



State of Wisconsin  
2013 - 2014 LEGISLATURE



LRB-0747/P5  
MES:sac:jf

DOA:.....Quinn, BB0292 - Reduce individual income tax rates

**FOR 2013-2015 BUDGET -- NOT READY FOR INTRODUCTION**

**AN ACT** ...; **relating to:** reducing the individual income tax rates.

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*Analysis by the Legislative Reference Bureau*

**TAXATION**

**INCOME TAXATION**

Under current law, 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 current law for the lowest bracket for single individuals, certain fiduciaries, heads of households, and married persons is 4.6 percent of taxable income; the rate for the second bracket is 6.15 percent; the rate for the third bracket is 6.5 percent; the rate for the fourth bracket is 6.75 percent; and the rate for the highest bracket is 7.75 percent.

With regard to taxable year 2012, for single individuals, certain fiduciaries, and heads of households, for example, the lowest bracket applies to taxable income of over \$0 up to \$10,570; the second bracket applies to taxable income over \$10,570 up to \$20,360; the third bracket applies to taxable income over \$20,360 up to \$158,500; the fourth bracket applies to taxable income over \$158,500 up to \$232,660; and the fifth, or top, bracket applies to taxable income over \$232,660.

For taxable years beginning after December 31, 2012, this bill lowers the rate of taxation in each in each of the first three brackets; the rates in the top two brackets remain unchanged. Under the bill, the tax rate in the lowest bracket is reduced from 4.60 percent to 4.50 percent; the rate in the next higher bracket is reduced from 6.15 percent to 5.94 percent; the rate in the next higher bracket is reduced from 6.50

percent to 6.36 percent. The brackets will continue to be indexed for inflation as is the case under current law.

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

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

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

71.06 (1p) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; ~~AFTER 2000~~  
~~2001 TO 2012.~~ (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, 2000, and before January 1, 2013:

**SECTION 2.** 71.06 (1q) of the statutes is created to read:

71.06 (1q) FIDUCIARIES, SINGLE INDIVIDUALS, AND HEADS OF HOUSEHOLDS; AFTER 2012. (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:

- (a) On all taxable income from \$0 to \$7,500, 4.5 percent.
- (b) On all taxable income exceeding \$7,500 but not exceeding \$15,000, 5.94 percent.
- (c) On all taxable income exceeding \$15,000 but not exceeding \$112,500, 6.36 percent.
- (d) On all taxable income exceeding \$112,500 but not exceeding \$225,000, 6.75 percent.

(e) On all taxable income exceeding \$225,000, 7.75 percent.

**SECTION 3.** 71.06 (2) (g) (intro.) of the statutes is amended to read:

71.06 (2) (g) (intro.) For joint returns, for taxable years beginning after December 31, 2000, and before January 1, 2013:

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

71.06 (2) (h) (intro.) For married persons filing separately, for taxable years beginning after December 31, 2000, and before January 1, 2013:

**SECTION 5.** 71.06 (2) (i) of the statutes is created to read:

71.06 (2) (i) For joint returns, for taxable years beginning after December 31, 2012:

1. On all taxable income from \$0 to \$10,000, 4.5 percent.
2. On all taxable income exceeding \$10,000 but not exceeding \$20,000, 5.94 percent.
3. On all taxable income exceeding \$20,000 but not exceeding \$150,000, 6.36 percent.
4. On all taxable income exceeding \$150,000 but not exceeding \$300,000, 6.75 percent.
5. On all taxable income exceeding \$300,000, 7.75 percent.

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

71.06 (2) (j) For married persons filing separately, for taxable years beginning after December 31, 2012:

1. On all taxable income from \$0 to \$5,000, 4.5 percent.
2. On all taxable income exceeding \$5,000 but not exceeding \$10,000, 5.94 percent.

3. On all taxable income exceeding \$10,000 but not exceeding \$75,000, 6.36 percent.

4. On all taxable income exceeding \$75,000 but not exceeding \$150,000, 6.75 percent.

5. On all taxable income exceeding \$150,000, 7.75 percent.

**SECTION 7.** 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, 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) to (c), and (2) (e), (f), (g) 1. to 3., ~~and~~ (h) 1. to 3., (i) 1. to 3., and (j) 1. to 3., 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. ~~Each amount that is revised under this paragraph shall be rounded to the nearest multiple of \$10 if the revised amount is not a multiple of \$10 or, if the revised amount is a multiple of \$5, such an amount shall be increased to the next higher multiple of \$10. The department of revenue shall annually adjust the changes in dollar amounts required under this paragraph and incorporate the changes into the income tax forms and instructions.~~

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

71.06 **(2e)** (b) For taxable years beginning after December 31, 2009, the maximum dollar amount in each tax bracket, and the corresponding minimum dollar amount in the next bracket, under subs. (1p) (d), (1q) (d), and (2) (g) 4. ~~and~~, (h) 4., (i) 4., and (j) 4., and the dollar amount in the top bracket under subs. (1p) (e), (1q) (e), and (2) (g) 5. ~~and~~, (h) 5., (i) 5., and (j) 5., 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. ~~Each amount that is revised under this paragraph shall be rounded to the nearest multiple of \$10 if the revised amount is not a multiple of \$10 or, if the revised amount is a multiple of \$5, such an amount shall be increased to the next higher multiple of \$10. The department of revenue shall annually adjust the changes in dollar amounts required under this paragraph and incorporate the changes into the income tax forms and instructions.~~

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

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

**SECTION 10.** 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)~~, 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~~ Internal Revenue Code.

**SECTION 11.** 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)~~, and (2) (g) ~~and~~, (h), ~~(i)~~, ~~and~~ (j) 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)~~, and (2) (g) ~~and~~, (h), ~~(i)~~, ~~and~~ (j) 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 12.** 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), 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 13.** 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) ~~or~~, (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 14.** 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) ~~or~~, (1p), or (1q).

**SECTION 15.** 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), and (2) resulting from statutory changes, except as follows:

**SECTION 16.** 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) ~~or~~, (1p), or (1q) if the amount of the payment is more than \$1,000.

**SECTION 17.** 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) ~~or~~, (1p), or (1q). 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)