



1997 ASSEMBLY BILL 633

December 2, 1997 - Introduced by Representatives FREESE, KREUSER, STEINBRINK, PORTER and M. LEHMAN, cosponsored by Senators WIRCH and SCHULTZ. Referred to Committee on Ways and Means.

1 **AN ACT to renumber** 71.78 (4) (h); and **to create** 20.566 (3) (go), 20.855 (4) (cm),
2 20.855 (4) (cn), 20.855 (4) (co), 71.10 (7e) and 71.78 (4) (h) 2. of the statutes;
3 **relating to:** nonresident individual income tax reciprocity with the state of
4 Illinois and making appropriations.

Analysis by the Legislative Reference Bureau

Under current law, Wisconsin allows individual income tax reciprocity with other states to the extent that all payments received by individuals who are domiciled outside Wisconsin and who derive income from the performance of personal services in Wisconsin are excluded from Wisconsin gross income if that income is subjected to an income tax in the state of domicile, and if that other state allows a similar exclusion for such payments received by Wisconsin domiciliaries, or a credit against the tax imposed by the other state on such income that is equal to the Wisconsin tax on that income.

Also under current law, this state has a separate nonresident individual income tax reciprocity agreement with the state of Minnesota. Under the agreement, whenever the income taxes on residents of one state which would have been paid to the 2nd state without reciprocity exceed the income taxes on residents of the 2nd state which would have been paid to the first state without reciprocity, the state with the net revenue loss shall receive from the other state the amount of the loss, plus interest for certain delinquent balances. The secretary of revenue may enter into agreements with Minnesota relating to the reciprocity payments and delinquency issues. The data used for computing the loss to either state shall be determined by

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1 **SECTION 2.** 20.566 (3) (go) of the statutes is created to read:

2 20.566 (3) (go) *Reciprocity agreement and publications, Illinois.* The amounts
3 in the schedule to provide services for the Illinois income tax reciprocity agreement
4 under s. 71.10 (7e) and for publications except as provided in par. (g) and sub. (2) (hi).
5 All moneys received by the department of revenue in return for the provision of these
6 services shall be credited to this appropriation.

7 **SECTION 3.** 20.855 (4) (cm) of the statutes is created to read:

8 20.855 (4) (cm) *Illinois income tax reciprocity.* For taxable years beginning
9 after December 31, 1999, a sum sufficient to pay to the state of Illinois any losses of
10 income taxes occurring because of income tax reciprocity between this state and
11 Illinois and any interest payments due under s. 71.10 (7e).

12 **SECTION 4.** 20.855 (4) (cn) of the statutes is created to read:

13 20.855 (4) (cn) *Illinois income tax reciprocity bench mark.* The amounts in the
14 schedule to fund a bench mark study by the department of revenue of the revenue
15 loss under s. 71.10 (7e) (b).

16 **SECTION 5.** 20.855 (4) (co) of the statutes is created to read:

17 20.855 (4) (co) *Illinois income tax reciprocity, 1998 and 1999.* The amounts in
18 the schedule to pay to the state of Illinois any losses of income taxes occurring
19 because of income tax reciprocity between this state and Illinois, as determined
20 under s. 71.10 (7e), for taxable years beginning after December 31, 1997, and before
21 January 1, 2000.

22 **SECTION 6.** 71.10 (7e) of the statutes is created to read:

23 71.10 (7e) **ILLINOIS INCOME TAX RECIPROCITY.** (a) For purposes of income tax
24 reciprocity reached with the state of Illinois under s. 71.05 (2), whenever the income
25 taxes on residents of one state which would have been paid to the 2nd state without

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1 reciprocity exceed the income taxes on residents of the 2nd state which would have
2 been paid to the first state without reciprocity, the state with the net revenue loss
3 shall receive from the other state the amount of the loss. Interest shall be payable
4 on all delinquent balances relating to taxable years beginning after December 31,
5 1999. The secretary of revenue may enter into agreements with the state of Illinois
6 specifying the reciprocity payment due date, conditions constituting delinquency,
7 interest rates and the method of computing interest due on any delinquent amounts.

8 (b) The data used for computing the loss to either state shall be determined by
9 the respective departments of revenue of both states on or before December 1 of the
10 year following the close of the previous calendar year. If an agreement cannot be
11 reached as to the amount of the loss, the secretary of revenue of this state and the
12 director of taxation of the state of Illinois shall each appoint a member of a board of
13 arbitration and these members shall appoint a 3rd member of the board. The board
14 shall select one of its members as chairperson. The board may administer oaths, take
15 testimony, subpoena witnesses and require their attendance, require the production
16 of books, papers and documents and hold hearings at such places as it considers
17 necessary. The board shall then make a determination as to the amount to be paid
18 the other state which shall be conclusive. This state shall pay no more than 50% of
19 the cost of such arbitration.

20 (c) 1. The payments under subd. 2. may be made only if the secretary of revenue
21 of this state and the director of taxation of the state of Illinois enter into a written
22 agreement relating to income tax reciprocity that applies to taxable years beginning
23 after December 31, 1997.

24 2. Subject to subd. 1., for taxable years beginning after December 31, 1997, and
25 before January 1, 1999, the maximum amount that may be paid to Illinois under this

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1 subsection is \$5,500,000, which shall be the 2nd draw on anticipated revenue
2 increases, and for taxable years beginning after December 31, 1998, and before
3 January 1, 2000, the maximum amount that may be paid to Illinois under this
4 subsection is \$8,250,000, which shall be the first draw on anticipated revenue
5 increases.

6 **SECTION 7.** 71.78 (4) (h) of the statutes is renumbered 71.78 (4) (h) 1.

7 **SECTION 8.** 71.78 (4) (h) 2. of the statutes is created to read:

8 71.78 (4) (h) 2. A member of the board of arbitration established under s. 71.10
9 (7e) or a consultant under joint contract with the states of Illinois and Wisconsin for
10 the purpose of determining the reciprocity loss to which either state is entitled.

11 **SECTION 9. Initial applicability.**

12 (1) This act first applies to taxable years beginning on January 1, 1998.

13 (END)