

2007 ASSEMBLY BILL 190

March 19, 2007 – Introduced by Representatives VOS, ZIPPERER, ROTH, GUNDRUM, KLEEFISCH, GUNDERSON, PRIDEMORE, VUKMIR, KERKMAN, LOTHIAN, HINES, NASS, OWENS, VAN ROY, LEMAHIEU, TOWNSEND, F. LASEE, ALBERS and PETROWSKI, cosponsored by Senators KANAVAS, LEIBHAM, S. FITZGERALD, GROTHMAN, KEDZIE, ROESSLER and LAZICH. Referred to Committee on Ways and Means.

1 **AN ACT** *to renumber and amend* 71.06 (2e); *to amend* 71.06 (1p) (intro.), 71.06
 2 (2) (g) (intro.), 71.06 (2) (h) (intro.), 71.06 (2m), 71.06 (2s) (d), 71.125, 71.17 (6),
 3 71.64 (9) (b) (intro.), 71.67 (5) (a) and 71.67 (5m); and *to create* 71.05 (2) (j),
 4 71.06 (1q), 71.06 (2) (i), 71.06 (2e) (b), 71.06 (2e) (c) and 71.06 (2s) (e) of the
 5 statutes; **relating to:** changing the individual income tax rates of taxation.

Analysis by the Legislative Reference Bureau

Under current law, there are four income tax brackets for single individuals, certain fiduciaries, heads of households, and married persons. The brackets are indexed for inflation. The rate of taxation under current law for the lowest bracket for single individuals, certain fiduciaries, heads of households, and married persons is 4.6 percent of taxable income; the rate for the second bracket is 6.15 percent; the rate for the third bracket is 6.5 percent; and the rate for the highest bracket is 6.75 percent.

For taxable years beginning after December 31, 2006, this bill reduces all of the income tax rates that apply to single individuals, certain fiduciaries, heads of households, and married persons. Under the bill, for taxable years beginning after December 31, 2006, the rate of taxation for the lowest bracket for single individuals, certain fiduciaries, heads of households, and married persons is 4.554 percent of taxable income; the rate for the second bracket is 6.089 percent; the rate for the third bracket is 6.435 percent; and the rate for the highest bracket is 6.683 percent.

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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.** 71.05 (2) (j) of the statutes is created to read:

2 71.05 (2) (j) For married persons filing separately, for taxable years beginning
3 after December 31, 2006:

4 1. On all taxable income from \$0 to \$5,000, 4.554 percent.

5 2. On all taxable income exceeding \$5,000 but not exceeding \$10,000, 6.089
6 percent.

7 3. On all taxable income exceeding \$10,000 but not exceeding \$75,000, 6.435
8 percent.

9 4. On all taxable income exceeding \$75,000, 6.683 percent.

10 **SECTION 2.** 71.06 (1p) (intro.) of the statutes is amended to read:

11 71.06 (1p) FIDUCIARIES, SINGLE INDIVIDUALS, AND HEADS OF HOUSEHOLDS; AFTER
12 ~~2000~~ 2001 TO 2006. (intro.) The tax to be assessed, levied, and collected upon the taxable
13 incomes of all fiduciaries, except fiduciaries of nuclear decommissioning trust or
14 reserve funds, and single individuals and heads of households shall be computed at
15 the following rates for taxable years beginning after December 31, 2000, and before
16 January 1, 2007:

17 **SECTION 3.** 71.06 (1q) of the statutes is created to read:

18 71.06 (1q) FIDUCIARIES, SINGLE INDIVIDUALS, AND HEADS OF HOUSEHOLDS; AFTER
19 2006. The tax to be assessed, levied, and collected upon the taxable incomes of all
20 fiduciaries, except fiduciaries of nuclear decommissioning trust or reserve funds, and

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1 single individuals and heads of households shall be computed at the following rates
2 for taxable years beginning after December 31, 2006:

3 (a) On all taxable income from \$0 to \$7,500, 4.554 percent.

4 (b) On all taxable income exceeding \$7,500 but not exceeding \$15,000, 6.089
5 percent.

6 (c) On all taxable income exceeding \$15,000 but not exceeding \$112,500, 6.435
7 percent.

8 (d) On all taxable income exceeding \$112,500, 6.683 percent.

