



1997 ASSEMBLY BILL 107

February 18, 1997 - Introduced by Representatives OWENS, FOTI, AINSWORTH, ALBERS, GROTHMAN, HUTCHISON, KREIBICH, LA FAVE, LAZICH, LORGE, MURAT, MUSSER, OTTE, POWERS, RYBA, SCHAFER, SKINDRUD, ZIEGELBAUER and ZUKOWSKI, cosponsored by Senators WIRCH and WELCH. Referred to Committee on Income Tax Review.

1 **AN ACT to amend** 71.05 (22) (dm), 71.06 (1) (intro.) and 71.06 (2) (intro.); and **to**
2 **create** 71.05 (22) (ds) and 71.06 (2e) of the statutes; **relating to:** indexing for
3 inflation the individual income tax brackets and standard deduction.

Analysis by the Legislative Reference Bureau

Under current law, there are 3 income tax brackets for fiduciaries, single individuals and heads of households on which 3 different tax rates are imposed. A tax rate of 4.9% is imposed on all taxable income from \$0 to \$7,500; a rate of 6.55% is imposed on all taxable income exceeding \$7,500 but not exceeding \$15,000; and a rate of 6.93% is imposed on all taxable income exceeding \$15,000. Similar tax rates apply to different brackets for married persons who file joint returns and married persons who file separately. For joint returns, the brackets are for all taxable income from \$0 to \$10,000; for all taxable income exceeding \$10,000 but not exceeding \$20,000; and for all taxable income exceeding \$20,000. For married persons filing separately, the brackets are for all taxable income from \$0 to \$5,000; for all taxable income exceeding \$5,000 but not exceeding \$10,000; and for all taxable income exceeding \$10,000.

Also under current law, there is a sliding scale standard deduction for individual income taxpayers. The standard deduction is \$5,200 for a single individual who has Wisconsin adjusted gross income (WAGI) of less than \$7,500. The standard deduction for a single individual is then phased down as income increases, such that the standard deduction is \$0 for a single person who has WAGI of more than \$50,830. The standard deduction is \$7,040 for a head of household who has WAGI

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of less than \$7,500. The standard deduction for a head of household is then phased down as income increases, and for a head of household who has WAGI of more than \$25,000, the standard deduction is calculated as if the head of household is a single individual. The standard deduction is \$8,900 for a married couple filing jointly who has WAGI of less than \$10,000. The standard deduction for a married couple is then phased down as income increases, such that the standard deduction is \$0 for a married couple who has WAGI of more than \$55,000. The standard deduction is \$4,230 for a married individual filing separately who has WAGI of less than \$4,750. The standard deduction for a married individual filing separately is then phased down as income increases, such that the standard deduction is \$0 for such a married individual who has WAGI of more than \$26,140.

Beginning with taxable year 1999, this bill indexes for inflation individual income tax brackets, the standard deduction and the dollar amounts of WAGI that relate to the standard deduction calculation. Under the bill, the top amount in each individual income tax bracket, the standard deduction and the dollar amounts of WAGI that relates to the standard deduction calculations are increased by the amount that the consumer price index, calculated by the federal department of labor, increases.

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:

1 **SECTION 1.** 71.05 (22) (dm) of the statutes is amended to read:
2 71.05 **(22)** (dm) *Deduction limits; 1994 and thereafter.* Except as provided in
3 par. (f) and subject to par. (ds), for taxable years beginning on or after January 1,
4 1994, the Wisconsin standard deduction is whichever of the following amounts is
5 appropriate. For a single individual who has a Wisconsin adjusted gross income of
6 less than \$7,500, the standard deduction is \$5,200. For a single individual who has
7 a Wisconsin adjusted gross income of at least \$7,500 but not more than \$50,830, the
8 standard deduction is the amount obtained by subtracting from \$5,200 12% of
9 Wisconsin adjusted gross income in excess of \$7,500 but not less than \$0. For a single
10 individual who has a Wisconsin adjusted gross income of more than \$50,830, the
11 standard deduction is \$0. For a head of household who has a Wisconsin adjusted

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1 gross income of less than \$7,500, the standard deduction is \$7,040. For a head of
2 household who has a Wisconsin adjusted gross income of at least \$7,500 but not more
3 than \$25,000, the standard deduction is the amount obtained by subtracting from
4 \$7,040 22.515% of Wisconsin adjusted gross income in excess of \$7,500 but not less
5 than \$0. For a head of household who has a Wisconsin adjusted gross income of more
6 than \$25,000, the standard deduction shall be calculated as if the head of household
7 were a single individual. For a married couple filing jointly that has an aggregate
8 Wisconsin adjusted gross income of less than \$10,000, the standard deduction is
9 \$8,900. For a married couple filing jointly that has an aggregate Wisconsin adjusted
10 gross income of at least \$10,000 but not more than \$55,000, the standard deduction
11 is the amount obtained by subtracting from \$8,900 19.778% of aggregate Wisconsin
12 adjusted gross income in excess of \$10,000 but not less than \$0. For a married couple
13 filing jointly that has an aggregate Wisconsin adjusted gross income of more than
14 \$55,000, the standard deduction is \$0. For a married individual filing separately
15 who has a Wisconsin adjusted gross income of less than \$4,750, the standard
16 deduction is \$4,230. For a married individual filing separately who has a Wisconsin
17 adjusted gross income of at least \$4,750 but not more than \$26,140, the standard
18 deduction is the amount obtained by subtracting from \$4,230 19.778% of Wisconsin
19 adjusted gross income in excess of \$4,750 but not less than \$0. For a married
20 individual filing separately who has a Wisconsin adjusted gross income of more than
21 \$26,140, the standard deduction is \$0. The secretary of revenue shall prepare a table
22 under which deductions under this paragraph shall be determined. That table shall
23 be published in the department's instructional booklets.

24 **SECTION 2.** 71.05 (22) (ds) of the statutes is created to read:

ASSEMBLY BILL 107**SECTION 2**

1 71.05 (22) (ds) *Standard deduction indexing*. For taxable years beginning after
2 December 31, 1998, the dollar amounts of the standard deduction that is allowable
3 under par. (dm) and all of the dollar amounts of Wisconsin adjusted gross income
4 under par. (dm) shall be increased each year by a percentage equal to the percentage
5 change between the U.S. consumer price index for all urban consumers, U.S. city
6 average, for the month of August of the previous year and the U.S. consumer price
7 index for all urban consumers, U.S. city average, for the month of August of the year
8 before the previous year, as determined by the federal department of labor. Each
9 amount that is revised under this paragraph shall be rounded up to the nearest
10 multiple of \$10 if the revised amount is not a multiple of \$10 or, if the revised amount
11 is a multiple of \$5, such an amount shall be increased to the next higher multiple of
12 \$10. The department of revenue shall annually adjust the changes in dollar amounts
13 required under this paragraph every year, and incorporate the changes in the income
14 tax forms and instructions.

15 **SECTION 3.** 71.06 (1) (intro.) of the statutes is amended to read:

16 71.06 (1) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS. (intro.)
17 The Subject to sub. (2e), the tax to be assessed, levied and collected upon the taxable
18 incomes of all fiduciaries, except fiduciaries of nuclear decommissioning trust or
19 reserve funds, and single individuals for taxable years beginning on or after August
20 1, 1986, and before January 1, 1994, and upon the taxable incomes of all fiduciaries,
21 except fiduciaries of nuclear decommissioning trust or reserve funds, and single
22 individuals and heads of households for taxable years beginning on or after January
23 1, 1994, shall be computed at the following rates:

24 **SECTION 4.** 71.06 (2) (intro.) of the statutes is amended to read:

