



2001 ASSEMBLY BILL 740

January 22, 2002 - Introduced by COMMITTEE ON WAYS AND MEANS. Referred to Committee on Ways and Means.

1 **AN ACT to amend** 71.07 (5m) (title), 71.07 (5m) (b) 2. a., 71.07 (5m) (b) 4. a., 71.07
2 (5m) (b) 6. a., 71.10 (4) (du) and 71.64 (9) (c); and **to create** 71.07 (5m) (bm),
3 71.07 (6) (as) and 71.07 (9) (bm) of the statutes; **relating to:** indexing for
4 inflation the working families tax credit, the married persons tax credit, and
5 the school property tax credit.

Analysis by the Legislative Reference Bureau

Under the current law individual income tax system, the sliding scale standard deduction and the tax brackets are indexed for inflation. Current law also contains a number of tax credits that are based on statutorily set dollar amounts.

This bill indexes for inflation the following individual income tax credits: the working families tax credit; the married persons tax credit; and the school property tax credit. The indexing provisions created in the bill first apply to taxable years beginning after December 31, 2002.

The bill also renames the working families tax credit to be the working family and income equity tax credit.

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:

ASSEMBLY BILL 740**SECTION 1**

1 **SECTION 1.** 71.07 (5m) (title) of the statutes is amended to read:

2 71.07 **(5m)** (title) ~~WORKING FAMILIES~~ FAMILY AND INCOME EQUITY TAX CREDIT.

3 **SECTION 2.** 71.07 (5m) (b) 2. a. of the statutes is amended to read:

4 71.07 **(5m)** (b) 2. a. Calculate the value of a fraction, the denominator of which
5 is \$1,000 a positive number which is the difference between the 2 dollar amounts in
6 subd. 2. (intro.) and the numerator of which is the difference between the claimant's
7 adjusted gross income and \$9,000.

8 **SECTION 3.** 71.07 (5m) (b) 4. a. of the statutes is amended to read:

9 71.07 **(5m)** (b) 4. a. Calculate the value of a fraction, the denominator of which
10 is \$1,000 a positive number which is the difference between the 2 dollar amounts in
11 subd. 4. (intro.) and the numerator of which is the difference between the married
12 couple's adjusted gross income and \$18,000.

13 **SECTION 4.** 71.07 (5m) (b) 6. a. of the statutes is amended to read:

14 71.07 **(5m)** (b) 6. a. Calculate the value of a fraction, the denominator of which
15 is \$1,000 a positive number which is the difference between the 2 dollar amounts in
16 subd. 6. (intro.) and the numerator of which is the difference between the claimant's
17 adjusted gross income and \$9,000.

18 **SECTION 5.** 71.07 (5m) (bm) of the statutes is created to read:

19 71.07 **(5m)** (bm) *Indexing for inflation.* 1. For taxable years beginning after
20 December 31, 2002, all of the dollar amounts under par. (b) 1., 2., 5., and 6., other than
21 the dollar amount which is the denominator of a fraction, shall be increased each year
22 by a percentage equal to the percentage change between the U.S. consumer price
23 index for all urban consumers, U.S. city average, for the month of August of the
24 previous year and the U.S. consumer price index for all urban consumers, U.S. city
25 average, for the month of August 2001, as determined by the federal department of

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1 labor. Each amount that is revised under this subdivision shall be rounded to the
2 nearest multiple of \$10 if the revised amount is not a multiple of \$10 or, if the revised
3 amount is a multiple of \$5 and not a multiple of \$10, such an amount shall be
4 increased to the next higher multiple of \$10.

5 2. For taxable years beginning after December 31, 2002, all of the dollar
6 amounts under par. (b) 3. and 4., other than the dollar amount which is the
7 denominator of a fraction, shall be increased each year, and rounded, such that the
8 increased amounts and rounded amounts shall be twice the amounts for single filers
9 as calculated under subd. 1.

10 3. The department of revenue shall annually adjust the changes in dollar
11 amounts required under this paragraph and incorporate the changes into the income
12 tax forms and instructions.

13 **SECTION 6.** 71.07 (6) (as) of the statutes is created to read:

14 71.07 (6) (as) For taxable years beginning after December 31, 2002, the dollar
15 amounts under par. (am) 2. d. shall be increased each year by a percentage equal to
16 the percentage change between the U.S. consumer price index for all urban
17 consumers, U.S. city average, for the month of August of the previous year and the
18 U.S. consumer price index for all urban consumers, U.S. city average, for the month
19 of August 2001, as determined by the federal department of labor. Each amount that
20 is revised under this paragraph shall be rounded to the nearest multiple of \$10 if the
21 revised amount is not a multiple of \$10 or, if the revised amount is a multiple of \$5
22 and not a multiple of \$10, such an amount shall be increased to the next higher
23 multiple of \$10. The department of revenue shall annually adjust the changes in
24 dollar amounts required under this paragraph and incorporate the changes into the
25 income tax forms and instructions.

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1 **SECTION 7.** 71.07 (9) (bm) of the statutes is created to read:

2 71.07 (9) (bm) 1. For taxable years beginning after December 31, 2002, the
3 higher dollar amount under par. (b) 5. shall be increased each year by a percentage
4 equal to the percentage change between the U.S. consumer price index for all urban
5 consumers, U.S. city average, for the month of August of the previous year and the
6 U.S. consumer price index for all urban consumers, U.S. city average, for the month
7 of August 2001, as determined by the federal department of labor. Each amount that
8 is revised under this subdivision shall be rounded to the nearest multiple of \$10 if
9 the revised amount is not a multiple of \$10 or, if the revised amount is a multiple of
10 \$5 and not a multiple of \$10, such an amount shall be increased to the next higher
11 multiple of \$10.

12 2. For taxable years beginning after December 31, 2002, the lower dollar
13 amount under par. (b) 5. shall be increased each year, and rounded, such that the
14 increased amount and rounded amount shall be 50% the amount of the higher dollar
15 amount as calculated under subd. 1.

16 3. The department of revenue shall annually adjust the changes in dollar
17 amounts required under this paragraph and incorporate the changes into the income
18 tax forms and instructions.

19 **SECTION 8.** 71.10 (4) (du) of the statutes is amended to read:

20 71.10 (4) (du) Working families family and income equity tax credit under s.
21 71.07 (5m).

22 **SECTION 9.** 71.64 (9) (c) of the statutes is amended to read:

23 71.64 (9) (c) The tables shall account for the working families family and
24 income equity tax credit under s. 71.07 (5m). The tables shall be extended to cover
25 from zero to 10 withholding exemptions, shall assume that the payment of wages in

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1 each pay period will, when multiplied by the number of pay periods in a year,
2 reasonably reflect the annual wage of the employee from the employer, and shall be
3 based on the further assumption that the annual wage will be reduced for allowable
4 deductions from gross income. The department may determine the length of the
5 tables and a reasonable span for each bracket. In preparing the tables, the
6 department shall adjust all withholding amounts that are not an exact multiple of
7 10 cents to the next highest figure that is a multiple of 10 cents. The department
8 shall also provide instructions with the tables for withholding with respect to
9 quarterly, semiannual, and annual pay periods.

SECTION 10. Initial applicability.

11 (1) This act first applies to taxable years beginning on January 1, 2003.

12 (END)