2017 ASSEMBLY BILL 200

April 5, 2017 - Introduced by Representatives C. TAYLOR, SUBECK, RiemER, CROWLEY, SARGENT, ZAMARRIPA, HEBL, CONSIDINE, BERCEAU, ANDERSON, STUCK, GOYKE, BROSTOFF, SINICKI, POPE, KOLSTE and OHNSTAD, cosponsored by Senators WRICH, JOHNSON and RISSER. Referred to Committee on Ways and Means.

AN ACT to amend 71.05 (23) (b) 1., 71.06 (1q) (intro.), 71.06 (2) (i) (intro.), 71.06
(2) (j) (intro.), 71.06 (2e) (a), 71.06 (2e) (b), 71.06 (2m), 71.06 (2s) (d), 71.125 (1),
71.125 (2), 71.17 (6), 71.64 (9) (b) (intro.), 71.67 (5) (a) and 71.67 (5m); and to
create 71.05 (23) (be), 71.06 (1r), 71.06 (2) (k), 71.06 (2) (L), 71.06 (2e) (bg) and
71.07 (5n) (e) of the statutes; relating to: increasing certain individual income
tax rates and expanding the number of brackets, increasing the personal
exemption for certain individuals, and sunsetting the manufacturing and
agriculture tax credit.

Analysis by the Legislative Reference Bureau

This bill makes changes to the individual income tax rates and brackets
structure, increases the personal exemption amount for certain taxpayers, and
sunsets the manufacturing and agriculture tax credit.

Changes to rates and brackets

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 4.0 percent of taxable income; the rate for the second bracket is 5.84 percent; the
rate for the third bracket is 6.27 percent; and the rate for the highest bracket is 7.65 percent. Before applying bracket indexing, the four brackets for individuals, certain fiduciaries, and heads of households, to which the above rates apply, are as follows: taxable income from $0 to $7,500; taxable income exceeding $7,500 but not exceeding $15,000; taxable income exceeding $15,000 but not exceeding $225,000; and taxable income exceeding $225,000. In general, this rate and bracket structure first applied to taxable year 2013 and was enacted in 2013 Wisconsin Act 20, the state’s 2013 Biennial Budget Act, although the rate for the lowest bracket was 4.40 percent for taxable year 2013 and became 4.0 percent in taxable year 2014.

Under this bill, which first applies to taxable year 2017, there are five 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 the bill for single individuals, certain fiduciaries, heads of households, and married persons for the four lowest brackets remains the same as current law, 4.0 percent, 5.84 percent, 6.27 percent, and 7.65 percent, and the rate for the new fifth bracket is 8.25 percent.

Before indexing for inflation, for taxable year 2017, for single individuals, certain fiduciaries, and heads of households, the lowest bracket applies to taxable income of over $0 up to $7,500; the second bracket applies to taxable income over $7,500 up to $15,000; the third bracket applies to taxable income over $15,000 up to $225,000; the fourth bracket applies to taxable income over $225,000 up to $500,000; and the new fifth, or top bracket, applies to taxable income over $500,000. For married joint filers, the lowest bracket applies to taxable income of over $0 up to $10,000; the second bracket applies to taxable income over $10,000 up to $20,000; the third bracket applies to taxable income over $20,000 up to $300,000; the fourth bracket applies to taxable income over $300,000 up to $1,000,000; and the new fifth, or top bracket, applies to taxable income over $1,000,000.

**Personal exemptions**

Under current law, an individual income tax personal exemption exists in the amount of $700 for each taxpayer who is required to file an income tax return and $700 for the taxpayer’s spouse, except if the spouse is filing separately or as a head of household. A taxpayer may also claim a $700 exemption for each dependent for whom he or she is entitled to claim an exemption under the Internal Revenue Code. In general, an additional exemption of $250 may be claimed by a taxpayer, and spouse, who has reached the age of 65 before the close of the taxable year to which his or her tax return relates.

