



## Legislative Fiscal Bureau

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April 30, 2014

TO: Members  
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: Tax Law Changes Since January 2011

In response to numerous inquiries from legislators, this memorandum provides information regarding tax law changes that have been adopted since January 2011. The attached table shows the estimated fiscal effects in the 2011-13 and 2013-15 biennia of changes enacted since January, 2011, to general fund taxes, the economic development surcharge, and property taxes.

The amounts shown in the table are the fiscal estimates that were prepared at the time the applicable legislation was passed. The table only includes provisions that would directly increase or decrease a taxpayer's tax liability. It does not include tax enforcement provisions, income tax withholding table changes, or the impact on general fund tax collections of the changes to state and local government employee compensation included in 2011 Act 10. The table also does not include refundable credits or provisions that have a minimal fiscal effect.

It should also be noted that the fiscal effects of two provisions in the 2011 budget bill (2011 Act 32) are estimated to increase significantly in future years due to phase-ins. Based on the original estimates, the fiscal effect of the manufacturing and agriculture credit is projected to increase to \$128.7 million in 2016-17 and thereafter. Also, Act 32 created an income tax exclusion for capital gains from certain Wisconsin-based assets. That provision is not expected to have a fiscal effect until 2016-17 (-\$6.0 million). As the exclusion phases in, the estimated fiscal effect will increase to -\$79.4 million in 2020-21 and thereafter. Finally, 2013 Act 229 will allow retailers to claim a sales tax bad debt deduction for unpaid amounts of private label credit card debt, beginning July 1, 2015. Because of the delayed effective date, this legislation will not have a fiscal effect until 2015-16, and is not shown in the table. Beginning in that year, the estimated fiscal effect is an annual revenue loss of \$8.0 million.

BL/RR/lb  
Attachment

## ATTACHMENT

### General Fund Tax, Economic Development Surcharge, and Property Tax Changes Enacted Since January 2011 (Millions)

	<u>Legislation</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>Four-Year Total</u>
<b><i>Income and Franchise Taxes</i></b>						
Health Savings Accounts	2011 Act 1	-\$21.20	-\$28.00	-\$28.00	-\$28.00	-\$105.20
Relocated Business Credit/Deduction	2011 Act 3	-0.50	-0.50	-0.50	-0.50	-2.00
Economic Development Zone Increase	2011 Act 4	0.00	0.00	0.00	-6.25	-6.25
Deduction for New Hires	2011 Act 5	-33.50	-33.50	-33.50	-33.50	-134.00
Extend Dairy/Livestock Credit	2011 Act 15	0.00	-1.58	-1.58	-1.58	-4.74
Manufacturing and Agriculture Credit	2011 Act 32	0.00	-10.10	-44.20	-72.30	-126.60
Combined Reporting--Pre-2009 Loss Sharing	2011 Act 32	-9.20	-37.20	-40.00	-40.00	-126.40
Capital Gains Deferral for WI Investments	2011 Act 32	-16.10	-20.20	-20.20	-20.20	-76.70
Capital Gains Exclusion for WI Investments	2011 Act 32	0.00	0.00	0.00	0.00	0.00
Internal Revenue Code Update	2011 Act 32	0.23	-0.35	-0.35	-0.35	-0.81
Beloit Development Opportunity Zone	2011 Act 37	0.00	-1.00	-1.00	-1.00	-3.00
Health Insurance for Independent Children	2011 Act 49	-2.70	-1.80	-1.80	-1.80	-8.10
Credit for Hiring Disabled Veterans	2011 Act 212	-0.30	-1.30	-2.00	-2.40	-6.00
Income Tax Rate Cut	2013 Act 20	0.00	0.00	-327.80	-320.10	-647.90
Internal Revenue Code Update	2013 Act 20	0.00	0.00	15.50	18.20	33.70
Private School Tuition Deduction	2013 Act 20	0.00	0.00	0.00	-30.00	-30.00
Increase Economic Development Credit	2013 Act 20	0.00	0.00	-3.70	-9.00	-12.70
Sunset Dairy and Livestock Investment Credit	2013 Act 20	0.00	0.00	2.40	9.80	12.20
Extend Research Credits to Non-corporate Filers	2013 Act 20	0.00	0.00	-1.90	-7.50	-9.40
Net Operating Losses	2013 Act 20	0.00	0.00	-1.70	-6.80	-8.50
Delete Cap on Angel Credit	2013 Act 20	0.00	0.00	0.00	-5.00	-5.00
Depreciation, Depletion, Section 179 Expensing	2013 Act 20	0.00	0.00	-1.20	-3.80	-5.00
Phase-out Medical Records Credit	2013 Act 20	0.00	0.00	0.00	5.00	5.00
Sunset Relocated Business Credit/Exclusion	2013 Act 20	0.00	0.00	1.50	2.20	3.70
Increase Historic Rehabilitation Credit	2013 Act 20	0.00	0.00	-1.70	-1.70	-3.40
Small Business Stock	2013 Act 20	0.00	0.00	-0.80	-2.30	-3.10
Sunset Super Research and Development Credit	2013 Act 20	0.00	0.00	0.50	2.00	2.50
Index Tuition Deduction	2013 Act 20	0.00	0.00	-0.67	-1.53	-2.20
Tax Reform Interaction effects	2013 Act 20	0.00	0.00	-0.30	-1.20	-1.50
Farm Loss Limits	2013 Act 20	0.00	0.00	-0.20	-0.70	-0.90
Sunset Water Consumption Credit	2013 Act 20	0.00	0.00	0.10	0.30	0.40
Difference in Basis of Assets	2013 Act 20	0.00	0.00	0.00	0.20	0.20
Sunset Biodiesel Fuel Pump Credit	2013 Act 20	0.00	0.00	0.00	0.10	0.10
Limit Econ. Dev. Surcharge to Corp. Filers	2013 Act 20	0.00	0.00	-8.00	-8.00	-16.00
Historic Rehabilitation Credit Expansion	2013 Act 62	0.00	0.00	-1.00	-3.80	-4.80
Reduce Bottom Income Tax Rate	2013 Act 145	0.00	0.00	-2.10	-96.50	-98.60
PTRC Offset From Lower Property Taxes	2013 Act 145	0.00	0.00	0.00	2.64	2.64
Allow Research Credit against AMT	2013 Act 145	0.00	0.00	0.00	-1.00	-1.00
Allow Historic Rehab. Credit against AMT	2013 Act 145	0.00	0.00	0.00	-0.50	-0.50
Relocated Business Exclusion/Credit	2013 Act 145	0.00	0.00	-0.11	-0.14	-0.25
Subtotal--Income and Franchise Taxes		<u>-\$83.27</u>	<u>-\$135.53</u>	<u>-\$504.31</u>	<u>-\$667.41</u>	<u>-\$1,390.51</u>

