0341  
FAX: (608) 264-6948

STEPHEN R. MILLER  
CHIEF

LRB

November 26, 2003

## MEMORANDUM

**To:** Senator Plale

**From:** Joseph T. Kreye, Legislative Attorney, (608) 266-2263  
Marc E. Shovers, Sr. Legislative Attorney, (608) 266-0129

**Subject:** Technical Memorandum to **SB-278** (LRB 03-3341/4)

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We received the attached technical memorandum relating to your bill. This copy is for your information and your file. If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

LRB

**MEMORANDUM**

October 16, 2003

**TO:** Joseph Kreye and Marc Shovers  
Legislative Reference Bureau

**FROM:** Dennis Collier  
Department of Revenue

**SUBJECT:** Technical Memorandum on 2003 SB 278 Relating to Property Tax Credits Based on Municipal Levies and Other Issues

Under Section 16 of the bill, the municipal purpose levy credit would be paid to a municipality if its levy for 2004 equals its levy for 2003 or does not exceed its levy for 2003 by not more than 2%. However, no credit would be paid to a municipality whose 2004 levy was less than its levy for 2003. As a result, a municipality able to reduce its levy for 2004 would have an incentive to maintain it at the 2003 level. There were about 360 municipalities whose levy for 2003 was less than the levy for 2002.

When Section 16 of the bill refers to the municipal purpose levies for 2003 and 2004, we have assumed that this means the property taxes billed in the prior December for collection in the year indicated. Thus, the levy for 2003 refers to the municipal levies billed in December 2002 due for payment in 2003, and the levy for 2004 refers to the levies billed in December 2003 due for payment in 2004.

Under Section 9 of the bill, if social security payments represent at least 50% of a claimant's Wisconsin adjusted gross income (WAGI), only social security payments in excess of \$2,500 must be included in household income. For example, if the claimant's WAGI is \$10,000 and the person received \$4,999 of social security income, \$4,999 would be included in household income. However, if the person received \$5,000 of social security benefits, only \$2,500 would be included in household income. Thus, the amount of social security benefits included in household income can vary substantially for claimants with only slight differences in income. Also, since the amount of Homestead Tax Credit that may be claimed is determined by the claimant's household income, the Department suggests using household income in place of WAGI in determining whether or not the claimant's social security payments represent at least 50% of a claimant's income.

Under Section 9 of the bill, unemployment compensation, to the extent that it is not included in WAGI, is included in household income. Unemployment compensation included in WAGI will continue to be included in household income.

The proposed senior citizen credit in sec. 71.07 (8m) applies only for taxable years beginning in 2003. As the 2003 forms will be going to the printer within a few weeks, it is too late to have this

apply for 2003.

The proposed legislation makes no provision for the funding of the costs involved in administering the activities required. If the author wishes to provide funding, appropriation language could be developed and costs allocated in the following manner:

	<u>Chapter 20</u>	<u>Amount</u>	<u>FTE</u>
one-time	s. 20.566 (1) (a)	\$495,000	
annual	s. 20.566 ( ) ( )	\$	

If you have questions regarding this technical memorandum, please contact Daniel Huegel at 266-5705 regarding the municipal purpose levy credit and Karyn Kriz at 261-8984 regarding the Homestead and senior citizen credits; for administrative costs contact Julie Feavel at (608) 267-9892.