

Senator Erpenbach
Senator Johnson
Representative Taylor
Representative Goyke

GENERAL FUND TAXES/REVENUE

Omnibus Motion

[LFB Papers #315 thru #332, #345, #350 thru #353, and #625]

Motion:

Move to include the following items:

Income and Franchise Taxes

1. *Create the Family and Individual Reinvestment Credit (Paper #315)*. Approve the Governor's proposal to create a nonrefundable individual income tax credit beginning in tax year 2019 called the family and individual reinvestment credit, with the credit equal to a minimum dollar amount or a percentage of the claimant's net tax liability, subject to phaseout based on the claimant's Wisconsin adjusted gross income (AGI) and filing status. Modify the credit's minimum dollar amounts to be set at \$100, instead of \$50, for married joint filers, and \$50, instead of \$25, for married separate filers and substitute "married couple's adjusted gross income" for references in the bill to "the sum of the claimant's adjusted gross income and his or her spouse's adjusted gross income" with regard to married joint filers. Decrease individual income tax collections by an estimated \$421,550,000 in 2019-20 and \$412,050,000 in 2020-21 and in each year thereafter (Alternative 1 in LFB Paper #315).

2. *Sunset Working Families Credit (Paper #315)*. Approve the Governor's recommendation to sunset the nonrefundable working families tax credit, effective in tax year 2019. Increase individual income tax collections by an estimated \$50,000 annually (Alternative 4 in LFB Paper #315).

3. *Internal Revenue Code (IRC) Update (Paper #316)*. Approve the Governor's recommendation to update state income and franchise tax references to the Internal Revenue Code, including the technical modification submitted by DOA. Reestimate increased general fund tax revenues of \$187,500,000 in 2019-20 and \$173,850,000 in 2020-21 (Alternative 1 in LFB Paper #316).

4. *Individual Income Tax Rate Reduction Based on Sales Taxes from Out-of-State Retailers (Paper #319)*. Approve the Governor's proposal to modify the current law provision that requires a reduction in individual income tax rates in tax year 2019 to offset the additional sales and use tax collected from out-of-state retailers during the 12-month period from October 1, 2018, to September 30, 2019, by requiring the rate reduction be made only to the lowest individual income tax rate

(currently 4.0%). (Alternative 1 in LFB Paper #319).

5. *Child and Dependent Care Tax Credit (Paper #320)*. Approve the Governor's recommendation to create a nonrefundable individual income tax credit for household and dependent care expenses, beginning in tax year 2020. Set the credit equal to 50% of the amount of the federal household and dependent care expenses credit, authorized under the IRC, that is claimed by a taxpayer on his or her federal income tax return for the same tax year. Sunset the current law deduction for household and dependent care expenses beginning in tax year 2020. Decrease individual income tax collections by an estimated \$9,900,000 in 2020-21 (Alternative 1 in LFB Paper #320).

6. *Medical Care Insurance Deduction for Self-Employed Persons (Paper #321)*. Approve the Governor's proposal to modify the limitation on the deduction under the individual income tax that self-employed persons may claim for medical care insurance for themselves, their spouse, and their dependents, beginning in tax year 2020. Repeal obsolete provisions regarding medical care insurance deductions that were sunset in prior tax years. Remove cross-references to repealed medical care insurance deductions under the itemized deduction credit. Reduce individual income tax collections by an estimated \$9,500,000 in 2020-21 (Alternative 1 in LFB Paper #321).

7. *Net Operative Loss Carrybacks (Paper #322)*. Approve the Governor's recommendation to repeal current law provisions under the individual income tax that allow net operating losses to be carried back for two tax years as an adjustment to federal AGI, beginning in tax year 2019. Increase individual income tax collections by an estimated \$2,000,000 in 2019-20 and \$4,100,000 in 2020-21 (Alternative 1 in LFB Paper #322).

