2019 DRAFTING REQUEST

Senate Amendment (SA-AB56)

For:	**Jennifer Shilling (608) 266-5490**	Drafter:	**mshovers**
By:	**Mark**	Secondary Drafters:	**elunder**
Date:	**6/21/2019**	May Contact:	
Same as LRB:			

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

Pre Topic:

No specific pre topic given

Topic:

Family and individual reinvestment credit, dark stores, delete tax rate reduction

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Instructions:

Include Governor's FAIR tax credit, LRB -1190/P4, and LRB -1018 (see also b0495); delete reduction in individual income tax rate in 2nd bracket. Yank LRB b0377

Drafting History:

Vers.	Drafted	Reviewed	Submitted	Jacketed	Required
/?	mshovers 6/21/2019	anienaja 6/24/2019			
/P1	mshovers 6/24/2019		mbarman 6/24/2019		
/P2		anienaja 6/24/2019	dwalker 6/24/2019		
/1			dwalker 6/26/2019	dwalker 6/26/2019	

FE Sent For: **<END>**

Shovers, Marc

From:	Bender, Mark
Sent:	Friday, June 21, 2019 2:16 PM
To:	Shovers, Marc
Subject:	RE: Amendment Draft

Yes. There would be two separate amendments (FAIR+Dark Stores) and (ManAg+Cap Gains)

From: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Sent: Friday, June 21, 2019 2:15 PM
To: Bender, Mark <Mark.Bender@legis.wisconsin.gov>
Subject: RE: Amendment Draft

Of course. Would you like the Man Ag and Cap gains items in one amendment, which is separate from the FAIR and Dark Store amendment?

Thanks,

Marc

From: Bender, Mark <Mark.Bender@legis.wisconsin.gov>
Sent: Friday, June 21, 2019 1:36 PM
To: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Subject: RE: Amendment Draft

Sure thing.

Can we also get an additional amendment that reinstates (1) the Governor's version of the ManAg tax repeal (+300K on Man) and (2) limiting the capital gains exclusion?

Thanks,

Mark

From: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Sent: Friday, June 21, 2019 1:29 PM
To: Bender, Mark <Mark.Bender@legis.wisconsin.gov>
Subject: RE: Amendment Draft

OK. Thanks for the clarification.

Marc

From: Bender, Mark <Mark.Bender@legis.wisconsin.gov>
Sent: Friday, June 21, 2019 1:26 PM
To: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Subject: RE: Amendment Draft

And I should specify that the FAIR would replace the GOP tax plan included in AB 56 as engrossed with ASA1

From: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Sent: Friday, June 21, 2019 1:23 PM
To: Bender, Mark <Mark.Bender@legis.wisconsin.gov>
Subject: RE: Amendment Draft

Yes, we'll take care of it.

Thanks,

Marc

From: Bender, Mark <Mark.Bender@legis.wisconsin.gov>
Sent: Friday, June 21, 2019 1:21 PM
To: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Subject: Amendment Draft

Marc,

Can we get a P draft of a simple amendment to AB 56 that includes from the Governor's budget: (1) the FAIR income tax cut and (2) dark stores?

Thanks,

Mark Bender
Office of Senator Jennifer Shilling
608-266-5490
206 South, State Capitol

State of Wisconsin
2019 - 2020 LEGISLATURE

605 44/P1

LRBb0495/P1
MES&J EKL:amn

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

SENATE ASSEMBLY AMENDMENT ,

TO ASSEMBLY SUBSTITUTE AMENDMENT 1,

TO ASSEMBLY BILL 56

bill, as shown by assembly substitute amendment 1,

At the locations indicated, amend the substitute amendment as follows:

1. Page 376, line 7: after that line insert:

"**SECTION 827m.** 70.03 (1) of the statutes is amended to read:

70.03 **(1)** In chs. 70 to 76, 78, and 79, "real property," "real estate," and "land" include not only the land itself but all buildings ~~and~~, fixtures, improvements ~~thereon,~~ ~~and all fixtures and~~, leases, rights, and privileges appertaining thereto, including assets that cannot be taxed separately as real property, but are inextricably intertwined with the real property, enable the real property to achieve its highest and best use, and are transferable to future owners, except as provided in sub. (2) and except that for the purpose of time-share property, as defined in s. 707.02 (32), real property does not include recurrent exclusive use and occupancy on a periodic basis or other rights, including, but not limited to, membership rights, vacation services, and club memberships. In this subsection, "lease" means a right in real estate that is related primarily to the property and not to the labor, skill, or business acumen of the property owner or tenant. In this subsection, "highest and best use" has the meaning given in s. 70.32 (1).".

