



Legislative Fiscal Bureau

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July 21, 2016

TO: Representative Jim Steineke
Room 115 West, State Capitol

FROM: Bob Lang, Director

SUBJECT: Tax Law Changes Since January 2011

In response to your request, 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, 2013-15, and 2015-17 biennia of changes enacted since January, 2011, to general fund taxes, the economic development surcharge, and property taxes.

With limited exceptions, 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 three provisions will increase significantly in future years due to delayed effective dates or phase-ins. First, 2011 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 revenue loss will increase to \$79.4 million in 2020-21 and thereafter. Second, 2013 Act 229 (as amended by 2015 Act 55) will allow retailers to claim a sales tax bad debt deduction for unpaid amounts of private label credit card debt, beginning July 1, 2017. Because of the delayed effective date, this legislation will not have a fiscal effect until 2017-18, and is not shown in the table. Beginning in that year, the estimated fiscal effect is an annual revenue loss of approximately \$11 million. Finally, Act 55 will adopt the federal exemption amounts and indexing provisions for the state alternative minimum tax beginning in tax year 2017. As shown in the table, that provision is estimated to reduce tax revenues by \$6.0 million in 2016-17. However, the estimated revenue loss will increase to \$25.4 million in 2017-18 and \$29.9 million in 2018-19.

BL/RR/sas
Attachment

ATTACHMENT

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

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>Six-Year Total</u>
Income and Franchise Taxes							
Health Savings Accounts	-\$21.20	-\$28.00	-\$28.00	-\$28.00	-\$28.00	-\$28.00	-161.20
Relocated Business Credit/Deduction	-2.20	-2.20	-2.20	-2.20	-2.20	-2.20	-13.20
Economic Development Zone Increase	0.00	0.00	0.00	-6.25	-6.25	-6.25	-18.75
Deduction for New Hires	-2.70	-2.70	-2.70	-2.70	-2.70	-2.70	-16.20
Extend Dairy/Livestock Credit	0.00	-1.58	-1.58	-1.58	-1.58	-1.58	-7.90
Manufacturing and Agriculture Credit (MAC)	0.00	-15.10	-79.10	-151.90	-222.60	-283.90	-752.60
Combined Reporting--Pre-2009 Loss Sharing	-9.20	-37.20	-40.00	-40.00	-40.00	-40.00	-206.40
Capital Gains Deferral for WI Investments	-16.10	-20.20	-20.20	-20.20	-20.20	-20.20	-117.10
Capital Gains Exclusion for WI Investments	0.00	0.00	0.00	0.00	0.00	-6.00	-6.00
Internal Revenue Code Update	0.23	-0.35	-0.35	-0.35	-0.35	-0.35	-1.51
Beloit Development Opportunity Zone	0.00	-1.00	-1.00	-1.00	-1.00	-1.00	-5.00
Health Insurance for Independent Children	-2.70	-1.80	-1.80	-1.80	-1.80	-1.80	-11.70
Credit for Hiring Disabled Veterans	-0.30	-1.30	-2.00	-2.40	-2.40	-2.40	-10.80
Income Tax Rate Cut	0.00	0.00	-327.80	-320.10	-320.10	-320.10	-1,288.10
Internal Revenue Code Update	0.00	0.00	15.50	18.20	18.20	18.20	70.10
Private School Tuition Deduction	0.00	0.00	0.00	-30.00	-30.00	-30.00	-90.00
Increase Economic Development Credit	0.00	0.00	-3.70	-9.00	-6.88	-0.56	-20.13
Sunset Dairy and Livestock Investment Credit	0.00	0.00	2.40	9.80	9.80	9.80	31.80
Extend Research Credits to Non-corporate Filers	0.00	0.00	-1.90	-7.50	-7.50	-7.50	-24.40
Net Operating Losses	0.00	0.00	-1.70	-6.80	-6.80	-6.80	-22.10
Delete Cap on Angel Credit	0.00	0.00	0.00	-5.00	-5.00	-5.00	-15.00
Depreciation, Depletion, Section 179 Expensing	0.00	0.00	-1.20	-3.80	-3.80	-3.80	-12.60
Phase-out Medical Records Credit	0.00	0.00	0.00	5.00	7.50	10.00	22.50
Sunset Relocated Business Credit/Exclusion	0.00	0.00	1.50	2.20	2.20	2.20	8.10
Increase Historic Rehabilitation Credit	0.00	0.00	-1.70	-1.70	-1.70	-1.70	-6.80
Small Business Stock	0.00	0.00	-0.80	-2.30	-2.30	-2.30	-7.70
Sunset Super Research and Development Credit	0.00	0.00	0.50	2.00	2.00	2.00	6.50
Index Tuition Deduction	0.00	0.00	-0.67	-1.53	-1.53	-1.53	-5.26
Tax Reform Interaction effects	0.00	0.00	-0.30	-1.20	-1.20	-1.20	-3.90
Farm Loss Limits	0.00	0.00	-0.20	-0.70	-0.70	-0.70	-2.30
Sunset Water Consumption Credit	0.00	0.00	0.10	0.30	0.30	0.30	1.00
Difference in Basis of Assets	0.00	0.00	0.00	0.20	0.20	0.20	0.60
Sunset Biodiesel Fuel Pump Credit	0.00	0.00	0.00	0.10	0.10	0.10	0.30