9 **SECTION 4.** 71.06 (2) (g) (intro.) of the statutes is amended to read:

10 71.06 (2) (g) (intro.) For joint returns, for taxable years beginning after
11 December 31, 2000, and before January 1, 2007:

12 **SECTION 5.** 71.06 (2) (h) (intro.) of the statutes is amended to read:

13 71.06 (2) (h) (intro.) For married persons filing separately, for taxable years
14 beginning after December 31, 2000, and before January 1, 2007:

15 **SECTION 6.** 71.06 (2) (i) of the statutes is created to read:

16 71.06 (2) (i) For joint returns, for taxable years beginning after December 31,
17 2006, and before January 1, 2008:

18 1. On all taxable income from \$0 to \$10,000, 4.554 percent.

19 2. On all taxable income exceeding \$10,000 but not exceeding \$20,000, 6.089
20 percent.

21 3. On all taxable income exceeding \$20,000 but not exceeding \$150,000, 6.435
22 percent.

23 4. On all taxable income exceeding \$150,000, 6.683 percent.

24 **SECTION 7.** 71.06 (2e) of the statutes is renumbered 71.06 (2e) (a) and amended
25 to read:

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1 71.06 (2e) (a) BRACKET INDEXING. For taxable years beginning after
2 December 31, 1998, and before January 1, 2000, the maximum dollar amount in
3 each tax bracket, and the corresponding minimum dollar amount in the next bracket,
4 under subs. (1m) and (2) (c) and (d), and for taxable years beginning after
5 December 31, 1999, and before January 1, 2007, the maximum dollar amount in
6 each tax bracket, and the corresponding minimum dollar amount in the next bracket,
7 under subs. (1n), (1p), and (2) (e), (f), (g), and (h), shall be increased each year by a
8 percentage equal to the percentage change between the U.S. consumer price index
9 for all urban consumers, U.S. city average, for the month of August of the previous
10 year and the U.S. consumer price index for all urban consumers, U.S. city average,
11 for the month of August 1997, as determined by the federal department of labor,
12 except that for taxable years beginning after December 31, 2000, and before January
13 1, 2002, the dollar amount in the top bracket under subs. (1p) (c) and (d), (2) (g) 3.
14 and 4. and (h) 3. and 4. shall be increased by a percentage equal to the percentage
15 change between the U.S. consumer price index for all urban consumers, U.S. city
16 average, for the month of August of the previous year and the U.S. consumer price
17 index for all urban consumers, U.S. city average, for the month of August 1999, as
18 determined by the federal department of labor. ~~Each amount that is revised under~~
19 ~~this subsection shall be rounded to the nearest multiple of \$10 if the revised amount~~
20 ~~is not a multiple of \$10 or, if the revised amount is a multiple of \$5, such an amount~~
21 ~~shall be increased to the next higher multiple of \$10. The department of revenue~~
22 ~~shall annually adjust the changes in dollar amounts required under this subsection~~
23 ~~and incorporate the changes into the income tax forms and instructions.~~

24 **SECTION 8.** 71.06 (2e) (b) of the statutes is created to read:

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1 71.06 (2e) (b) For taxable years beginning after December 31, 2006, the
2 maximum dollar amount in each tax bracket, and the corresponding minimum dollar
3 amount in the next bracket, under subs. (1q) and (2) (i) and (j), shall be increased each
4 year by a percentage equal to the percentage change between the U.S. consumer
5 price index for all urban consumers, U.S. city average, for the month of August of the
6 previous year and the U.S. consumer price index for all urban consumers, U.S. city
7 average, for the month of August 1997, as determined by the federal department of
8 labor.

9 **SECTION 9.** 71.06 (2e) (c) of the statutes is created to read:

10 71.06 (2e) (c) Each amount that is revised under this subsection shall be
11 rounded to the nearest multiple of \$10 if the revised amount is not a multiple of \$10
12 or, if the revised amount is a multiple of \$5, such an amount shall be increased to the
13 next higher multiple of \$10. The department of revenue shall annually adjust the
14 changes in dollar amounts required under this subsection and incorporate the
15 changes into the income tax forms and instructions.

16 **SECTION 10.** 71.06 (2m) of the statutes is amended to read:

17 71.06 (2m) RATE CHANGES. If a rate under sub. (1), (1m), (1n), (1p) ~~or~~, (1q), (1r),
18 or (2) changes during a taxable year, the taxpayer shall compute the tax for that
19 taxable year by the methods applicable to the federal income tax under section 15 of
20 the internal revenue code.

