

2019 DRAFTING REQUEST

Bill

For: **Administration-Budget 6-1923** Drafter: **mshovers**
 By: **Quinn** Secondary Drafters:
 Date: **1/2/2019** May Contact:

Same as LRB:

Submit via email: **YES**
 Requester's email:
 Carbon copy (CC) to: **doasbostatlanguage@wisconsin.gov**
Erika.Lunder@legis.wisconsin.gov

Pre Topic:

DOA:.....Quinn, BB0165 -

Topic:

Family and individual reinvestment credit

Instructions:

See attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	mshovers 1/9/2019				
/P1	mshovers 2/6/2019	wjackson 1/11/2019	jmurphy 1/11/2019		State
/P2	mshovers 2/14/2019	wjackson 2/7/2019	jmurphy 2/7/2019		State
/P3	mshovers 2/19/2019	wjackson 2/14/2019	jmurphy 2/14/2019		State
/P4		anienaja	lparisi		State

Vers. Drafted

Reviewed
2/19/2019

Submitted
2/19/2019

Jacketed

Required

FE Sent For:

<END>

Shovers, Marc

From: Kreye, Joseph
Sent: Monday, December 31, 2018 6:45 PM
To: Shovers, Marc
Cc: Lunder, Erika
Subject: FW: Statutory Language Drafting Request - 2019-21

-1190

From: Cathlene Hanaman [cathleneh@gmail.com]
Sent: Saturday, December 29, 2018 4:11 PM
To: Lunder, Erika; Kreye, Joseph
Subject: Fwd: Statutory Language Drafting Request - 2019-21

Sent from my iPhone

Begin forwarded message:

From: "brian.quinn@wisconsin.gov<mailto:brian.quinn@wisconsin.gov>"
<brian.quinn@wisconsin.gov<mailto:brian.quinn@wisconsin.gov>>
Date: December 28, 2018 at 4:18:40 PM MST
To: <Cathlene.Hanaman@legis.wisconsin.gov<mailto:Cathlene.Hanaman@legis.wisconsin.gov>>
Cc: <Paul2.Ziegler@wisconsin.gov<mailto:Paul2.Ziegler@wisconsin.gov>>, <Brian.Quinn@wisconsin.gov<mailto:Brian.Quinn@wisconsin.gov>>
Subject: Statutory Language Drafting Request - 2019-21
Reply-To: <brian.quinn@wisconsin.gov<mailto:brian.quinn@wisconsin.gov>>

Biennial Budget: 2019-21

Topic: Working Families Tax Credit

Tracking Code: BB0165

SBO Team: TLGED

SBO Analyst: Quinn, Brian D - DOA
Phone: (608) 266-1923
E-mail: brian.quinn@wisconsin.gov<mailto:brian.quinn@wisconsin.gov>

Agency Acronym: 566

Agency Number: 566

Priority: Medium

Intent:

71.07

Eliminate remaining provisions of the current law working families tax credit.

71.07(9m)

Under the same name, create a nonrefundable credit with the following specifications:

1. The credit would 10 percent of a taxpayer's remaining tax liability after applying all other nonrefundable credits except for the credit for taxes paid to other states. For taxpayers with Wisconsin adjusted gross income below the start of the phase-out thresholds listed below, the credit would have an alternative minimum of \$50 if the 10 percent calculation would produce a credit less than \$50.
2. The 10 percent credit would phase out beginning at \$80,000 in Wisconsin AGI for single and head of household filers, \$125,000 for married-joint filers, and \$62,500 for married-separate filers. The phase-out would be complete at \$100,000; \$150,000; and \$75,000 for each of those filer categories, respectively.
3. The phase-out would be applied by taking the 10 percent credit rate and subtracting from it a percentage equal to: $(AGI \text{ over phase-out threshold}) / (\text{upper limit of phase-out range} - \text{lower limit of phase-out range})$. The resulting percentage would be the filer's credit percentage instead of the 10 percent available to filers below the phase-out threshold.
4. All income parameters for the credit would be indexed annually for inflation beginning with tax year 2020, applying the same indexing methodology as is used for the individual income tax brackets and standard deduction except that the base level for indexing would be August 2018.

These provisions would all first apply for tax year 2019.

