



State of Wisconsin
2019 - 2020 LEGISLATURE

LRBs0008/1
JK:wlj

**ASSEMBLY SUBSTITUTE AMENDMENT 1,
TO ASSEMBLY BILL 4**

February 5, 2019 – Offered by Representatives RIEMER, DOYLE, GOYKE, HAYWOOD,
OHNSTAD and C. TAYLOR.

1 **AN ACT** *to amend* 71.07 (5n) (c) 1., 71.07 (5n) (d) 2., 71.07 (9e) (aj) (intro.), 71.28
2 (5n) (c), 71.28 (5n) (d) 2., 71.28 (5n) (d) 3. a. and 73.03 (73) (f) 1.; and **to create**
3 71.07 (5m) (e), 71.07 (5me), 71.07 (5n) (d) 2m., 71.07 (9e) (ak), 71.10 (4) (gye) and
4 71.28 (5n) (d) 2m. of the statutes; **relating to:** claiming the manufacturing and
5 agriculture credit, increasing the earned income tax credit, creating the middle
6 class tax relief credit, and sunsetting the working families tax credit.

Analysis by the Legislative Reference Bureau

Currently, a person may claim a tax credit on the basis of the person's income from manufacturing or agriculture. This bill limits to \$300,000 the amount of income from manufacturing that a person may use as the basis for claiming the credit. The bill also provides that the aggregate amount of the credits based on manufacturing income that may be claimed by all partners of a partnership, all members of a limited liability company, and all shareholders of a tax-option corporation may not exceed \$22,500 in any taxable year.

The bill creates a new individual income tax credit for taxable years beginning in 2019. The credit is nonrefundable and may be claimed only up to the amount of the taxpayer's income tax liability. Under the bill, for a single individual or an

individual who files as a head of household whose adjusted gross income is less than \$80,000, for a married couple filing jointly whose combined AGI is less than \$125,000, or for a married individual filing separately whose AGI is less than \$62,500, the credit is equal to 10 percent of the claimant's net tax liability or \$100 (\$50 for married separate filers), whichever is greater. Net tax liability is a claimant's income tax liability after the application of most nonrefundable income tax credits. Under the bill, the credit phases out to zero as a single individual or head of household filer's AGI increases from \$80,000 to \$100,000. A similar phaseout occurs for a married joint filer whose combined AGI increases from \$125,000 to \$150,000 and a married separate filer whose AGI increases from \$62,500 to \$75,000. Also, under the bill, no new claims for the working families tax credit may be filed for a taxable year that begins after December 31, 2018.

Under the bill, for taxable years beginning after 2019, an individual who is eligible to claim the federal earned income tax credit may claim as a credit against Wisconsin taxes due 11 percent of the amount the claimant may claim under the federal credit if the claimant has one qualifying child with the same principal place of abode, 14 percent for two such qualifying children, and 34 percent for three or more such qualifying children. Currently, for Wisconsin purposes, an individual may claim 4 percent of the federal credit if the claimant has one qualifying child with the same principal place of abode, 11 percent for two such qualifying children, and 34 percent for three or more such qualifying children. The credit is refundable, which means that, if the amount of credit due the claimant exceeds his or her tax liability, the difference is refunded to the claimant by check.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

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

2 71.07 **(5m)** (e) *Sunset.* No credit may be claimed under this subsection for
3 taxable years beginning after December 31, 2018.

4 **SECTION 2.** 71.07 (5me) of the statutes is created to read:

5 71.07 **(5me)** MIDDLE CLASS TAX RELIEF CREDIT. (a) *Definitions.* In this
6 subsection:

7 1. "Claimant" means an individual who is eligible to claim the credit under this
8 subsection.

9 2. "Household" means a claimant and an individual related to the claimant as
10 husband or wife.

1 3. “Net tax liability” means a claimant’s income tax liability after he or she
2 completes the computations for nonrefundable credits listed before s. 71.10 (4) (h).