2. Page 376, line 20: after that line insert:

"**SECTION 829m.** 70.32 (1) of the statutes is amended to read:

70.32 **(1)** Real property shall be valued by the assessor in the manner specified in the Wisconsin property assessment manual provided under s. 73.03 (2a) at its highest and best use from actual view or from the best information that the assessor can practicably obtain, at the full value which could ordinarily be obtained therefor at private sale. In determining the value, the assessor shall consider recent arm's-length sales of the property to be assessed if according to professionally acceptable appraisal practices those sales conform to recent arm's-length sales of reasonably comparable property; recent arm's-length sales of reasonably comparable property; and all factors that, according to professionally acceptable appraisal practices, affect the value of the property to be assessed. In this subsection, "arm's-length sale" means a sale between a willing buyer and willing seller, neither being under compulsion to buy or sell and each being familiar with the attributes of the property sold. In this subsection, "highest and best use" means the specific use of the property as of the current assessment date or a higher use to which the property can be expected to be put before the next assessment date, if the use is legally permissible, physically possible, not highly speculative, and financially feasible and provides the highest net return. When the current use of a property is the highest and best use of that property, value in the current use equals full market value. In this subsection, "legally permissible" does not include a conditional use that has not been granted as of the assessment date.

SECTION 830m. 70.32 (1b) of the statutes is created to read:

70.32 **(1b)** In determining the value of real property under sub. (1), the assessor shall consider, as part of the valuation under sub. (1), any lease provisions and actual rent pertaining to a property and affecting its value, including the lease provisions and rent associated with a sale and leaseback of the property, if all such lease provisions and rent are the result of an arm's-length transaction involving persons who are not related, as provided under section 267 of the Internal Revenue Code for the year of the transaction. In this subsection, an "arm's-length transaction" means an agreement between willing parties, neither being under compulsion to act and each being familiar with the attributes of the property.

SECTION 831m. 70.32 (1d) of the statutes is created to read:

70.32 **(1d)** (a) To determine the value of property using generally accepted appraisal methods, the assessor shall consider all of the following as comparable to the property being assessed:

1. Sales or rentals of properties exhibiting the same or a similar highest and best use, as defined in sub. (1), with placement in the same real estate market segment.

2. Sales or rentals of properties that are similar to the property being assessed with regard to age, condition, use, type of construction, location, design, physical features, and economic characteristics, including similarities in occupancy and the potential to generate rental income. For purposes of this subdivision, such properties may be found locally, regionally, or nationally.

(b) For purposes of par. (a), a property is not comparable if any of the following applies:

1. At or before the time of sale, the seller places any deed restriction on the property that changes the highest and best use, as defined in sub. (1), of the property, or prohibits competition, so that it no longer qualifies as a comparable property under par. (a) 1. or 2. and the property being assessed lacks such a restriction.

2. The property is dark property and the property being assessed is not dark property. In this subdivision, "dark property" means property that is vacant or unoccupied beyond the normal period for property in the same real estate market segment. For purposes of this subdivision, what is considered vacant or unoccupied beyond the normal period may vary depending on the property location.

(c) For purposes of par. (a), "real estate market segment" means a pool of potential buyers and sellers that typically buy or sell properties similar to the property being assessed, including potential buyers who are investors or owner-occupants. For purposes of this paragraph, and depending on the type of property being assessed, the pool of potential buyers and sellers may be found locally, regionally, nationally, or internationally.

(d) The department of revenue shall assist local assessors with implementing and applying this subsection.".

IN 4-19

3. Page 506, line 8: after that line insert:

"(1p) REAL PROPERTY TAX ASSESSMENTS. The treatment of ss. 70.03 (1) and 70.32 (1), (1b), and (1d) first applies to the property tax assessments as of January 1, 2020.".

(END)

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

INS 4-19 p.1065

#. Page 378, line 15: delete the material beginning with that line and ending with page 379, line 3.

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

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

1. Family and individual reinvestment income tax credit

This bill creates a new family and individual reinvestment 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.

