LRB-4261/1 MES:cjs:ph

2009 ASSEMBLY BILL 866

March 17, 2010 – Introduced by Representatives Davis, Nygren, Brooks, Gunderson, Kerkman, Knodl, LeMahieu, Lothian, Murtha, Petersen, Petrowski, Roth, Spanbauer, Suder, Tauchen, Townsend, Vos, Ziegelbauer, Kaufert and Strachota, cosponsored by Senators Leibham, Hopper, Harsdorf, Kedzie, A. Lasee, Lazich and Olsen. Referred to Committee on Ways and Means.

AN ACT *to repeal* 71.05 (6) (b) 9m.; and *to amend* 71.05 (6) (b) 9. of the statutes;

relating to: restoring the treatment of the exclusion of capital gains for individuals and certain other persons that existed before the enactment of 2009

Wisconsin Act 28.

Analysis by the Legislative Reference Bureau

Under current law, as affected by 2009 Wisconsin Act 28, the biennial budget bill, there is an income tax exclusion for individuals, fiduciaries, members of limited liability companies and partnerships, and shareholders of tax-option corporations for 30 percent of the net long-term capital gains realized from the sale of assets held more than one year and the sale of all assets acquired from a decedent, and an exclusion for 60 percent of such gains realized from the sale of farm assets held more than one year and the sale of all farm assets acquired from a decedent. This treatment in Act 28 first applies to taxable years beginning on January 1, 2009.

This bill repeals the changes made to the treatment of capital gains by 2009 Wisconsin Act 28. The bill restores the income tax exclusion for capital gains to 60 percent of the net long-term capital gains realized from the sale of assets held more than one year and the sale of all assets acquired from a decedent and repeals the separate 60 percent exclusion for farm assets.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

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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:

SECTION 1. 71.05 (6) (b) 9. of the statutes, as affected by 2009 Wisconsin Act 28, is amended to read:

71.05 **(6)** (b) 9. On assets held more than one year and on all assets acquired from a decedent, 30 <u>60</u> percent of the capital gain as computed under the internal revenue code, not including capital gains for which the federal tax treatment is determined under section 406 of P.L. 99–514; not including amounts treated as ordinary income for federal income tax purposes because of the recapture of depreciation or any other reason; and not including amounts treated as capital gain for federal income tax purposes from the sale or exchange of a lottery prize. For purposes of this subdivision, the capital gains and capital losses for all assets shall be netted before application of the percentage.

SECTION 2. 71.05 (6) (b) 9m. of the statutes, as created by 2009 Wisconsin Act 28, is repealed.

SECTION 3. Initial applicability.

(1) This act first applies to taxable years beginning on January 1, 2010.

16 (END)