Attachments: False

Please send completed drafts to

SBOSlanguage@spsmail.enterprise.wistate.us <mailto:SBOSlanguage@spsmail.enterprise.wistate.us>

(71.07(4)(a) to (d) - ^{supported} (just reword, a, 71.07(9m)
 + 71.07(8)(Am)
 71.07(4)(FP) - state just reword, 71.07(9m)
 (Fr) - reworded;
 (g) - married persons as under 71.07(6)
 * all ^{non-refundable} credits before 71.10(4)(h)

(list of non-ref. credits before 71.10(4)(h) in order of computation)

Sample Calculations

Calculation Fraction

claimant's AGI over phaseout threshold

1. $\frac{\text{claimant's AGI over phaseout threshold}}{\text{upper limit of phaseout range} - \text{lower limit of p.o. range}}$

2.

(END)

phase out range
= \$20,000 \$80,000 to \$100,000

Examples Single Claimant

AGI < 80,000 credit = Assume NTL = \$1,000

10% of net tax liability or \$50; whatever is greater (NTL)

Step one

AGI = 85,000

calculation of fraction = $\frac{5000}{20,000} = \frac{1}{4} = .25$ or 25%

Step 2

1.0 - 75% \nearrow

1.0 - .25 = .75

Step 3

NTL x .75 = 1000 x .75 = \$750

Example: AGI = \$95,000 \$1,000 NTL

Step 1 calculation of fraction

$\frac{15,000}{20,000} = \frac{3}{4} = .75$ or 75%

Step 2

1.0 - 75% \rightarrow = .25

NTL x .25 = 1000 x 25% = 250

Example AGI = \$92,000 \$1,000 NTL

#1 $\frac{12,000}{20,000} = \frac{6}{10} = .6$ or 60%

#2 1.0 - .6 = .4

NTL x .4 = \$400



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-1190/P1

MES:...

WY

DOA:.....Quinn, BB0165 - Working families tax credit

FOR 2019-2021 BUDGET -- NOT READY FOR INTRODUCTION

Fri

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

TAXATION
INCOME TAXATION

This bill creates a new working families individual income tax credit for taxable years beginning in 2019; ^{e that} it replaces the current credit. The credit is a nonrefundable credit which may be claimed by an individual or by an individual and his or her spouse. As a nonrefundable credit, it may be claimed only up to the amount of the taxpayer's income tax liability. ^{the new credit} (No ft)

Under the bill, for a single individual or an individual who files as a head of household whose adjusted gross income (AGI) is less than \$80,000, for a married couple filing jointly whose combined AGI is less than \$150,000, or for a married individual filing separately whose AGI is less than \$62,500, the credit is equal to 10 percent of the claimant's net tax liability or \$50, whichever is greater (\$25 for married separate filers). ^{under current law} Generally, net tax liability is defined as a claimant's income tax liability after the application of most nonrefundable income tax credits. ¹²⁵ Also ^{Individual} under ~~current law~~ the credit phases out to zero as a single person's or head of household filer's AGI increases from \$80,000 to \$100,000. A similar phaseout occurs for a married joint filer whose combined AGI increases from \$125,000 to \$150,000 and a married separate filer whose AGI increases from \$62,500 to \$75,000. The dollar amounts in the bill are indexed for inflation starting in taxable year 2020.

ins from p. 2

the bill

Moved to P. 1
Not

Also under the bill, the current working families tax credit is sunset; no new claims for that credit may be filed for a taxable year that begins after December 31, 2018.

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.** 71.07 (5m) (title) of the statutes is amended to read:

2 **71.07 (5m)** (title) **WORKING FAMILIES TAX CREDIT, BEFORE 2019.** ✓

Cross-reference: See also ch. HS 3, Wis. adm. code.
History: 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9, 10, 32; 1999 a. 150 s. 672; 1999 a. 198; 2001 a. 16, 109; 2003 a. 72, 99, 135, 183, 255, 267, 326; 2005 a. 25, 49, 72, 74, 97, 177, 254, 361, 387, 479, 483, 487; 2007 a. 11, 20, 96, 97, 100; 2009 a. 2, 11, 28, 180, 185, 265, 267, 269, 276, 294, 295, 332, 401; 2011 a. 15, 32, 67, 212, 213, 232, 237; 2011 a. 260 s. 80; 2013 a. 20, 54, 62, 116, 145; 2013 a. 166 s. 77; 2015 a. 55, 186; 2015 a. 197 s. 51; 2015 a. 237, 312; 2017 a. 58, 59, 176, 197; 2017 a. 364 ss. 11 to 13, 48; 2017 a. 365 s. 111; 2017 a. 366, 368; s. 13.92 (1) (bm) 2.; s. 35.17 correction in (9r) (j).