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:

#. Page 379, line 13: After that line insert:

SECTION 1. 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 2.** 71.07 (5me) of the statutes is created to read:

8832

71.07 **(5me)** FAMILY AND INDIVIDUAL REINVESTMENT CREDIT. (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 in s. 71.10 (4) (a) to (gy).

(b) *Filing claims.* For taxable years beginning after December 31, 2018, and subject to 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 $100 or an amount equal to 10 percent of his or her net tax liability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) *Administration*. The department of revenue may enforce the credit under this subsection and may take any action, conduct any proceeding, and proceed as it is authorized in respect to taxes under this chapter. The income tax provisions in this chapter relating to assessments, refunds, appeals, collection, interest, and penalties apply to the credit under this subsection.

SECTION ~~3~~. 886m 71.10 (4) (gye) of the statutes is created to read:

71.10 **(4)** (gye) Family and individual reinvestment credit under s. 71.07 (5me). //

(END)

Shovers, Marc

From: Bender, Mark
Sent: Monday, June 24, 2019 1:18 PM
To: Shovers, Marc
Subject: RE: Amendment Draft

Marc,

Can we add in the Governor's Child and Dependent Care Tax Credit (LFB paper #320) proposal to the Fair/Dark Store amendment?

Thanks,

Mark

From: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Sent: Friday, June 21, 2019 2:15 PM
To: Bender, Mark <Mark.Bender@legis.wisconsin.gov>
Subject: RE: Amendment Draft

Of course. Would you like the Man Ag and Cap gains items in one amendment, which is separate from the FAIR and Dark Store amendment?

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Thanks,

Mark Bender
Office of Senator Jennifer Shilling
608-266-5490
206 South, State Capitol

State of Wisconsin
2019 - 2020 LEGISLATURE

LRBb0544/P1 P2
MES&EKL:~~amn&wlj~~ all
RMR

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

SENATE AMENDMENT ,

TO ASSEMBLY BILL 56

At the locations indicated, amend the bill, as shown by assembly substitute amendment 1, as follows:

1. Page 376, line 7: after that line insert:

"**SECTION 827m.** 70.03 (1) of the statutes is amended to read:

70.03 **(1)** In chs. 70 to 76, 78, and 79, "real property," "real estate," and "land" include not only the land itself but all buildings ~~and~~<u>, fixtures,</u> improvements ~~thereon, and all fixtures and~~<u>, leases,</u> rights, and privileges appertaining thereto, <u>including assets that cannot be taxed separately as real property, but are inextricably intertwined with the real property, enable the real property to achieve its highest and best use, and are transferable to future owners,</u> except as provided in sub. (2) and except that for the purpose of time-share property, as defined in s. 707.02 (32), real property does not include recurrent exclusive use and occupancy on a periodic basis or other rights, including, but not limited to, membership rights, vacation services, and club memberships. In this subsection, "lease" means a right in real estate that is related primarily to the property and not to the labor, skill, or business acumen of the property owner or tenant. In this subsection, "highest and best use" has the meaning given in s. 70.32 (1).".

2. Page 376, line 20: after that line insert:

"**SECTION 829m.** 70.32 (1) of the statutes is amended to read:

70.32 **(1)** Real property shall be valued by the assessor in the manner specified in the Wisconsin property assessment manual provided under s. 73.03 (2a) at its highest and best use from actual view or from the best information that the assessor can practicably obtain, at the full value which could ordinarily be obtained therefor at private sale. In determining the value, the assessor shall consider recent arm's-length sales of the property to be assessed if according to professionally acceptable appraisal practices those sales conform to recent arm's-length sales of reasonably comparable property; recent arm's-length sales of reasonably comparable property; and all factors that, according to professionally acceptable appraisal practices, affect the value of the property to be assessed. In this subsection, "arm's-length sale" means a sale between a willing buyer and willing seller, neither being under compulsion to buy or sell and each being familiar with the attributes of the property sold. In this subsection, "highest and best use" means the specific use of the property as of the current assessment date or a higher use to which the property can be expected to be put before the next assessment date, if the use is legally permissible, physically possible, not highly speculative, and financially feasible and provides the highest net return. When the current use of a property is

<u>the highest and best use of that property, value in the current use equals full market value. In this subsection, "legally permissible" does not include a conditional use that has not been granted as of the assessment date.</u>

SECTION 830m. 70.32 (1b) of the statutes is created to read:

70.32 **(1b)** In determining the value of real property under sub. (1), the assessor shall consider, as part of the valuation under sub. (1), any lease provisions and actual rent pertaining to a property and affecting its value, including the lease provisions and rent associated with a sale and leaseback of the property, if all such lease provisions and rent are the result of an arm's-length transaction involving persons who are not related, as provided under section 267 of the Internal Revenue Code for the year of the transaction. In this subsection, an "arm's-length transaction" means an agreement between willing parties, neither being under compulsion to act and each being familiar with the attributes of the property.