8. *First-Time Home Buyer Savings Accounts (Paper #323)*. Approve the Governor's proposal to create a first-time homebuyer savings account program, beginning in tax year 2020. Reduce individual income tax collections by an estimated \$4,100,000 in 2020-21 (Alternative 1 in LFB Paper #323).

9. *Illinois-Wisconsin Reciprocity -- Current Law Sum Sufficient Reestimate (Paper #324)*. Reestimate Wisconsin's payments under the Illinois-Wisconsin income tax reciprocity agreement at \$102,800,000 in 2019-20 and \$102,900,000 in 2020-21. Increase expenditures by \$9,813,000 GPR in 2019-20 and \$9,913,000 GPR in 2020-21 (Modification in LFB Paper #324).

10. *Refundable Research Tax Credit (Paper #325)*. Approve the Governor's recommendation to expand the refundable portion of the research tax credit from up to 10% to up to 20% of the claimed amount. Increase estimated expenditures related to refundable research credit claims by \$2,250,000 GPR in 2020-21. Adopt the Governor's proposal and specify that claimants under the electronics and information technology manufacturing (EITM) zone tax credit program would not be eligible to receive the refundable portion of the research tax credit. The nonrefundable portion of the research tax credit could still be claimed. (Alternatives A1 and B1 in LFB Paper #325).

11. *Wisconsin Economic Development Corporation (WEDC) Tax Credits and Other Economic Development Awards and Reporting Requirements (Paper #326)*. Approve the Governor's recommended modifications regarding notification requirements for job elimination and relocation under WEDC's grant, loan, and tax credit programs. In addition, clarify that: (a) business development

tax credits may not be awarded for jobs filled by individuals performing services outside of Wisconsin; and (b) WEDC may not certify a business to claim tax benefits under the enterprise zone program for services performed outside this state (Alternative 2 in LFB Paper #326).

12. *Enterprise Zone Tax Credit Program Sum Sufficient Reestimate and Oversight of Tax Credit Programs (Paper #327)*. Estimate funding for the enterprise zone tax credit program sum sufficient appropriation to reduce funding by \$4,000,000 GPR in 2019-20 and increase funding by \$13,400,000 GPR in 2020-21. With the adjustments, estimate total funding to decrease from base funding of \$68,300,000 to \$64,300,000 in 2019-20 and increase to \$81,700,000 in 2020-21. Adopt the Governor's proposed notification and reporting requirements for WEDC contracts under which a taxpayer may be eligible to claim tax benefits in excess of \$5,000,000 (Alternative 2 in LFB Paper #327).

13. *Business Development Tax Credit Sum Sufficient Reestimate (Paper #328)*. Increase funding for the business development credit appropriation by \$2,600,000 GPR in 2019-20 and \$4,000,000 GPR in 2020-21. Estimate total funding of \$18,700,000 in 2019-20 and \$20,100,000 in 2020-21 (Modification in LFB Paper #328).

14. *Business Development Tax Credit Program (Paper #329)*. Approve the Governor's recommendation to create a 5% tax credit for energy efficiency and renewable energy generation as part of the business development tax credit for capital investment and increase funding for the business development credit appropriation by \$2,000,000 GPR in 2020-21. Amend the bill to reflect the Governor's intent to create the credit in the appropriate sections of the individual income and corporate income/franchise tax statutes. In addition, specify that the additional credit be available for up to 5% of the amount of a person's real property investment and personal property investment made for purposes of energy efficiency or the generation of energy from renewable resources. Modify the bill to require WEDC to identify the amount of unallocated tax credits carried forward into the current fiscal year as part of its annual report to the Legislature on its economic development programs. In addition, modify the bill to prohibit unused allocations for business development tax credits from carrying over to be allocated in a future year after December 31, 2019 (Alternatives A1, B1, and B2 in LFB Paper #329).