3 **SECTION 2.** 71.07 (5m) (e) of the statutes is created to read:

4 **71.07 (5m) (e)** *Sunset.* No credit may be claimed under this subsection for
5 taxable years beginning after December 31, 2018. ✓

6 **SECTION 3.** 71.07 (5me) of the statutes is created to read:

7 **71.07 (5me)** **WORKING FAMILIES TAX CREDIT, AFTER 2018.** (a) *Definitions.* In this
8 subsection:

9 1. "Claimant" means an individual who is eligible to claim the credit under this
10 subsection.

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

13 3. "Net tax liability" means a claimant's income tax liability after he or she
14 completes the computations for nonrefundable credits listed before s. 71.10 (4) (h).

15 (I) *Filing claims.*
16 (b) Subject to par. (c) and the limitations provided in this subsection, a claimant
17 may claim as a credit against the tax imposed under s. 71.02, up to the amount of
those taxes, one of the following amounts:

1 1. If the claimant is single or files as a head of household and his or her adjusted
2 gross income is less than \$80,000 in the year to which the claim relates, the greater
3 of \$50 or an amount equal to 10 percent of his or her net tax liability. ✓

4 2. If the claimant is single or files as a head of household and his or her adjusted
5 gross income is at least \$80,000 but less than \$100,000 in the year to which the claim
6 relates, an amount that is calculated as follows:

7 a. Calculate the value of a fraction, the denominator of which is \$20,000 and
8 the numerator of which is the difference between the claimant's adjusted gross
9 income and \$80,000.

10 b. Subtract from 1.0 the amount that is calculated under subd. 2. a. ✓

11 c. Multiply the amount of the claimant's net income tax liability by the amount
12 that is calculated under subd. 2. b. ✓

13 3. If the claimant is married and filing jointly and the sum of the claimant's
14 adjusted gross income and his or her spouse's adjusted gross income is less than
15 \$125,000 in the year to which the claim relates, the greater of \$50 or an amount equal
16 to 10 percent of the ⁽³⁵⁰⁰⁾ married couple's ^{claimant's} net tax liability. ↓

17 4. If the claimant is married and filing jointly and the sum of the claimant's
18 adjusted gross income and his or her spouse's adjusted gross income is at least
19 \$125,000 but less than \$150,000 in the year to which the claim relates, an amount
20 that is calculated as follows:

21 a. Calculate the value of a fraction, the denominator of which is \$25,000 and
22 the numerator of which is the difference between the ^e married couple's ^{claimant's} adjusted gross
23 income and \$125,000. (3500)

24 b. Subtract from 1.0 the amount that is calculated under subd. 4. a.

1 c. Multiply the amount of the ^{e claimant's} married couple's net income tax liability by the
2 amount that is calculated under subd. 4. b. ✓ *Rest et*

3 5. If the claimant is married and filing separately and his or her adjusted gross
4 income is less than \$62,500 in the year to which the claim relates, an amount equal
5 to the greater of \$25 or an amount equal to 10 percent of his or her net tax liability.

6 6. If the claimant is married and filing separately and his or her adjusted gross
7 income is at least \$62,500 but less than \$75,000 in the year to which the claim relates,
8 an amount that is calculated as follows:

9 a. Calculate the value of a fraction, the denominator of which is \$12,500 and
10 the numerator of which is the difference between the claimant's adjusted gross
11 income and \$75,000.

12 b. Subtract from 1.0 the amount that is calculated under subd. 6. a. ✓

13 c. Multiply the amount of the claimant's net income tax liability by the amount
14 that is calculated under subd. 6. b. ✓

15 (c) *Indexing*. For taxable years beginning after December 31, 2019, the dollar
16 amounts in par. (b) shall be increased each year by a percentage equal to the
17 percentage change between the U.S. consumer price index for all urban consumers,
18 U.S. city average, for the month of August of the previous year and the U.S. consumer
19 price index for all urban consumers, U.S. city average, for the month of August 2018,
20 as determined by the federal department of labor, except that for taxable years
21 beginning after December 31, 2019, the adjustment may occur only if the resulting
22 amount is greater than the corresponding amount that was calculated for the
23 previous year.