SECTION 831m. 70.32 (1d) of the statutes is created to read:

70.32 **(1d)** (a) To determine the value of property using generally accepted appraisal methods, the assessor shall consider all of the following as comparable to the property being assessed:

1. Sales or rentals of properties exhibiting the same or a similar highest and best use, as defined in sub. (1), with placement in the same real estate market segment.

2. Sales or rentals of properties that are similar to the property being assessed with regard to age, condition, use, type of construction, location, design, physical features, and economic characteristics, including similarities in occupancy and the potential to generate rental income. For purposes of this subdivision, such properties may be found locally, regionally, or nationally.

(b) For purposes of par. (a), a property is not comparable if any of the following applies:

1. At or before the time of sale, the seller places any deed restriction on the property that changes the highest and best use, as defined in sub. (1), of the property, or prohibits competition, so that it no longer qualifies as a comparable property under par. (a) 1. or 2. and the property being assessed lacks such a restriction.

2. The property is dark property and the property being assessed is not dark property. In this subdivision, "dark property" means property that is vacant or unoccupied beyond the normal period for property in the same real estate market segment. For purposes of this subdivision, what is considered vacant or unoccupied beyond the normal period may vary depending on the property location.

(c) For purposes of par. (a), "real estate market segment" means a pool of potential buyers and sellers that typically buy or sell properties similar to the property being assessed, including potential buyers who are investors or owner-occupants. For purposes of this paragraph, and depending on the type of property being assessed, the pool of potential buyers and sellers may be found locally, regionally, nationally, or internationally.

(d) The department of revenue shall assist local assessors with implementing and applying this subsection.".

INS 4-19

3. Page 379, line 13: after that line insert:

"**SECTION 883c.** 71.07 (5me) of the statutes is created to read:

71.07 **(5me)** FAMILY AND INDIVIDUAL REINVESTMENT CREDIT. (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 in s. 71.10 (4) (a) to (gy).

(b) *Filing claims.* For taxable years beginning after December 31, 2018, and subject to 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 $100 or an amount equal to 10 percent of his or her net tax liability.

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

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

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

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

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

3. If the claimant is married and filing jointly and the sum of the claimant's adjusted gross income and his or her spouse's adjusted gross income is less than

$125,000 in the year to which the claim relates, the greater of $50 or an amount equal to 10 percent of the married couple's net tax liability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) *Administration*. The department of revenue may enforce the credit under this subsection and may take any action, conduct any proceeding, and proceed as it is authorized in respect to taxes under this chapter. The income tax provisions in this chapter relating to assessments, refunds, appeals, collection, interest, and penalties apply to the credit under this subsection.

INS 7-19

SECTION 886m. 71.10 (4) (gye) of the statutes is created to read:

71.10 **(4)** (gye) Family and individual reinvestment credit under s. 71.07 (5me).".

4. Page 506, line 8: after that line insert:

"(1p) REAL PROPERTY TAX ASSESSMENTS. The treatment of ss. 70.03 (1) and 70.32 (1), (1b), and (1d) first applies to the property tax assessments as of January 1, 2020.".

(END)

State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-1193/P2
MES:kjf&ahe

DOA:......Quinn, BB0160 - Child and dependent care tax credit for individuals

FOR 2019-2021 BUDGET -- NOT READY FOR INTRODUCTION

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

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

1. Child and dependent care tax credit

This bill creates a nonrefundable individual income tax credit based on the federal tax credit for expenses for household and dependent care services necessary for gainful employment. Under the bill, an individual who is eligible for and claims the federal tax credit for expenses for household and dependent care services may claim 50 percent of the same amount as a nonrefundable credit on his or her Wisconsin income tax return. Under the bill, the Wisconsin credit may not be claimed by a part-year resident or nonresident of this state.

This bill also sunsets the current law individual income tax subtract modification that allows a taxpayer a deduction for the same expenses for which the credit may be claimed.