	<u>Legislation</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>Six-Year Total</u>
End Econ. Dev. Surcharge on Individuals, Partnerships, & Farms	2013 Act 20	\$0.00	\$0.00	-\$8.00	-\$8.00	-\$8.00	-\$8.00	-\$32.00
Historic Rehabilitation Credit Expansion	2013 Act 62	0.00	0.00	-1.00	-3.80	-3.80	-3.80	-12.40
Reduce Bottom Income Tax Rate	2013 Act 145	0.00	0.00	-2.10	-96.50	-96.50	-96.50	-291.60
PTRC Offset From Lower Property Taxes	2013 Act 145	0.00	0.00	0.00	2.64	2.64	2.64	7.92
Allow Research Credit against AMT	2013 Act 145	0.00	0.00	0.00	-1.00	-1.00	-1.00	-3.00
Allow Historic Rehab. Credit against AMT	2013 Act 145	0.00	0.00	0.00	-0.50	-0.50	-0.50	-1.50
One-Time Extension of Relocated Business Exclusion/Credit	2013 Act 145	0.00	0.00	-0.11	-0.14	0.00	0.00	-0.25
Index EdVest Deduction	2013 Act 227	0.00	0.00	0.00	-0.40	-0.40	-0.40	-1.20
Federalize Minimum Tax Exemption Amounts	2015 Act 55	0.00	0.00	0.00	0.00	0.00	-6.00	-6.00
Increase Standard Deduction for Married Filers	2015 Act 55	0.00	0.00	0.00	0.00	0.00	-20.90	-20.90
Deduction for Teachers' Expenses	2015 Act 55	0.00	0.00	0.00	0.00	-1.10	-1.10	-2.20
ABLE Accounts	2015 Act 55	0.00	0.00	0.00	0.00	-0.31	-0.70	-1.01
Edvest Modifications	2015 Act 55	0.00	0.00	0.00	0.00	-0.20	-0.90	-1.10
Historic Rehabilitation Credit for Green Bay Project	2015 Act 55	0.00	0.00	0.00	0.00	-0.50	-0.50	-1.00
Repeal Economic Development Tax Credit*	2015 Act 55	0.00	0.00	0.00	0.00	2.25	7.50	9.75
Decrease MAC in 2015	2015 Act 55	0.00	0.00	0.00	0.00	16.80	0.00	16.80
Repeal Deduction for New Hires	2015 Act 55	0.00	0.00	0.00	0.00	2.70	2.70	5.40
Exclusion for Income from Disaster Repair	2015 Act 84	0.00	0.00	0.00	0.00	-0.10	-0.28	-0.38
Subtotal--Income and Franchise Taxes		-\$54.17	-\$111.43	-\$510.11	-\$717.91	-\$764.30	-\$862.50	-\$3,020.42
Other General Fund Taxes								
Sales Tax Exemption for Modular Homes	2011 Act 32	-0.20	-0.26	-0.26	-0.26	-0.26	-0.26	-1.50
Sales Tax Exemption for Direct Mail	2011 Act 32	0.00	0.00	-0.50	-0.50	-0.50	-0.50	-2.00
Sales Tax Exemption for Snow-Making Equipment	2011 Act 32	0.00	0.00	-0.15	-0.15	-0.15	-0.15	-0.60
Sales Tax Exemption for Property Sold with Services	2013 Act 20	0.00	0.00	-0.46	-0.58	-0.58	-0.58	-2.20
Sales Tax Exemptions for Printers	2013 Act 20	0.00	0.00	-1.00	-1.30	-1.30	-1.30	-4.90