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

1 2. Part-year residents and nonresidents of this state are not eligible for the
2 credit under this subsection.

3 3. Except as provided in subd. 4., only one credit per household is allowed each
4 year.

5 4. If a married couple files separately, each spouse may claim the credit
6 calculated under par. (b) 5. or 6., except a married person living apart from the other
7 spouse and treated as single under section 7703 (b) of the Internal Revenue Code may
8 claim the credit under par. (b) 1. or 2. ✓

9 5. The credit under this subsection may not be claimed by a person who may
10 be claimed as a dependent on the individual income tax return of another taxpayer. ✓

11 (e) *Administration.* The department of revenue may enforce the credit under
12 this subsection and may take any action, conduct any proceeding⁴ and proceed as it
13 is authorized in respect to taxes under this chapter. The income tax provisions in this
14 chapter relating to assessments, refunds, appeals, collection, interest and penalties⁵
15 apply to the credit under this subsection.

16
17 **SECTION 9337. Initial applicability; Revenue.**

18 (1) WORKING FAMILIES TAX CREDIT, AFTER 2018. The treatment of s. 71.07 (5me) first
19 applies to taxable years beginning after December 31, 2018.

20 (END)

and 71.10(4) (g)(e)

sec. # CR; 71.10(4) (g)(e)
71.10(4) (g)(e) Working families tax credit
under p. 71.07(5me).

Shovers, Marc

From: Kreye, Joseph
Sent: Tuesday, February 05, 2019 4:51 PM
To: Shovers, Marc
Subject: FW: Draft review: LRB -1793/P2

FYI

Joseph T. Kreye
Legal Services Manager
Legislative Reference Bureau
608 504-5857

From: Quinn, Brian D - DOA <Brian.Quinn@wisconsin.gov>
Sent: Tuesday, February 05, 2019 4:43 PM
To: Kreye, Joseph <Joseph.Kreye@legis.wisconsin.gov>
Subject: RE: Draft review: LRB -1793/P2

Thanks. At your leisure, because this isn't nearly as imminent, can you work in the changes for the MAC and the 10% credit back into their underlying budget drafts? Alternatively, I guess we can just simply treat this new draft as a merged tax draft for those two provisions and the EITC.

From: Kreye, Joseph A - LEGIS <joseph.kreye@legis.wisconsin.gov>
Sent: Tuesday, February 05, 2019 4:40 PM
To: Quinn, Brian D - DOA <Brian.Quinn@wisconsin.gov>
Subject: RE: Draft review: LRB -1793/P2

Yes.

Joseph T. Kreye
Legal Services Manager
Legislative Reference Bureau
608 504-5857

From: Quinn, Brian D - DOA <Brian.Quinn@wisconsin.gov>
Sent: Tuesday, February 05, 2019 4:18 PM
To: Kreye, Joseph <Joseph.Kreye@legis.wisconsin.gov>
Subject: RE: Draft review: LRB -1793/P2

Joe,

This includes the changes we spoke about earlier, correct?

-Brian Q.

From: LRB.Legal <lrblegal@legis.wisconsin.gov>
Sent: Tuesday, February 05, 2019 4:09 PM

To: Quinn, Brian D - DOA <Brian.Quinn@wisconsin.gov>

Subject: Draft review: LRB -1793/P2

Following is the PDF version of draft LRB -1793/P2.