Generally, the federal credit is a nonrefundable individual income tax credit that may be claimed by an individual for employment-related expenses for household services and dependent care services for a qualifying individual. Because the credit is nonrefundable, it may be claimed only up to the amount of a taxpayer's tax liability. Under federal law, a qualifying individual is someone who has the same principal place of abode as the claimant for more than one-half the year, is the claimant's dependent, and is 1) a child 12 or under; 2) a child 13 or older who is incapable of self-care; or 3) the claimant's spouse who is incapable of self-care.

The federal credit may be claimed for expenses to enable the claimant to be gainfully employed or actively search for gainful employment. Generally, allowable expenses for a qualifying individual under federal law include costs for in-home care or daycare, nursery school or preschool programs, and before-school and after-school care for school-age children. Depending on the claimant's adjusted gross income, the credit may be worth between 20 percent and 35 percent of the claimant's allowable expenses, up to a maximum annual amount of $3,000 if there is one qualifying individual and up to $6,000 if there are two or more qualifying individuals.

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

INS 4-19

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

#, Page 378, line 14: After that line insert:

SECTION ~~1~~ 868f. 71.05 (6) (b) 43. d. of the statutes is amended to read:

71.05 **(6)** (b) 43. d. For taxable years beginning after December 31, 2013, and before January 1, 2020, up to $3,000 if the claimant has one qualified individual and up to $6,000 if the claimant has more than one qualified individual. //.

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SECTION ~~2~~ 884m. 71.07 (8m) of the statutes is created to read:

71.07 **(8m)** ADDITIONAL HOUSEHOLD AND DEPENDENT CARE EXPENSES TAX CREDIT. (a) *Definitions.* In this subsection:

1. "Claimant" means an individual who is eligible for and claims the household and dependent care expenses tax credit for the taxable year to which the claim under this subsection relates.

2. "Household and dependent care expenses tax credit" means the tax credit under section 21 of the Internal Revenue Code.

(b) *Filing claims.* Subject to the limitations provided in this subsection, a claimant may claim as a credit against the tax imposed under s. 71.02, up to the

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amount of those taxes, an amount equal to 50 percent of the amount of the household and dependent care expenses tax credit that the claimant claimed on his or her federal income tax return for the taxable year to which the claim under this subsection relates.

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

2. No credit may be allowed under this subsection for a taxable year covering a period of less than 12 months, except for a taxable year closed by reason of the death of the taxpayer.

3. The credit under this subsection may not be claimed by either a part-year resident or a nonresident of this state.

4. The credit under this subsection may be claimed for taxable years beginning after December 31, 2019.

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

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

SECTION ~~3.~~ 71.10 (4) (cs) of the statutes is created to read: IC 8869

71.10 **(4)** (cs) Additional household and dependent care expenses tax credit under s. 71.07 (8m).

(END) of INS 7-19

State of Wisconsin
2019 - 2020 LEGISLATURE

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LRBb0544/~~P2~~
MES&EKL:all

No changes

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

SENATE AMENDMENT ,

TO ASSEMBLY BILL 56

At the locations indicated, amend the bill, as shown by assembly substitute amendment 1, as follows:

1. Page 376, line 7: after that line insert:

"**SECTION 827m.** 70.03 (1) of the statutes is amended to read:

70.03 **(1)** In chs. 70 to 76, 78, and 79, "real property," "real estate," and "land" include not only the land itself but all buildings ~~and~~, fixtures, improvements ~~thereon, and all fixtures and~~, leases, rights, and privileges appertaining thereto, including assets that cannot be taxed separately as real property, but are inextricably intertwined with the real property, enable the real property to achieve its highest and best use, and are transferable to future owners, except as provided in sub. (2) and except that for the purpose of time-share property, as defined in s. 707.02 (32), real property does not include recurrent exclusive use and occupancy on a periodic basis

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

SECTION 886g. 71.10 (4) (cs) of the statutes is created to read:

71.10 **(4)** (cs) Additional household and dependent care expenses tax credit under s. 71.07 (8m).

SECTION 886m. 71.10 (4) (gye) of the statutes is created to read:

71.10 **(4)** (gye) Family and individual reinvestment credit under s. 71.07 (5me).".

5. Page 506, line 8: after that line insert:

"(1p) REAL PROPERTY TAX ASSESSMENTS. The treatment of ss. 70.03 (1) and 70.32 (1), (1b), and (1d) first applies to the property tax assessments as of January 1, 2020.".

(END)