This bill increases the personal exemption amount for certain taxpayers starting with taxable year 2017. Under the bill, if a single individual has Wisconsin adjusted gross income (WAGI) of less than $12,000, his or her personal exemption is $8,260. The personal exemption amount for such an individual phases down to approximately $700 as his or her WAGI increases from $12,000 to the maximum income threshold of $60,000. If such an individual’s WAGI is more than the maximum income threshold, the individual calculates his or her exemption under current law.
Similarly under the bill, the personal exemption amount for a head of household and a married individual filing separately is increased to $8,260 per person, and to $16,520 for a married couple filing jointly, for those whose WAGI, or joint WAGI in the case of a married couple filing jointly, is less than $14,000 (head of household), $20,000 (married joint), or $10,000 (married separate). The exemption amount phases down to approximately $700 ($1,400 for a married couple filing jointly) as WAGI increases to the maximum income threshold, which is $70,000 (head of household), $100,000 (married joint), or $50,000 (married separate). If a taxpayer’s WAGI is more than the maximum income threshold, the taxpayer calculates his or her, or the couple’s, exemption under current law. The bill does not make any change to the current law exemption provisions for dependents or individuals who are age 65 or above.

Manufacturing and agriculture credit

This bill provides that a taxpayer may not file a new claim the manufacturing and agriculture tax credit for taxable years beginning after December 31, 2016, although credits claimed for taxable years beginning before January 1, 2017, may be carried forward to taxable years that begin after December 31, 2016.

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.

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:

SECTION 1. 71.05 (23) (b) 1. of the statutes is amended to read:

71.05 (23) (b) 1. A personal exemption of $700 if the taxpayer is required to file a return under s. 71.03 (2) (a) 1. or 2. and $700 for the taxpayer’s spouse, except if the spouse is filing separately or as a head of household. For taxable years beginning after December 31, 2016, the exemption under this subdivision may not be claimed by a taxpayer who is eligible for, and claims, the exemption under par. (be).

SECTION 2. 71.05 (23) (be) of the statutes is created to read:
71.05 (23) (be) For taxable years beginning after December 31, 2016, a personal exemption calculated as follows if the taxpayer is required to file a return under s.

1. For a single individual who has a Wisconsin adjusted gross income of less than $12,000, an exemption of $8,260. For a single individual who has a Wisconsin adjusted gross income of at least $12,000, the exemption is the amount obtained by subtracting from $8,260 15.75 percent of Wisconsin adjusted gross income in excess of $12,000 but not less than $0, except that if the single individual’s Wisconsin adjusted gross income is more than $60,000, the individual may not claim the exemption under this paragraph but the individual may claim the exemption under par. (b).

2. For a head of household who has a Wisconsin adjusted gross income of less than $14,000, an exemption of $8,260. For a head of household who has a Wisconsin adjusted gross income of at least $14,000, the exemption is the amount obtained by subtracting from $8,260 13.50 percent of Wisconsin adjusted gross income in excess of $14,000 but not less than $0, except that if the head of household’s Wisconsin adjusted gross income is more than $70,000, the individual may not claim the exemption under this paragraph but the head of household may claim the exemption under par. (b).

3. For a married couple filing jointly that has an aggregate Wisconsin adjusted gross income of less than $20,000, an exemption of $16,520 for the married couple. For a married couple filing jointly that has an aggregate Wisconsin adjusted gross income of at least $20,000, the exemption is the amount obtained by subtracting, for the married couple, from $16,520 18.90 percent of aggregate Wisconsin adjusted gross income in excess of $20,000 but not less than $0, except that if the married
couple’s Wisconsin aggregate adjusted gross income is more than $100,000, the
couple may not claim the exemption under this paragraph but the married couple
may claim the exemption under par. (b).

4. For a married individual filing separately who has a Wisconsin adjusted
gross income of less than $10,000, an exemption of $8,260. For a married individual
filing separately who has a Wisconsin adjusted gross income of at least $10,000, the
exemption is the amount obtained by subtracting from $8,260 18.90 percent of
Wisconsin adjusted gross income in excess of $10,000 but not less than $0, except that
if the individual’s Wisconsin adjusted gross income is more than $50,000, the
individual may not claim the exemption under this paragraph but the individual
may claim the exemption under par. (b).