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-1190/P1
MES:wj

P2
RWA

middle class relief

DOA:.....Quinn, BB0165 - Working families tax credit

FOR 2019-2021 BUDGET -- NOT READY FOR INTRODUCTION

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

This bill creates a new working families individual income tax credit for taxable years beginning in 2019; the new credit replaces the current credit. The credit is a nonrefundable credit that may be claimed by an individual or by an individual and his or her spouse. As a nonrefundable credit, it may be claimed only up to the amount of the taxpayer's income tax liability. Under the bill, for a single individual or an individual who files as a head of household whose adjusted gross income is less than \$80,000, for a married couple filing jointly whose combined AGI is less than \$125,000, or for a married individual filing separately whose AGI is less than \$62,500, the credit is equal to 10 percent of the claimant's net tax liability or \$50, whichever is greater (\$25 for married separate filers). Generally, net tax liability is defined as a claimant's income tax liability after the application of most nonrefundable income tax credits. Under the bill, the credit phases out to zero as a single individual or head of household filer's AGI increases from \$80,000 to \$100,000. A similar phaseout occurs for a married joint filer whose combined AGI increases from \$125,000 to \$150,000 and a married separate filer whose AGI increases from \$62,500 to \$75,000. The dollar amounts in the bill are indexed for inflation starting in taxable year 2020. Also, under the bill, the current working families tax credit is sunset; no new claims for that credit may be filed for a taxable year that begins after December 31, 2018.

INS
ANL

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. 71.07 (5m) (title) of the statutes is amended to read:

71.07 (5m) (title) WORKING FAMILIES TAX CREDIT, BEFORE 2019.

SECTION 2. 71.07 (5m) (e) of the statutes is created to read:

71.07 (5m) (e) *Sunset.* No credit may be claimed under this subsection for taxable years beginning after December 31, 2018.

SECTION 3. 71.07 (5me) of the statutes is created to read:

71.07 (5me) WORKING FAMILIES TAX CREDIT, AFTER 2018. (a) *Definitions.* In this subsection:

1. "Claimant" means an individual who is eligible to claim the credit under this subsection.

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

3. "Net tax liability" means a claimant's income tax liability after he or she completes the computations for nonrefundable credits listed before s. 71.10 (4) (h).

(b) *Filing claims.* Subject to part (c) and the limitations provided in this subsection, a claimant may claim as a credit against the tax imposed under s. 71.02, up to the amount of those taxes, one of the following amounts:

1. If the claimant is single or files as a head of household and his or her adjusted gross income is less than \$80,000 in the year to which the claim relates, the greater of \$50 or an amount equal to 10 percent of his or her net tax liability.

CS
Midd/Kelless

CS
relief

For taxable years beginning after December 31, 2016, and

20

1 2. If the claimant is single or files as a head of household and his or her adjusted
2 gross income is at least \$80,000 but less than \$100,000 in the year to which the claim
3 relates, an amount that is calculated as follows:

4 a. Calculate the value of a fraction, the denominator of which is \$20,000 and
5 the numerator of which is the difference between the claimant's adjusted gross
6 income and \$80,000.

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

*INS
3-7*

8 c. Multiply the amount of the claimant's net income tax liability by the amount
9 that is calculated under subd. 2. *b/c*

10 3. If the claimant is married and filing jointly and the sum of the claimant's
11 adjusted gross income and his or her spouse's adjusted gross income is less than
12 \$125,000 in the year to which the claim relates, the greater of \$50 or an amount equal
13 to 10 percent of the married couple's net tax liability.

14 4. If the claimant is married and filing jointly and the sum of the claimant's
15 adjusted gross income and his or her spouse's adjusted gross income is at least
16 \$125,000 but less than \$150,000 in the year to which the claim relates, an amount
17 that is calculated as follows:

18 a. Calculate the value of a fraction, the denominator of which is \$25,000 and
19 the numerator of which is the difference between the married couple's adjusted gross
20 income and \$125,000.

21 b. Subtract from 1.0 the amount that is calculated under subd. 4. a.

22 c. Multiply the amount of the married couple's net income tax liability by the
23 amount that is calculated under subd. 4. *b/c*

*INS
3-21*

1 5. If the claimant is married and filing separately and his or her adjusted gross
2 income is less than \$62,500 in the year to which the claim relates, the greater of \$25
3 or an amount equal to 10 percent of his or her net tax liability.

4 6. If the claimant is married and filing separately and his or her adjusted gross
5 income is at least \$62,500 but less than \$75,000 in the year to which the claim relates,
6 an amount that is calculated as follows:

7 a. Calculate the value of a fraction, the denominator of which is \$12,500 and
8 the numerator of which is the difference between the claimant's adjusted gross
9 income and \$75,000.

10 b. Subtract from 1.0 the amount that is calculated under subd. 6. a.

