



SHAE SORTWELL

STATE REPRESENTATIVE • 2nd ASSEMBLY DISTRICT

Hearing Testimony
Assembly Committee on Ways and Means
October 20, 2021
Assembly Bill 327

Thank you Chairman Macco and members of the Assembly Committee on Ways and Means for taking the time to hear testimony on Assembly Bill 327 – relating to increasing the net capital loss deduction.

The purpose of Assembly Bill 327 is to align state law with federal law as it relates to capital losses by increasing the maximum annual offset for Wisconsin income tax purposes from \$500 to \$1,500 for married individuals filing separately and \$3,000 for all other individuals.

Capital losses are the opposite of capital gains. 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.

Currently in Wisconsin, if the capital loss exceeded the capital gains, the individual 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. The same premise applies to AB 327, but up to \$1,500 or \$3,000 instead.

Aligning state law with federal law eliminates confusion for taxpayers and will put more money in the pockets of the middle class and our seniors.

Lastly, Amendment 1 to this bill was requested by the Department of Revenue (DOR) for technical purposes on how the capital losses are carried forward in future taxable years. Please also note in DOR's fiscal estimate that the decreased revenue impact will decline over time.

This bill passed out of its Senate committee on a bipartisan 4-1 vote.

I appreciate the committee's time and support and will answer any questions you may have.

October 19, 2021

Assembly Bill 327---Increasing Net Capital Loss Deduction

I am the person responsible for many of you finally giving serious consideration to making the WI Capital Loss Deduction identical to that allowed under Federal Tax Law. I encourage all Wisconsin law makers to approve of, and vote for Assembly Bill 327.

Passage will at last bring WI Tax Law in line with that of the Federal Government. Please, appreciate that the \$500 WI limitation has resulted in a buildup of capital losses for individuals to the point that their losses can probably never be totally written off---these taxpayers will pass away long before this could ever take place. Interestingly, many of these same taxpayers have been able to totally write-off all their capital losses on their Federal returns due to the Feds \$3000 allowable deduction.

More importantly, increasing the WI Capital Loss Deduction to \$3000 would allow at least some WI middle class taxpayers to somewhat reduce their build-up of excess Capital Losses prior to passing away. This change will put more money into the pockets of many Seniors---the people who need it the most in today's environment .

I have spent the past 25 years working to get this change to become law. I am now age 81 and my wife of 55 years is 85 years of age. We look forward to this change finally taking place!

Respectfully,

Mr. & Mrs. Erich Ziller Jr.

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