



Legislative Fiscal Bureau

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July 18, 2016

TO: Representative Robin Vos
Room 211 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>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>
Income and Franchise Taxes								
Health Savings Accounts	2011 Act 1	-\$21.20	-\$28.00	-\$28.00	-\$28.00	-\$28.00	-\$28.00	-161.20
Relocated Business Credit/Deduction	2011 Act 3	-2.20	-2.20	-2.20	-2.20	-2.20	-2.20	-13.20
Economic Development Zone Increase	2011 Act 4	0.00	0.00	0.00	-6.25	-6.25	-6.25	-18.75
Deduction for New Hires	2011 Act 5	-2.70	-2.70	-2.70	-2.70	-2.70	-2.70	-16.20
Extend Dairy/Livestock Credit	2011 Act 15	0.00	-1.58	-1.58	-1.58	-1.58	-1.58	-7.90
Manufacturing and Agriculture Credit (MAC)	2011 Act 32	0.00	-15.10	-79.10	-151.90	-222.60	-283.90	-752.60
Combined Reporting--Pre-2009 Loss Sharing	2011 Act 32	-9.20	-37.20	-40.00	-40.00	-40.00	-40.00	-206.40
Capital Gains Deferral for WI Investments	2011 Act 32	-16.10	-20.20	-20.20	-20.20	-20.20	-20.20	-117.10
Capital Gains Exclusion for WI Investments	2011 Act 32	0.00	0.00	0.00	0.00	0.00	-6.00	-6.00
Internal Revenue Code Update	2011 Act 32	0.23	-0.35	-0.35	-0.35	-0.35	-0.35	-1.51
Beloit Development Opportunity Zone	2011 Act 37	0.00	-1.00	-1.00	-1.00	-1.00	-1.00	-5.00
Health Insurance for Independent Children	2011 Act 49	-2.70	-1.80	-1.80	-1.80	-1.80	-1.80	-11.70
Credit for Hiring Disabled Veterans	2011 Act 212	-0.30	-1.30	-2.00	-2.40	-2.40	-2.40	-10.80
Income Tax Rate Cut	2013 Act 20	0.00	0.00	-327.80	-320.10	-320.10	-320.10	-1,288.10
Internal Revenue Code Update	2013 Act 20	0.00	0.00	15.50	18.20	18.20	18.20	70.10
Private School Tuition Deduction	2013 Act 20	0.00	0.00	0.00	-30.00	-30.00	-30.00	-90.00
Increase Economic Development Credit	2013 Act 20	0.00	0.00	-3.70	-9.00	-6.88	-0.56	-20.13
Sunset Dairy and Livestock Investment Credit	2013 Act 20	0.00	0.00	2.40	9.80	9.80	9.80	31.80
Extend Research Credits to Non-corporate Filers	2013 Act 20	0.00	0.00	-1.90	-7.50	-7.50	-7.50	-24.40
Net Operating Losses	2013 Act 20	0.00	0.00	-1.70	-6.80	-6.80	-6.80	-22.10
Delete Cap on Angel Credit	2013 Act 20	0.00	0.00	0.00	-5.00	-5.00	-5.00	-15.00
Depreciation, Depletion, Section 179 Expensing	2013 Act 20	0.00	0.00	-1.20	-3.80	-3.80	-3.80	-12.60
Phase-out Medical Records Credit	2013 Act 20	0.00	0.00	0.00	5.00	7.50	10.00	22.50
Sunset Relocated Business Credit/Exclusion	2013 Act 20	0.00	0.00	1.50	2.20	2.20	2.20	8.10
Increase Historic Rehabilitation Credit	2013 Act 20	0.00	0.00	-1.70	-1.70	-1.70	-1.70	-6.80
Small Business Stock	2013 Act 20	0.00	0.00	-0.80	-2.30	-2.30	-2.30	-7.70
Sunset Super Research and Development Credit	2013 Act 20	0.00	0.00	0.50	2.00	2.00	2.00	6.50
Index Tuition Deduction	2013 Act 20	0.00	0.00	-0.67	-1.53	-1.53	-1.53	-5.26
Tax Reform Interaction effects	2013 Act 20	0.00	0.00	-0.30	-1.20	-1.20	-1.20	-3.90
Farm Loss Limits	2013 Act 20	0.00	0.00	-0.20	-0.70	-0.70	-0.70	-2.30
Sunset Water Consumption Credit	2013 Act 20	0.00	0.00	0.10	0.30	0.30	0.30	1.00
Difference in Basis of Assets	2013 Act 20	0.00	0.00	0.00	0.20	0.20	0.20	0.60
Sunset Biodiesel Fuel Pump Credit	2013 Act 20	0.00	0.00	0.00	0.10	0.10	0.10	0.30