3 (b) *Filing claims.* For taxable years beginning after December 31, 2018, and
4 subject to the limitations provided in this subsection, a claimant may claim as a
5 credit against the tax imposed under s. 71.02, up to the amount of those taxes, one
6 of the following amounts:

7 1. If the claimant is single or files as a head of household and his or her adjusted
8 gross income is less than \$80,000 in the year to which the claim relates, the greater
9 of \$100 or an amount equal to 10 percent of his or her net tax liability.

10 2. If the claimant is single or files as a head of household and his or her adjusted
11 gross income is at least \$80,000 but less than \$100,000 in the year to which the claim
12 relates, an amount that is calculated as follows:

13 a. Calculate the value of a fraction, the denominator of which is \$20,000 and
14 the numerator of which is the difference between the claimant’s adjusted gross
15 income and \$80,000.

16 b. Subtract from 1.0 the amount that is calculated under subd. 2. a.

17 c. Multiply the amount that is calculated under subd. 2. b. by 10 percent.

18 d. Multiply the amount of the claimant’s net income tax liability by the amount
19 that is calculated under subd. 2. c.

20 3. If the claimant is married and filing jointly and the sum of the claimant’s
21 adjusted gross income and his or her spouse’s adjusted gross income is less than
22 \$125,000 in the year to which the claim relates, the greater of \$100 or an amount
23 equal to 10 percent of the married couple’s net tax liability.

24 4. If the claimant is married and filing jointly and the sum of the claimant’s
25 adjusted gross income and his or her spouse’s adjusted gross income is at least

1 \$125,000 but less than \$150,000 in the year to which the claim relates, an amount
2 that is calculated as follows:

3 a. Calculate the value of a fraction, the denominator of which is \$25,000 and
4 the numerator of which is the difference between the married couple's adjusted gross
5 income and \$125,000.

6 b. Subtract from 1.0 the amount that is calculated under subd. 4. a.

7 c. Multiply the amount that is calculated under subd. 4. b. by 10 percent.

8 d. Multiply the amount of the married couple's net income tax liability by the
9 amount that is calculated under subd. 4. c.

10 5. If the claimant is married and filing separately and his or her adjusted gross
11 income is less than \$62,500 in the year to which the claim relates, the greater of \$50
12 or an amount equal to 10 percent of his or her net tax liability.

13 6. If the claimant is married and filing separately and his or her adjusted gross
14 income is at least \$62,500 but less than \$75,000 in the year to which the claim relates,
15 an amount that is calculated as follows:

16 a. Calculate the value of a fraction, the denominator of which is \$12,500 and
17 the numerator of which is the difference between the claimant's adjusted gross
18 income and \$75,000.

19 b. Subtract from 1.0 the amount that is calculated under subd. 6. a.

20 c. Multiply the amount that is calculated under subd. 6. b. by 10 percent.

21 d. Multiply the amount of the claimant's net income tax liability by the amount
22 that is calculated under subd. 6. c.

23 (c) *Limitations.* 1. No credit may be allowed under this subsection unless it
24 is claimed within the period under s. 71.75 (2).

1 2. Part-year residents and nonresidents of this state are not eligible for the
2 credit under this subsection.

3 3. Except as provided in subd. 4., only one credit per household is allowed each
4 year.

5 4. If a married couple files separately, each spouse may claim the credit
6 calculated under par. (b) 5. or 6., except a married person living apart from the other
7 spouse and treated as single under section 7703 (b) of the Internal Revenue Code may
8 claim the credit under par. (b) 1. or 2.

9 5. The credit under this subsection may not be claimed by a person who may
10 be claimed as a dependent on the individual income tax return of another taxpayer.

11 (d) *Administration.* The department of revenue may enforce the credit under
12 this subsection and may take any action, conduct any proceeding, and proceed as it
13 is authorized in respect to taxes under this chapter. The income tax provisions in this
14 chapter relating to assessments, refunds, appeals, collection, interest, and penalties
15 apply to the credit under this subsection.