11 c. Multiply the amount of the claimant's net income tax liability by the amount
12 that is calculated under subd. 6. b. *b.c*

13 (c) *Indexing*. For taxable years beginning after December 31, 2019, the dollar
14 amounts in par. (b) shall be increased each year by a percentage equal to the
15 percentage change between the U.S. consumer price index for all urban consumers,
16 U.S. city average, for the month of August of the previous year and the U.S. consumer
17 price index for all urban consumers, U.S. city average, for the month of August 2018,
18 as determined by the federal department of labor, except that for taxable years
19 beginning after December 31, 2019, the adjustment may occur only if the resulting
20 amount is greater than the corresponding amount that was calculated for the
21 previous year.

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

24 2. Part-year residents and nonresidents of this state are not eligible for the
25 credit under this subsection.

INS
410

1 3. Except as provided in subd. 4., only one credit per household is allowed each
2 year.

3 4. If a married couple files separately, each spouse may claim the credit
4 calculated under par. (b) 5. or 6., except a married person living apart from the other
5 spouse and treated as single under section 7703 (b) of the Internal Revenue Code may
6 claim the credit under par. (b) 1. or 2.

7 5. The credit under this subsection may not be claimed by a person who may
8 be claimed as a dependent on the individual income tax return of another taxpayer.

9 (e) ^{relief} Administration. The department of revenue may enforce the credit under
10 this subsection and may take any action, conduct any proceeding, and proceed as it
11 is authorized in respect to taxes under this chapter. The income tax provisions in this
12 chapter relating to assessments, refunds, appeals, collection, interest, and penalties
13 apply to the credit under this subsection.

14 SECTION 4. 71.10 (4) (gye) of the statutes is created to read:

15 71.10 (4) (gye) ~~Working families~~ ^{relief} tax credit under s. 71.07 (5me).

16 SECTION 9337. Initial applicability; Revenue.

17 (1) WORKING FAMILIES TAX CREDIT, AFTER 2018. The treatment of ss. 71.07 (5me)
18 and 71.10 (4) (gye) first applies to taxable years beginning after December 31, 2018.

19 (END)

Middle class

**2019-2020 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-1190/P2ins
MES:wlj

INS ANL

This bill creates a new individual income tax credit for taxable years beginning in 2019. The credit is nonrefundable and may be claimed only up to the amount of the taxpayer's income tax liability. Under the bill, for a single individual or an individual who files as a head of household whose adjusted gross income is less than \$80,000, for a married couple filing jointly whose combined AGI is less than \$125,000, or for a married individual filing separately whose AGI is less than \$62,500, the credit is equal to 10 percent of the claimant's net tax liability or \$100 (\$50 for married separate filers), whichever is greater. Net tax liability is a claimant's income tax liability after the application of most nonrefundable income tax credits. Under the bill, the credit phases out to zero as a single individual or head of household filer's AGI increases from \$80,000 to \$100,000. A similar phaseout occurs for a married joint filer whose combined AGI increases from \$125,000 to \$150,000 and a married separate filer whose AGI increases from \$62,500 to \$75,000. Also, under the bill, no new claims for the working families tax credit may be filed for a taxable year that begins after December 31, 2018.

INS 3-7

- c. Multiply the amount that is calculated under subd. 2. b. by 10 percent.
-

INS 3-21

- c. Multiply the amount that is calculated under subd. 4. b. by 10 percent.

INS 4-10

- c. Multiply the amount that is calculated under subd. 6. b. by 10 percent.

Shovers, Marc

From: Quinn, Brian D - DOA
Sent: Thursday, February 14, 2019 10:49 AM
To: Shovers, Marc
Subject: RE: Middle Class Tax Relief Credit Name - 1190/p2

I think we're good changing the name in the budget draft right now. I don't expect that there will be any more changes at this point.

Of course, developments could always prove me wrong, as they often do.

-Brian Q.

From: Shovers, Marc - LEGIS <marc.shovers@legis.wisconsin.gov>
Sent: Thursday, February 14, 2019 10:32 AM
To: Quinn, Brian D - DOA <Brian.Quinn@wisconsin.gov>
Subject: RE: Middle Class Tax Relief Credit Name - 1190/p2

Hi Brian:

Do you want the bill redrafted right away to add the new name, or might other changes be coming so I should hold off on redrafting?