**ATTACHMENT (continued)**

**General Fund Tax, Economic Development Surcharge, and Property Tax Changes  
Enacted Since January 2011  
(Millions)**

	<u>Legislation</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>Four-Year Total</u>
<b><i>Other General Fund Taxes</i></b>						
Sales Tax Exemption for Modular Homes	2011 Act 32	-\$0.20	-\$0.26	-\$0.26	-\$0.26	-\$0.98
Sales Tax Exemption for Direct Mail	2011 Act 32	0.00	0.00	-0.50	-0.50	-1.00
Sales Tax Exemption for Snow-Making Equipment	2011 Act 32	0.00	0.00	-0.15	-0.15	-0.30
Sales Tax Exemption for Property Sold with Services	2013 Act 20	0.00	0.00	-0.46	-0.58	-1.04
Sales Tax Exemptions for Printers	2013 Act 20	0.00	0.00	-1.00	-1.30	-2.30
Sales Tax Exemption for Manufacturing and Biotech Research	2013 Act 20	0.00	0.00	-0.90	-0.90	-1.80
Sunset HIRSP Assessment Credit	2013 Act 20	0.00	0.00	0.60	3.00	3.60
HIRSP Credit Extension	2013 Act 116	0.00	0.00	0.00	-1.25	-1.25
Sales Tax Exemption for Aircraft Parts and Services	2013 Act 185	0.00	0.00	-0.24	-2.90	-3.14
Sales Tax Exemption for Fertilizer Blending Equipment	2013 Act 324	0.00	0.00	-0.38	-1.50	-1.88
Sales Tax Exemptions for Radio/TV Stations	2013 Act 346	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>-2.20</u>	<u>-2.20</u>
Subtotal -- Other General Fund Taxes		-\$0.20	-\$0.26	-\$3.29	-\$8.54	-\$12.29
<b><i>Property Taxes</i></b>						
Increase Lottery Tax Credit	2013 Act 20	0.00	0.00	-14.85	-14.85	-29.70
Increase School Aids	2013 Act 46	0.00	0.00	-40.00	-60.00	-100.00
Increase WTCS Funding	2013 Act 145	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>-406.00</u>	<u>-406.00</u>
Subtotal -- Property Taxes		\$0.00	\$0.00	-\$54.85	-\$480.85	-\$535.70
Grand Total		-\$83.47	-\$135.79	-\$562.45	-\$1,156.80	-\$1,938.50