21 **SECTION 11.** 71.06 (2s) (d) of the statutes is amended to read:

22 71.06 (2s) (d) For taxable years beginning after December 31, 2000, and before
23 January 1, 2007, with respect to nonresident individuals, including individuals
24 changing their domicile into or from this state, the tax brackets under subs. (1p) and
25 (2) (g) and (h) shall be multiplied by a fraction, the numerator of which is Wisconsin

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1 adjusted gross income and the denominator of which is federal adjusted gross
2 income. In this paragraph, for married persons filing separately “adjusted gross
3 income” means the separate adjusted gross income of each spouse, and for married
4 persons filing jointly “adjusted gross income” means the total adjusted gross income
5 of both spouses. If an individual and that individual’s spouse are not both domiciled
6 in this state during the entire taxable year, the tax brackets under subs. (1p) and (2)
7 (g) and (h) on a joint return shall be multiplied by a fraction, the numerator of which
8 is their joint Wisconsin adjusted gross income and the denominator of which is their
9 joint federal adjusted gross income.

10 **SECTION 12.** 71.06 (2s) (e) of the statutes is created to read:

11 71.06 **(2s)** (e) For taxable years beginning after December 31, 2006, with
12 respect to nonresident individuals, including individuals changing their domicile
13 into or from this state, the tax brackets under subs. (1q) and (2) (i) and (j) shall be
14 multiplied by a fraction, the numerator of which is Wisconsin adjusted gross income
15 and the denominator of which is federal adjusted gross income. In this paragraph,
16 for married persons filing separately “adjusted gross income” means the separate
17 adjusted gross income of each spouse, and for married persons filing jointly “adjusted
18 gross income” means the total adjusted gross income of both spouses. If an individual
19 and that individual’s spouse are not both domiciled in this state during the entire
20 taxable year, the tax brackets under subs. (1q) and (2) (i) and (j) on a joint return shall
21 be multiplied by a fraction, the numerator of which is their joint Wisconsin adjusted
22 gross income and the denominator of which is their joint federal adjusted gross
23 income.

24 **SECTION 13.** 71.125 of the statutes is amended to read:

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1 **71.125 Imposition of tax. (1)** Except as provided in sub. (2), the tax imposed
2 by this chapter on individuals and the rates under s. 71.06 (1), (1m), (1n), (1p) and,
3 (1q), and (2) shall apply to the Wisconsin taxable income of estates or trusts, except
4 nuclear decommissioning trust or reserve funds, and that tax shall be paid by the
5 fiduciary.

6 **(2)** Each electing small business trust, as defined in section 1361 (e) (1) of the
7 Internal Revenue Code, is subject to tax at the highest rate under s. 71.06 (1), (1m),
8 (1n) ~~or~~ (1p), or (1q), whichever taxable year is applicable, on its income as computed
9 under section 641 of the Internal Revenue Code, as modified by s. 71.05 (6) to (12),
10 (19) and (20).

11 **SECTION 14.** 71.17 (6) of the statutes is amended to read:

12 71.17 **(6)** FUNERAL TRUSTS. If a qualified funeral trust makes the election under
13 section 685 of the Internal Revenue Code for federal income tax purposes, that
14 election applies for purposes of this chapter and each trust shall compute its own tax
15 and shall apply the rates under s. 71.06 (1), (1m), (1n) ~~or~~ (1p), or (1q).

16 **SECTION 15.** 71.64 (9) (b) (intro.) of the statutes is amended to read:

17 71.64 **(9)** (b) (intro.) The department shall from time to time adjust the
18 withholding tables to reflect any changes in income tax rates, any applicable surtax,
19 or any changes in dollar amounts in s. 71.06 (1), (1m), (1n), (1p), (1q), and (2) resulting
20 from statutory changes, except as follows:

21 **SECTION 16.** 71.67 (5) (a) of the statutes is amended to read:

22 71.67 **(5)** (a) *Wager winnings.* A person holding a license to sponsor and
23 manage races under s. 562.05 (1) (b) or (c) shall withhold from the amount of any
24 payment of pari-mutuel winnings under s. 562.065 (3) (a) or (3m) (a) an amount
25 determined by multiplying the amount of the payment by the highest rate applicable

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1 to individuals under s. 71.06 (1) (a) to (c), (1m), (1n) ~~or~~, (1p), or (1q) if the amount of
2 the payment is more than \$1,000.

3 **SECTION 17.** 71.67 (5m) of the statutes is amended to read:

4 **71.67 (5m) WITHHOLDING FROM PAYMENTS TO PURCHASE ASSIGNMENT OF LOTTERY**
5 **PRIZE.** A person that purchases an assignment of a lottery prize shall withhold from
6 the amount of any payment made to purchase the assignment the amount that is
7 determined by multiplying the amount of the payment by the highest rate applicable
8 to individuals under s. 71.06 (1) (a) to (c), (1m), (1n) ~~or~~, (1p), or (1q). Subsection (5)
9 (b), (c), and (d), as it applies to the amounts withheld under sub. (5) (a), applies to the
10 amount withheld under this subsection.

11 (END)