



1997 ASSEMBLY BILL 412

June 10, 1997 - Introduced by Representatives RUTKOWSKI, PLALE, ZIEGELBAUER and KRUSICK, cosponsored by Senator ADELMAN. Referred to Committee on Income Tax Review.

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

Analysis by the Legislative Reference Bureau

Under current law, there are 3 income tax brackets for single individuals, certain fiduciaries and heads of households. There are also 3 brackets for married persons who file jointly and 3 brackets for married persons who file separately. The brackets for single individuals, certain fiduciaries and heads of households are taxable income from \$0 to \$7,500; from more than \$7,500 to \$15,000; and more than \$15,000. The brackets for married persons filing jointly are taxable income from \$0 to \$10,000; from more than \$10,000 to \$20,000; and more than \$20,000. The brackets for married persons filing separately are taxable income from \$0 to \$5,000; from more than \$5,000 to \$10,000; and more than \$10,000.

Also under current law, the standard income tax deduction has 4 different categories, each of which has a different deduction amount based on income. The maximum standard deduction amounts in each category phase out as income increases. The categories, the maximum standard deduction amounts and the maximum income amounts to which the standard deduction applies before the phaseout begins are the following: single individuals, \$5,200 on Wisconsin adjusted gross income (WAGI) of less than \$7,500; heads of households, \$7,040 on WAGI of less than \$7,500; married couples filing jointly, \$8,900 on WAGI of less than \$10,000; and married individuals filing separately, \$4,230 on WAGI of less than \$4,750.

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Under this bill, beginning with taxable year 1997, the individual income tax brackets and the standard deduction will be indexed for inflation.

This bill will be referred to the joint survey committee on tax exemptions for a detailed analysis, which will be printed as an appendix to this bill.

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) (dp) of the statutes is created to read:

2 71.05 **(22)** (dp) *Standard deduction indexing.* For taxable years beginning
3 after December 31, 1996, the dollar amounts of the standard deduction that is
4 allowable under par. (dm) and all of the dollar amounts of Wisconsin adjusted gross
5 income under par. (dm) shall be increased each year by a percentage equal to the
6 percentage change between the U.S. consumer price index for all urban consumers,
7 U.S. city average, for the month of August of the previous year and the U.S. consumer
8 price index for all urban consumers, U.S. city average, for the month of August of the
9 year before the previous year, as determined by the federal department of labor.
10 Each amount that is revised under this paragraph shall be rounded to the nearest
11 multiple of \$10 if the revised amount is not a multiple of \$10 or, if the revised amount
12 is a multiple of \$5, such an amount shall be increased to the next higher multiple of
13 \$10. The department of revenue shall annually adjust the changes in dollar amounts
14 required under this paragraph and incorporate the changes into the income tax
15 forms and instructions.

16 **SECTION 2.** 71.06 (2e) of the statutes is created to read:

17 71.06 **(2e)** BRACKET INDEXING. For taxable years beginning after December 31,
18 1996, the maximum dollar amount in each tax bracket, and the corresponding
19 minimum dollar amount in the next bracket, under subs. (1) and (2) shall be

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1 increased each year by a percentage equal to the percentage change between the U.S.
2 consumer price index for all urban consumers, U.S. city average, for the month of
3 August of the previous year and the U.S. consumer price index for all urban
4 consumers, U.S. city average, for the month of August of the year before the previous
5 year, as determined by the federal department of labor. Each amount that is revised
6 under this subsection shall be rounded to the nearest multiple of \$10 if the revised
7 amount is not a multiple of \$10 or, if the revised amount is a multiple of \$5, such an
8 amount shall be increased to the next higher multiple of \$10. The department of
9 revenue shall annually adjust the changes in dollar amounts required under this
10 subsection and incorporate the changes into the income tax forms and instructions.

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(END)