



## 1997 SENATE BILL 535

March 26, 1998 - Introduced by Senators JAUCH and WINEKE, cosponsored by Representatives ROBSON, CULLEN, DOBYNS, RYBA, STASKUNAS, BOCK, PLALE, L. YOUNG, LINTON, GRONEMUS, REYNOLDS, MUSSER, MORRIS-TATUM and PLOUFF. Referred to Joint survey committee on Tax Exemptions.

1 **AN ACT to create** 71.05 (6) (b) 27. of the statutes; **relating to:** creating an  
2 individual income tax subtract modification for severance pay.

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### *Analysis by the Legislative Reference Bureau*

This bill creates an individual income tax subtraction modification, or exemption, for certain amounts of severance pay received by an individual if the individual loses his or her job because the business for which he or she works closes. The maximum amount of severance pay that is subject to the subtract modification is \$30,000. This maximum amount is phased down, however, as the individual's federal adjusted gross income (FAGI) increases.

Under the bill, for a single individual or a married individual who files as head of household, the maximum allowable exemption phases down to zero as FAGI increases from \$45,000 to \$60,000. For an individual who is married and files jointly, the maximum allowable exemption phases down to zero as FAGI increases from \$60,000 to \$90,000. For an individual who is married and files separately, the maximum allowable exemption phases down to zero as FAGI increases from \$30,000 to \$45,000. For a nonresident or part-year resident of this state, the maximum exemption is prorated based on the ratio of the individual's income that is taxable by this state and the individual's total income.

This bill will be referred to the joint survey committee on tax exemptions for a detailed analysis, which will be printed as an appendix to this bill.

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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:*

1           **SECTION 1.** 71.05 (6) (b) 27. of the statutes is created to read:

2           71.05 **(6)** (b) 27. If an individual loses his or her job because the business for  
3           which he or she works closes and if the individual receives severance pay, the amount  
4           received as severance pay, up to \$30,000, modified as follows:

5           a. From the amount of severance pay received, up to \$30,000, if the claimant  
6           is single or married and filing as head of household and his or her federal adjusted  
7           gross income is more than \$45,000 but not more than \$60,000, subtract the product  
8           of the amount of severance pay received, up to \$30,000, and the value of a fraction,  
9           the denominator of which is \$15,000 and the numerator of which is the difference  
10          between the claimant's federal adjusted gross income and \$45,000.

11          b. From the amount of severance pay received, up to \$30,000, if the claimant  
12          is married and filing jointly and the claimant's and his or her spouse's federal  
13          adjusted gross income is more than \$60,000 but not more than \$90,000, subtract the  
14          product of the amount of severance pay received, up to \$30,000, and the value of a  
15          fraction, the denominator of which is \$30,000 and the numerator of which is the  
16          difference between the claimant's and his or her spouse's federal adjusted gross  
17          income and \$60,000.

18          c. From the amount of severance pay received, up to \$30,000, if the claimant  
19          is married and filing separately and the claimant's federal adjusted gross income is  
20          more than \$30,000 but not more than \$45,000, subtract the product of the amount  
21          of severance pay received, up to \$30,000, and the value of a fraction, the denominator

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1 of which is \$15,000 and the numerator of which is the difference between the  
2 claimant's federal adjusted gross income and \$30,000.

3 d. For an individual who is a nonresident or part-year resident of this state,  
4 multiply the amount calculated under subd. 27. a., b. or c. by a fraction the numerator  
5 of which is the individual's wages, salary, tips, unearned income and net earnings  
6 from a trade or business that are taxable by this state and the denominator of which  
7 is the individual's total wages, salary, tips, unearned income and net earnings from  
8 a trade or business. In this subd. 27. d., for married persons filing separately "wages,  
9 salary, tips, unearned income and net earnings from a trade or business" means the  
10 separate wages, salary, tips, unearned income and net earnings from a trade or  
11 business of each spouse, and for married persons filing jointly "wages, salary, tips,  
12 unearned income and net earnings from a trade or business" means the total wages,  
13 salary, tips, unearned income and net earnings from a trade or business of both  
14 spouses.

15 e. Reduce the amount calculated under subd. 27. d. to the individual's  
16 aggregate wages, salary, tips, unearned income and net earnings from a trade or  
17 business that are taxable by this state.

18 f. No modification may be claimed under this subdivision by a claimant who is  
19 single or married and filing as head of household if the claimant's federal adjusted  
20 gross income is more than \$60,000, by a claimant who is married and filing jointly  
21 if the claimant's and his or her spouse's federal adjusted gross income is more than  
22 \$90,000 or by a claimant who is married and filing separately if the claimant's federal  
23 adjusted gross income is more than \$45,000.

24 **SECTION 2. Initial applicability.**