Sales Tax Exemption for Manufacturing and Biotech Research	2013 Act 20	0.00	0.00	-0.90	-0.90	-0.90	-0.90	-3.60
Sunset HIRSP Assessment Credit	2013 Act 20	0.00	0.00	0.60	3.00	3.00	3.00	9.60
HIRSP Credit Extension	2013 Act 116	0.00	0.00	0.00	-1.25	0.00	0.00	-1.25
Sales Tax Exemption for Aircraft Parts and Services	2013 Act 185	0.00	0.00	-0.24	-2.90	-2.90	-2.90	-8.94
Sales Tax Exemption for Fertilizer Blending Equipment	2013 Act 324	0.00	0.00	-0.38	-1.50	-1.50	-1.50	-4.88
Sales Tax Exemptions for Radio/TV Stations	2013 Act 346	0.00	0.00	0.00	-2.20	-2.20	-2.20	-6.60
Sales Tax Exemption for Deer	2015 Act 55	0.00	0.00	0.00	0.00	-0.07	-0.14	-0.21
Impose Hard Cider Tax on Pear Cider	2015 Act 55	0.00	0.00	0.00	0.00	-0.13	-0.25	-0.38
Sales Tax Exemption for Disaster Repair	2015 Act 84	0.00	0.00	0.00	0.00	-0.05	-0.11	-0.16
Sales Tax Exemption for Contractors' Purchases	2015 Act 126	0.00	0.00	0.00	0.00	-3.20	-6.40	-9.60
Sales Tax Exemption for Jukebox Music	2015 Act 251	0.00	0.00	0.00	0.00	-0.02	-0.23	-0.25
Sales Tax Exemption for Federal Excise Tax on Trucks	2015 Act 361	0.00	0.00	0.00	0.00	0.00	-0.30	-0.30
Increase Occasional Sales Thresholds	2015 Act 364	0.00	0.00	0.00	0.00	-0.23	-0.56	-0.79
Subtotal--Other General Fund Taxes		-\$0.20	-\$0.26	-\$3.29	-\$8.54	-\$10.99	-\$15.28	-\$38.55

	<u>Legislation</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>Six-Year Total</u>
Property Taxes								
Increase Lottery Tax Credit	2013 Act 20	\$0.00	\$0.00	-\$14.85	-\$14.85	-\$14.85	-\$14.85	-\$59.40
Increase School Aids	2013 Act 46	0.00	0.00	-40.00	-60.00	-60.00	-60.00	-220.00
Increase WTCS Funding	2013 Act 145	0.00	0.00	0.00	-406.00	-406.00	-406.00	-1,218.00
Increase School Aids	2015 Act 55	0.00	0.00	0.00	0.00	0.00	-108.14	-108.14
Increase School Levy Tax Credit	2015 Act 55	0.00	0.00	0.00	0.00	0.00	-105.60	-105.60
Subtotal--Property Taxes		\$0.00	\$0.00	-\$54.85	-\$480.85	-\$480.85	-\$694.59	-\$1,711.14
Grand Total		-\$54.37	-\$111.69	-\$568.25	-\$1,207.30	-\$1,256.14	-\$1,572.37	-\$4,770.10

*2015 Act 55 repealed the economic development tax credit and the jobs tax credit, beginning in tax year 2016, and created a new business development credit in that year. The jobs credit and the business development credit are refundable, so they are not included in the table.