Thanks,

Marc

From: Quinn, Brian D - DOA <Brian.Quinn@wisconsin.gov>
Sent: Thursday, February 14, 2019 10:00 AM
To: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Subject: Middle Class Tax Relief Credit Name - 1190/p2

Marc,

I have received the name of what this credit will be called beyond our simple placeholder descriptive name.

The name shall be: the "Family And Individual Reinvestment credit, abbreviated as the "FAIR Credit."

Let me know if you have any questions.

Brian Quinn
Executive Policy and Budget Analyst - Advanced
Wisconsin Department of Administration
Division of Executive Budget and Finance
(608)-266-1923



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-1190/P2
MES:wlj

13
(RMR)

Family and individual
reinvestment

DOA:.....Quinn, BB0165 - Middle class tax relief credit

FOR 2019-2021 BUDGET -- NOT READY FOR INTRODUCTION

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

Family and individual
reinvestment
income tax
credit

family and TAXATION
INCOME TAXATION reinvestment

This bill creates a new individual income tax credit for taxable years beginning in 2019. The credit is nonrefundable and may be claimed only up to the amount of the taxpayer's income tax liability. Under the bill, for a single individual or an individual who files as a head of household whose adjusted gross income is less than \$80,000, for a married couple filing jointly whose combined AGI is less than \$125,000, or for a married individual filing separately whose AGI is less than \$62,500, the credit is equal to 10 percent of the claimant's net tax liability or \$100 (\$50 for married separate filers), whichever is greater. Net tax liability is a claimant's income tax liability after the application of most nonrefundable income tax credits. Under the bill, the credit phases out to zero as a single individual or head of household filer's AGI increases from \$80,000 to \$100,000. A similar phaseout occurs for a married joint filer whose combined AGI increases from \$125,000 to \$150,000 and a married separate filer whose AGI increases from \$62,500 to \$75,000. Also, under the bill, no new claims for the working families tax credit may be filed for a taxable year that begins after December 31, 2018.

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3 taxable years beginning after December 31, 2018.

4 **SECTION 2.** 71.07 (5me) of the statutes is created to read:

5 71.07 (5me) ~~MIDDLE CLASS TAX RELIEF CREDIT.~~ ^{FAMILY AND INDIVIDUAL REINVESTMENT} (a) *Definitions.* In this
6 subsection:

7 1. "Claimant" means an individual who is eligible to claim the credit under this
8 subsection.

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

11 3. "Net tax liability" means a claimant's income tax liability after he or she
12 completes the computations for nonrefundable credits listed before s. 71.10 (4) (h).

13 (b) *Filing claims.* For taxable years beginning after December 31, 2018, and
14 subject to the limitations provided in this subsection, a claimant may claim as a
15 credit against the tax imposed under s. 71.02, up to the amount of those taxes, one
16 of the following amounts:

17 1. If the claimant is single or files as a head of household and his or her adjusted
18 gross income is less than \$80,000 in the year to which the claim relates, the greater
19 of \$100 or an amount equal to 10 percent of his or her net tax liability.

1 2. If the claimant is single or files as a head of household and his or her adjusted
2 gross income is at least \$80,000 but less than \$100,000 in the year to which the claim
3 relates, an amount that is calculated as follows:

4 a. Calculate the value of a fraction, the denominator of which is \$20,000 and
5 the numerator of which is the difference between the claimant's adjusted gross
6 income and \$80,000.

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

8 c. Multiply the amount that is calculated under subd. 2. b. by 10 percent.

9 d. Multiply the amount of the claimant's net income tax liability by the amount
10 that is calculated under subd. 2. c.

11 3. If the claimant is married and filing jointly and the sum of the claimant's
12 adjusted gross income and his or her spouse's adjusted gross income is less than
13 \$125,000 in the year to which the claim relates, the greater of \$50 or an amount equal
14 to 10 percent of the married couple's net tax liability.

15 4. If the claimant is married and filing jointly and the sum of the claimant's
16 adjusted gross income and his or her spouse's adjusted gross income is at least
17 \$125,000 but less than \$150,000 in the year to which the claim relates, an amount
18 that is calculated as follows:

19 a. Calculate the value of a fraction, the denominator of which is \$25,000 and
20 the numerator of which is the difference between the married couple's adjusted gross
21 income and \$125,000.

22 b. Subtract from 1.0 the amount that is calculated under subd. 4. a.