16 **SECTION 3.** 71.07 (5n) (c) 1. of the statutes is amended to read:

17 71.07 (5n) (c) 1. Partnerships, limited liability companies, and tax-option
18 corporations may not claim the credit under this subsection, but the eligibility for,
19 and the amount of, the credit are based on their share of the income described under
20 par. (b). A partnership, limited liability company, or tax-option corporation shall
21 compute the amount of credit that each of its partners, members, or shareholders
22 may claim and shall provide that information to each of them. Partners, members
23 of limited liability companies, and shareholders of tax-option corporations may
24 claim the credit in proportion to their ownership interests. For taxable years
25 beginning after December 31, 2018, the aggregate amount of the credits based on

1 income from manufacturing that may be claimed by all partners of a partnership, all
2 members of a limited liability company, and all shareholders of a tax-option
3 corporation may not exceed \$22,500 in any taxable year.

4 **SECTION 4.** 71.07 (5n) (d) 2. of the statutes is amended to read:

5 71.07 **(5n)** (d) 2. For Except as provided in subd. 2m., for purposes of
6 determining a claimant's eligible qualified production activities income under this
7 subsection, the claimant shall multiply the claimant's qualified production activities
8 income from property manufactured by the claimant by the manufacturing property
9 factor and qualified production activities income from property produced, grown, or
10 extracted by the claimant by the agriculture property factor.

11 **SECTION 5.** 71.07 (5n) (d) 2m. of the statutes is created to read:

12 71.07 **(5n)** (d) 2m. For taxable years beginning after December 31, 2018, for
13 purposes of determining a claimant's eligible qualified production activities income
14 from manufacturing under this subsection, the claimant shall multiply the
15 claimant's qualified production activities income, not exceeding \$300,000, from
16 property manufactured by the claimant by the manufacturing property factor.

17 **SECTION 6.** 71.07 (9e) (aj) (intro.) of the statutes is amended to read:

18 71.07 **(9e)** (aj) (intro.) For taxable years beginning after December 31, 2010,
19 and before January 1, 2020, an individual may credit against the tax imposed under
20 s. 71.02 an amount equal to one of the following percentages of the federal basic
21 earned income credit for which the person is eligible for the taxable year under
22 section 32 (b) (1) (A) to (C) of the Internal Revenue Code:

23 **SECTION 7.** 71.07 (9e) (ak) of the statutes is created to read:

24 71.07 **(9e)** (ak) For taxable years beginning after December 31, 2019, an
25 individual may credit against the tax imposed under s. 71.02 an amount equal to one

1 of the following percentages of the federal basic earned income credit for which the
2 individual is eligible for the taxable year under section 32 (b) (1) of the Internal
3 Revenue Code:

4 1. If the individual has one qualifying child who has the same principal place
5 of abode as the individual, 11 percent.

6 2. If the individual has 2 qualifying children who have the same principal place
7 of abode as the individual, 14 percent.

8 3. If the individual has 3 or more qualifying children who have the same
9 principal place of abode as the individual, 34 percent.

10 **SECTION 8.** 71.10 (4) (gye) of the statutes is created to read:

11 71.10 (4) (gye) Middle class tax relief credit under s. 71.07 (5me).

12 **SECTION 9.** 71.28 (5n) (c) of the statutes is amended to read:

13 71.28 (5n) (c) *Limitations.* Partnerships, limited liability companies, and
14 tax-option corporations may not claim the credit under this subsection, but the
15 eligibility for, and the amount of, the credit are based on their share of the income
16 described under par. (b). A partnership, limited liability company, or tax-option
17 corporation shall compute the amount of credit that each of its partners, members,
18 or shareholders may claim and shall provide that information to each of them.
19 Partners, members of limited liability companies, and shareholders of tax-option
20 corporations may claim the credit in proportion to their ownership interests. For
21 taxable years beginning after December 31, 2018, the aggregate amount of the
22 credits based on income from manufacturing that may be claimed by all partners of
23 a partnership, all members of a limited liability company, and all shareholders of a
24 tax-option corporation may not exceed \$22,500 in any taxable year.

25 **SECTION 10.** 71.28 (5n) (d) 2. of the statutes is amended to read:

