



## 2005 SENATE BILL 645

February 28, 2006 - Introduced by Senators DECKER, BRESKE, MILLER, COGGS and ROBSON, cosponsored by Representatives GRIGSBY, BERCEAU, FIELDS, KESSLER, LEHMAN, NELSON, PARISI, POCAN, RICHARDS, SEIDEL, SHERIDAN, SINICKI, TOLES, TRAVIS, TURNER, A. WILLIAMS, YOUNG and ZEPNICK. Referred to Committee on Job Creation, Economic Development and Consumer Affairs.

1     **AN ACT to amend** 71.08 (1) (intro.) and 71.10 (4) (i); and **to create** 20.835 (2) (en)  
2             and 71.07 (8r) of the statutes; **relating to:** creating a refundable individual  
3             income tax living wage credit.

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### *Analysis by the Legislative Reference Bureau*

This bill creates a refundable individual income tax credit based on the difference between the federal poverty line and the sum of income received by the claimant, his or her spouse who resides with the claimant, and his or her dependents. The credit may be claimed only by an individual who was eligible for, and claimed in the previous year, the earned income tax credit.

To claim the credit, the bill requires that the claimant be domiciled in this state during the entire calendar year to which the claim relates, and requires that the claimant works in paid employment for at least 1,750 hours in the taxable year to which the claim relates. If the amount of the credit exceeds the taxpayer's income tax liability, the difference will be refunded to the taxpayer by check.

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

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

4             **SECTION 1.** 20.835 (2) (en) of the statutes is created to read:

**SENATE BILL 645****SECTION 1**

1           20.835 (2) (en) *Living wage tax credit*. A sum sufficient to pay the claims  
2 approved under s. 71.07 (8r).

3           **SECTION 2.** 71.07 (8r) of the statutes is created to read:

4           71.07 (8r) LIVING WAGE TAX CREDIT. (a) *Definitions*. Except as provided in par.  
5 (c) 7. and 8., in this subsection:

6           1. "Claimant" means an individual who files a claim under this subsection and  
7 who was domiciled in this state during the entire calendar year to which the claim  
8 relates. When 2 individuals of a household are able to meet the qualifications for a  
9 claimant, they may determine between them as to who the claimant is. If they are  
10 unable to agree, the matter shall be referred to the secretary of revenue and the  
11 secretary's decision is final.

12           2. "Homestead" has the meaning given in s. 71.52 (3).

13           3. "Household" means a claimant and an individual related to the claimant as  
14 husband or wife residing in the same homestead as the claimant and includes all of  
15 the claimant's dependents, as defined in section 152 of the Internal Revenue Code,  
16 who have the same principal abode as the claimant for more than 6 months during  
17 the year to which the claim relates.

18           4. "Income" means income, as defined in s. 71.52 (6), received by the claimant,  
19 and by all persons of a household while members of the household, in the year before  
20 the year to which the claim relates, plus all of the following amounts received by such  
21 individuals in the year before the year to which the claim relates, minus the net  
22 income tax imposed under s. 71.02 that is paid by the claimant in the year before the  
23 year to which the claim relates:

24           a. The amount of earned income tax credit under section 32 (b) (1) (A) to (C) of  
25 the Internal Revenue Code.

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- 1           b. The amount of any refundable income tax credit under this section.
- 2           c. The amount of any income tax refund paid by this state.
- 3           d. The refundable portion of the federal child tax credit under section 24 (d) of  
4 the Internal Revenue Code.
- 5           5. "Poverty line" means the nonfarm federal poverty line for the continental  
6 United States, as defined by the federal department of labor under 42 USC 9902 (2).
- 7           (b) *Filing claims.* Subject to the limitations provided in this subsection, a  
8 claimant may claim as a credit against the tax imposed under s. 71.02 an amount,  
9 if positive, that is calculated by subtracting the sum of the claimant's income and all  
10 income from all members of the claimant's household from the poverty line. If the  
11 allowable amount of the claim exceeds the income taxes otherwise due on the  
12 claimant's income, the amount of the claim not used as an offset against those taxes  
13 shall be certified by the department of revenue to the department of administration  
14 for payment to the claimant by check, share draft, or other draft from the  
15 appropriation under s. 20.835 (2) (en).
- 16           (c) *Limitations.* 1. No claimant may claim the credit under this subsection  
17 unless the claimant was eligible for, and claimed, the credit under sub. (9e) in the  
18 year before the year to which the claim relates.
- 19           2. No credit may be allowed under this subsection unless it is claimed within  
20 the time period under s. 71.75 (2).
- 21           3. No individual may claim the credit under this subsection unless his or her  
22 income is at least zero dollars in the year to which the claim relates.
- 23           4. Only one claimant per household per year may claim the credit under this  
24 subsection.

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1           5. No individual may claim the credit under this subsection unless he or she  
2 works in paid employment for at least 1,750 hours in the taxable year to which the  
3 claim relates.

4           6. In calculating the credit for which a claimant may be eligible under this  
5 subsection, the size of the family unit under the U.S. bureau of the census' poverty  
6 thresholds shall be the same as the size of the claimant's household.

7           7. For taxable years beginning after December 31, 2006, and before January  
8 1, 2008, "poverty line" means 90 percent of the nonfarm federal poverty line for the  
9 continental United States, as defined by the federal department of labor under 42  
10 USC 9902 (2).

11           8. For taxable years beginning after December 31, 2007, and before January  
12 1, 2009, "poverty line" means 95 percent of the nonfarm federal poverty line for the  
13 continental United States, as defined by the federal department of labor under 42  
14 USC 9902 (2).

15           (d) *Administration.* 1. Subsection (9e) (d), to the extent that it applies to the  
16 credit under that subsection, applies to the credit under this subsection.

17           2. The department of workforce development and the department of health and  
18 family services shall provide any information in their possession that the  
19 department of revenue requests that would enable the department of revenue to  
20 administer the credit under this subsection.

21           **SECTION 3.** 71.08 (1) (intro.) of the statutes, as affected by 2005 Wisconsin Act  
22 25, is amended to read:

23           71.08 (1) **IMPOSITION.** (intro.) If the tax imposed on a natural person, married  
24 couple filing jointly, trust, or estate under s. 71.02, not considering the credits under  
25 ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (2fd), (3m), (3n), (3s),

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1 (3t), (5b), (5d), (6), (6e), (8r), and (9e), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx),  
2 (1fd), (2m), (3), (3n), and (3t) and 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx),  
3 (1fd), (2m), (3), (3n), and (3t) and subchs. VIII and IX and payments to other states  
4 under s. 71.07 (7), is less than the tax under this section, there is imposed on that  
5 natural person, married couple filing jointly, trust, or estate, instead of the tax under  
6 s. 71.02, an alternative minimum tax computed as follows:

7 **SECTION 4.** 71.10 (4) (i) of the statutes, as affected by 2005 Wisconsin Act 25,  
8 is amended to read:

9 71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland  
10 preservation credit under subch. IX, homestead credit under subch. VIII, farmland  
11 tax relief credit under s. 71.07 (3m), farmers' drought property tax credit under s.  
12 71.07 (2fd), veterans and surviving spouses property tax credit under s. 71.07 (6e),  
13 earned income tax credit under s. 71.07 (9e), estimated tax payments under s. 71.09,  
14 living wage tax credit under s. 71.07 (8r), and taxes withheld under subch. X.

15 **SECTION 5. Initial applicability.**

16 (1) This act first applies to taxable years beginning on January 1, 2007.

17 (END)