23 c. Multiply the amount that is calculated under subd. 4. b. by 10 percent.

24 d. Multiply the amount of the married couple's net income tax liability by the
25 amount that is calculated under subd. 4. c.

1 5. If the claimant is married and filing separately and his or her adjusted gross
2 income is less than \$62,500 in the year to which the claim relates, the greater of \$25
3 or an amount equal to 10 percent of his or her net tax liability.

4 6. If the claimant is married and filing separately and his or her adjusted gross
5 income is at least \$62,500 but less than \$75,000 in the year to which the claim relates,
6 an amount that is calculated as follows:

7 a. Calculate the value of a fraction, the denominator of which is \$12,500 and
8 the numerator of which is the difference between the claimant's adjusted gross
9 income and \$75,000.

10 b. Subtract from 1.0 the amount that is calculated under subd. 6. a.

11 c. Multiply the amount that is calculated under subd. 6. b. by 10 percent.

12 d. Multiply the amount of the claimant's net income tax liability by the amount
13 that is calculated under subd. 6. c.

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

16 2. Part-year residents and nonresidents of this state are not eligible for the
17 credit under this subsection.

18 3. Except as provided in subd. 4., only one credit per household is allowed each
19 year.

20 4. If a married couple files separately, each spouse may claim the credit
21 calculated under par. (b) 5. or 6., except a married person living apart from the other
22 spouse and treated as single under section 7703 (b) of the Internal Revenue Code may
23 claim the credit under par. (b) 1. or 2.

24 5. The credit under this subsection may not be claimed by a person who may
25 be claimed as a dependent on the individual income tax return of another taxpayer.

specified threshold amount, the taxpayer may claim the subtraction under this subdivision in an amount such that the sum reduced by the amount of the taxpayer's entire noncapital gains adjusted federal adjusted gross income and the taxpayer's net federal capital gains does not that exceeds the threshold amount:"

- Page 3, lines 4 and 5 – clarify that an estate or trust is subject to the \$100,000 threshold:

"71.05 (6) (b) 9. a. For a an estate, trust, single individual or an individual who files as a head of household, \$100,000."

1193/P1 – New child care credit

- Page 3, line 1: replace "taxpayer" with "claimant"
- The current subtraction for child care expenses under sec. 71.05(6)(b)43.e. has a provision which subjects the claimant to special rules in 26 USC 21(e)(2) and (4), relating to disallowance of the federal credit for married individuals filing separate returns, unless they qualify as head of household. Suggest adding similar language for the Wisconsin child care expenses credit under s. 71.07(8m)(c) after line 12 on page 3:

"5. A claimant who claims the credit under this subsection is subject to the special rules in 26 USC 21 (e) (2) and (4)."

1190/P3 – New individual income tax credit (FAIR)

- Page 2, lines 11 & 12 - As written, net tax liability includes the amount of the family and individual reinvestment credit allowed, which is a circular computation. Suggested wording:

3. "Net tax liability" means a claimant's income tax liability after he or she completes the computations for nonrefundable credits listed before ~~in~~ in s. 71.10 (4) ~~(h)~~ (a) to (gy).

From: Quinn, Brian D - DOA

Sent: Friday, February 15, 2019 3:09 PM

To: Oakleaf, Michael P - DOR <Michael.Oakleaf@wisconsin.gov>

Cc: Caruth, Bradley R - DOR <Bradley.Caruth@wisconsin.gov>; Schmidt, Robert K - DOR <RobertK1.Schmidt@wisconsin.gov>

Subject: Statutory Language Draft Review

Sending a number of these over. I haven't had much of a chance to review some of them myself so we'll be reviewing them in parallel. Sending over the revised IRC draft, too.

Have a good weekend!

Brian Quinn
Executive Policy and Budget Analyst - Advanced
Wisconsin Department of Administration
Division of Executive Budget and Finance
(608)-266-1923



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-1190/P3

MES:wjg/ann

AMR

DOA:.....Quinn, BB0165 - Family and individual reinvestment credit

FOR 2019-2021 BUDGET -- NOT READY FOR INTRODUCTION

do not join

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

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State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-1190/P4
MES:wlj&amn

DOA:.....Quinn, BB0165 - Family and individual reinvestment credit

FOR 2019-2021 BUDGET -- NOT READY FOR INTRODUCTION

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