SECTION 3. 71.06 (1q) (intro.) of the statutes is amended to read:

71.06 (1q) FIDUCIARIES, SINGLE INDIVIDUALS, AND HEADS OF HOUSEHOLDS; AFTER
2012 TO 2016. (intro.) The tax to be assessed, levied, and collected upon the taxable
incomes of all fiduciaries, except fiduciaries of nuclear decommissioning trust or
reserve funds, and single individuals and heads of households shall be computed at
the following rates for taxable years beginning after December 31, 2012, and before
January 1, 2017:

SECTION 4. 71.06 (1r) of the statutes is created to read:

71.06 (1r) FIDUCIARIES, SINGLE INDIVIDUALS, AND HEADS OF HOUSEHOLDS; AFTER
2016. The tax to be assessed, levied, and collected upon the taxable incomes of all
fiduciaries, except fiduciaries of nuclear decommissioning trust or reserve funds, and
single individuals and heads of households shall be computed at the following rates
for taxable years beginning after December 31, 2016:

(a) On all taxable income from $0 to $7,500, 4.0 percent.
(b) On all taxable income exceeding $7,500 but not exceeding $15,000, 5.84 percent.

(c) On all taxable income exceeding $15,000 but not exceeding $225,000, 6.27 percent.

(d) On all taxable income exceeding $225,000 but not exceeding $500,000, 7.65 percent.

(e) On all taxable income exceeding $500,000, 8.25 percent.

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

71.06 (2) (i) (intro.) For joint returns, for taxable years beginning after December 31, 2012, and before January 1, 2017:

SECTION 6. 71.06 (2) (j) (intro.) of the statutes is amended to read:

71.06 (2) (j) (intro.) For married persons filing separately, for taxable years beginning after December 31, 2012, and before January 1, 2017:

SECTION 7. 71.06 (2) (k) of the statutes is created to read:

71.06 (2) (k) For joint returns, for taxable years beginning after December 31, 2016:

1. On all taxable income from $0 to $10,000, 4.0 percent.

2. On all taxable income exceeding $10,000 but not exceeding $20,000, 5.84 percent.

3. On all taxable income exceeding $20,000 but not exceeding $300,000, 6.27 percent.

4. On all taxable income exceeding $300,000 but not exceeding $1,000,000, 7.65 percent.

5. On all taxable income exceeding $1,000,000, 8.25 percent.

SECTION 8. 71.06 (2) (L) of the statutes is created to read:
71.06 (2) (L) For married persons filing separately, for taxable years beginning after December 31, 2016:

1. On all taxable income from $0 to $5,000, 4.0 percent.
2. On all taxable income exceeding $5,000 but not exceeding $10,000, 5.84 percent.
3. On all taxable income exceeding $10,000 but not exceeding $150,000, 6.27 percent.
4. On all taxable income exceeding $150,000 but not exceeding $500,000, 7.65 percent.
5. On all taxable income exceeding $500,000, 8.25 percent.

SECTION 9. 71.06 (2e) (a) of the statutes is amended to read:

71.06 (2e) (a) For taxable years beginning after December 31, 1998, and before January 1, 2000, the maximum dollar amount in each tax bracket, and the corresponding minimum dollar amount in the next bracket, under subs. (1m) and (2) (c) and (d), and for taxable years beginning after December 31, 1999, and before January 1, 2017, the maximum dollar amount in each tax bracket, and the corresponding minimum dollar amount in the next bracket, under subs. (1n), (1p) (a) to (c), (1q) (a) and (b), and (2) (e), (f), (g) 1. to 3., (h) 1. to 3., (i) 1. and 2., and (j) 1. and 2., shall be increased each year by a percentage equal to the percentage change between the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August of the previous year and the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August 1997, as determined by the federal department of labor, except that for taxable years beginning after December 31, 2000, and before January 1, 2002, the dollar amount in the top bracket under subs. (1p) (c) and (d), (2) (g) 3. and 4. and (h) 3. and 4. shall be increased by a
percentage equal to the percentage change between the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August of the previous year and the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August 1999, as determined by the federal department of labor, except that for taxable years beginning after December 31, 2011, the adjustment may occur only if the resulting amount is greater than the corresponding amount that was calculated for the previous year.

