



ROBERT BROOKS

STATE REPRESENTATIVE • 60TH ASSEMBLY DISTRICT

Hearing Testimony

Assembly Committee on Ways and Means

January 23, 2020

Chairman Macco and members of the Assembly Committee on Ways and Means, thank you for affording me with the opportunity to testify on behalf of Assembly Bill 717, relating to: increasing the net capital loss deduction.

Assembly Bill 717 was introduced at the behest of a constituent who resides in the Town of Trenton. My constituent who requested the bill is here today and will be testifying in favor of Assembly Bill 717.

A capital loss is incurred when a capital asset, such as an investment or real estate, decreases in value. The loss is not realized until the asset is sold for a price that is lower than the original purchase price. In essence, a capital loss is the difference between the purchase price and the price at which the asset is sold, where the sale price is lower than the purchase price.

Under current law, an individual subtracts his or her capital losses from capital gains when computing the amount of gain subject to state income tax. For example, when a Wisconsinite sells stock for less than the purchase price, taxable capital gains are reduced on a dollar-for-dollar basis.

If the capital loss exceeded the capital gains, the individuals may use up to \$500 of the net loss to offset ordinary income, thus reducing the amount of ordinary income subject to the tax. If the individual's net capital loss exceeded \$500, the individual may carry forward the excess to future years and offset up to \$500 of ordinary income each year until the loss is used up.

This legislation was introduced to align state law with federal law as it relates to capital losses. It takes six times as long to reduce a capital loss in Wisconsin, than it does at the federal level.

Assembly Bill 717, in addition to bringing state law in line with the federal tax code, increase the maximum annual offset for Wisconsin income tax purposes from \$500 to \$1,500 for individuals and \$3,000 for couples filing jointly.



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This bill completes the alignment between Wisconsin tax law and the Internal Revenue Service Code on this issue. Alignment eliminates confusion for individuals seeking to deduct capital losses.

I am happy to answer any questions you might have regarding Assembly Bill 717.