	<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							
Historic Rehabilitation Credit Expansion	\$0.00	\$0.00	-\$8.00	-\$8.00	-\$8.00	-\$8.00	-\$32.00
Reduce Bottom Income Tax Rate	0.00	0.00	-1.00	-3.80	-3.80	-3.80	-12.40
PTRC Offset From Lower Property Taxes	0.00	0.00	-2.10	-96.50	-96.50	-96.50	-291.60
Allow Historic Rehab. Credit against AMT	0.00	0.00	0.00	2.64	2.64	2.64	7.92
One-Time Extension of Relocated Business Exclusion/Credit	0.00	0.00	0.00	-1.00	-1.00	-1.00	-3.00
Index EdVest Deduction	0.00	0.00	-0.11	-0.50	-0.50	-0.50	-1.50
Federalize Minimum Tax Exemption Amounts	0.00	0.00	0.00	-0.14	0.00	0.00	-0.25
Increase Standard Deduction for Married Filers	0.00	0.00	0.00	-0.40	-0.40	-0.40	-1.20
Deduction for Teachers' Expenses	0.00	0.00	0.00	0.00	0.00	-6.00	-6.00
ABLE Accounts	0.00	0.00	0.00	0.00	0.00	-20.90	-20.90
Edvest Modifications	0.00	0.00	0.00	0.00	-1.10	-1.10	-2.20
Historic Rehabilitation Credit for Green Bay Project	0.00	0.00	0.00	0.00	-0.31	-0.70	-1.01
Repeal Economic Development Tax Credit*	0.00	0.00	0.00	0.00	-0.20	-0.90	-1.10
Decrease MAC in 2015	0.00	0.00	0.00	0.00	-0.50	-0.50	-1.00
Repeal Deduction for New Hires	0.00	0.00	0.00	0.00	2.25	7.50	9.75
Exclusion for Income from Disaster Repair	0.00	0.00	0.00	0.00	16.80	0.00	16.80
Subtotal--Income and Franchise Taxes	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>-0.10</u>	<u>2.70</u>	<u>5.40</u>
	-\$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	-0.20	-0.26	-0.26	-0.26	-0.26	-0.26	-1.50
Sales Tax Exemption for Direct Mail	0.00	0.00	-0.50	-0.50	-0.50	-0.50	-2.00
Sales Tax Exemption for Snow-Making Equipment	0.00	0.00	-0.15	-0.15	-0.15	-0.15	-0.60
Sales Tax Exemption for Property Sold with Services	0.00	0.00	-0.46	-0.58	-0.58	-0.58	-2.20
Sales Tax Exemptions for Printers	0.00	0.00	-1.00	-1.30	-1.30	-1.30	-4.90
Sales Tax Exemption for Manufacturing and Biotech Research	0.00	0.00	-0.90	-0.90	-0.90	-0.90	-3.60
Sunset HIRSP Assessment Credit	0.00	0.00	0.60	3.00	3.00	3.00	9.60
HIRSP Credit Extension	0.00	0.00	0.00	-1.25	0.00	0.00	-1.25
Sales Tax Exemption for Aircraft Parts and Services	0.00	0.00	-0.24	-2.90	-2.90	-2.90	-8.94
Sales Tax Exemption for Fertilizer Blending Equipment	0.00	0.00	-0.38	-1.50	-1.50	-1.50	-4.88
Sales Tax Exemptions for Radio/TV Stations	0.00	0.00	0.00	-2.20	-2.20	-2.20	-6.60
Sales Tax Exemption for Deer	0.00	0.00	0.00	0.00	-0.07	-0.14	-0.21
Impose Hard Cider Tax on Pear Cider	0.00	0.00	0.00	0.00	-0.13	-0.25	-0.38
Sales Tax Exemption for Disaster Repair	0.00	0.00	0.00	0.00	-0.05	-0.11	-0.16
Sales Tax Exemption for Contractors' Purchases	0.00	0.00	0.00	0.00	-3.20	-6.40	-9.60
Sales Tax Exemption for Jukebox Music	0.00	0.00	0.00	0.00	0.02	0.23	0.25
Sales Tax Exemption for Federal Excise Tax on Trucks	0.00	0.00	0.00	0.00	0.00	-0.30	-0.30
Increase Occasional Sales Thresholds	0.00	0.00	0.00	0.00	-0.23	-0.56	-0.79
Subtotal--Other General Fund Taxes	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>-0.23</u>	<u>-0.56</u>	<u>-0.79</u>
	-\$0.20	-\$0.26	-\$3.29	-\$8.54	-\$10.95	-\$14.82	-\$38.05

	<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	\$0.00	\$0.00	-\$14.85	-\$14.85	-\$14.85	-\$14.85	-\$59.40
Increase School Aids	0.00	0.00	-40.00	-60.00	-60.00	-60.00	-220.00
Increase WTCS Funding	0.00	0.00	0.00	-406.00	-406.00	-406.00	-1,218.00
Increase School Aids	0.00	0.00	0.00	0.00	0.00	-108.14	-108.14
Increase School Levy Tax Credit	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>-105.60</u>	<u>-105.60</u>
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	-\$1,256.10	-\$1,571.91	-\$4,769.60

*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.