SECTION 10. 71.06 (2e) (b) of the statutes is amended to read:

71.06 (2e) (b) For taxable years beginning after December 31, 2009, and before January 1, 2017, the maximum dollar amount in each tax bracket, and the corresponding minimum dollar amount in the next bracket, under subs. (1p) (d), (1q) (c), and (2) (g) 4., (h) 4., (i) 3., and (j) 3., and the dollar amount in the top bracket under subs. (1p) (e), (1q) (d), and (2) (g) 5., (h) 5., (i) 4., and (j) 4., shall be increased each year by a percentage equal to the percentage change between the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August of the previous year and the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August 2008, as determined by the federal department of labor, except that for taxable years beginning after December 31, 2011, the adjustment may occur only if the resulting amount is greater than the corresponding amount that was calculated for the previous year.

SECTION 11. 71.06 (2e) (bg) of the statutes is created to read:

71.06 (2e) (bg) For taxable years beginning after December 31, 2016, the dollar amount in each tax bracket under subs. (1r) and (2) (k) and (L) shall be increased each year by a percentage equal to the percentage change between the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August of the
previous year and the U.S. consumer price index for all urban consumers, U.S. city
average, for the month of August 2013, as determined by the federal department of
labor, except that for taxable years beginning after December 31, 2017, the
adjustment may occur only if the resulting amount is greater than the corresponding
amount that was calculated for the previous year.

SECTION 12. 71.06 (2m) of the statutes is amended to read:

71.06 (2m) RATE CHANGES. If a rate under sub. (1), (1m), (1n), (1p), (1q), (1r),
or (2) changes during a taxable year, the taxpayer shall compute the tax for that
taxable year by the methods applicable to the federal income tax under section 15 of
the Internal Revenue Code.

SECTION 13. 71.06 (2s) (d) of the statutes is amended to read:

71.06 (2s) (d) For taxable years beginning after December 31, 2000, with
respect to nonresident individuals, including individuals changing their domicile
into or from this state, the tax brackets under subs. (1p), (1q), (1r), and (2) (g), (h),
(i), and (j), (k), and (L) shall be multiplied by a fraction, the numerator of which is
Wisconsin adjusted gross income and the denominator of which is federal adjusted
gross income. In this paragraph, for married persons filing separately “adjusted
gross income” means the separate adjusted gross income of each spouse, and for
married persons filing jointly “adjusted gross income” means the total adjusted gross
income of both spouses. If an individual and that individual’s spouse are not both
domiciled in this state during the entire taxable year, the tax brackets under subs.
(1p), (1q), (1r), and (2) (g), (h), (i), and (j), (k), and (L) on a joint return shall be
multiplied by a fraction, the numerator of which is their joint Wisconsin adjusted
gross income and the denominator of which is their joint federal adjusted gross
income.
SECTION 14. 71.07 (5n) (e) of the statutes is created to read:

71.07 (5n) (e) Sunset. No credit may be claimed under this subsection for taxable years beginning after December 31, 2016. Credits under this subsection for taxable years that begin before January 1, 2017, may be carried forward to taxable years that begin after December 31, 2016.

SECTION 15. 71.125 (1) of the statutes is amended to read:

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

SECTION 16. 71.125 (2) of the statutes is amended to read:

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

SECTION 17. 71.17 (6) of the statutes is amended to read:

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

SECTION 18. 71.64 (9) (b) (intro.) of the statutes is amended to read:

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

SECTION 19. 71.67 (5) (a) of the statutes is amended to read:

71.67 (5) (a) Wager winnings. A person holding a license to sponsor and
manage races under s. 562.05 (1) (b) or (c) shall withhold from the amount of any
payment of pari-mutuel winnings under s. 562.065 (3) (a) or (3m) (a) an amount
determined by multiplying the amount of the payment by the highest rate applicable
to individuals under s. 71.06 (1) (a) to (c), (1m), (1n), (1p), or (1q), or (1r) if the amount
of the payment is more than $1,000.

SECTION 20. 71.67 (5m) of the statutes is amended to read:

71.67 (5m) Withholding from payments to purchase assignment of lottery
prize. A person that purchases an assignment of a lottery prize shall withhold from
the amount of any payment made to purchase the assignment the amount that is
determined by multiplying the amount of the payment by the highest rate applicable
to individuals under s. 71.06 (1) (a) to (c), (1m), (1n), (1p), or (1q), or (1r). Subsection
(5) (b), (c) and (d), as it applies to the amounts withheld under sub. (5) (a), applies
to the amount withheld under this subsection.

(END)