15. *Limit the State Supplement to the Federal Historic Rehabilitation Tax Credit (Paper #330)*. Approve the Governor's recommendation to sunset the limitation under current law restricting WEDC from certifying persons to receive no more than \$3,500,000 for all rehabilitation projects undertaken on the same parcel as of July 1, 2019, and replace it with a \$3,500,000 limit per project (Alternative 1 in LFB Paper #330).

16. *Administration of WEDC-Certified Business Tax Credits (Paper #331)*. Approve the Governor's recommendation and require WEDC to remit the full amount of any repayment of tax credits it receives to the Secretary of DOA for deposit in the state general fund within seven days of receipt (Alternatives A1 in LFB Paper #331).

17. *Exclusion for Interest on Certain WHEFA Bonds and Notes (LFB Summary #15)*. Adopt the Governor's recommendation to provide an exclusion from income under the individual income

tax and the corporate income/franchise tax for interest received on bonds or notes issued by the Wisconsin Health and Educational Facilities Authority (WHEFA) provided the bonds or notes are issued in an amount totaling \$35,000,000 or less, if the interest is not otherwise exempt. Extend the exclusion to tax years beginning on January 1 of the budget act's effective date, except extend the exclusion beginning in the subsequent tax year if the budget act takes effect after July 31. Reduce state tax collections by an estimated \$130,000 in 2020-21, \$260,000 in 2021-22, and \$390,000 in 2022-23.

18. *Veterans and Surviving Spouses Property Tax Credit (LFB Summary #18)*. Adopt the Governor's recommendation to increase funding by \$3,470,000 GPR in 2019-20 and \$4,570,000 GPR in 2020-21 for the refundable veterans and surviving spouses property tax credit. With these adjustments, expenditures under the credit would be increased to \$33,900,000 in 2019-20 and \$35,000,000 in 2020-21.

19. *Interest on Overpayment of Taxes (LFB Summary #19)*. Adopt the Governor's recommendation to increase the estimated payments from the sum sufficient appropriation by \$500,000 GPR to reflect payments estimated at \$1,500,000 for interest on tax overpayments in 2019-20. Estimate the payments at \$1,000,000 in 2020-21, the same amount as the base funding level.

20. *Repayment Credit (LFB Summary #20)*. Adopt the Governor's recommendation to decrease funding by \$31,000 GPR annually for the sum sufficient appropriation for the repayment (claim of right) credit. Estimate credit expenditures of \$132,000 annually.

21. *Jobs Tax Credit Sum Sufficient Reestimate (LFB Summary #24)*. Adopt the Governor's recommendation to reduce funding by \$7,100,000 GPR in 2019-20 and by \$9,200,000 GPR in 2020-21 for the sum sufficient appropriation for jobs tax credits to reestimate claims during the biennium. Estimate total funding of \$5,000,000 in 2019-20 and \$2,900,000 in 2020-21.

22. *Refundable Research Credit Sum Sufficient Reestimate (LFB Summary #27)*. Adopt the Governor's recommendation to increase funding by \$5,400,000 GPR in 2019-20 and \$6,900,000 GPR in 2020-21 for the sum sufficient appropriation for the refundable portion of the research tax credit. Estimate total funding of \$7,500,000 in 2019-20 and \$9,000,000 in 2020-21.

23. *Addition for Low-Income Housing Tax Credit (LFB Summary #31)*. Adopt the Governor's recommendation to require the low-income housing tax credit to be added back to the taxable income of the person or entity claiming the credit beginning with taxable years beginning on January 1, 2019. Increase general fund tax revenues by \$140,000 in 2019-20 and \$310,000 in 2020-21.

24. *Sunset the State Supplement to the Federal Tax Credit for Nonhistoric Qualified Rehabilitated Buildings (LFB Summary #33)*. Adopt the Governor's recommendation to sunset the state supplement to the federal tax credit for nonhistoric qualified rehabilitated buildings (buildings constructed prior to 1936) for taxable years beginning after December 31, 2018.

25. *Interactive Effects (LFB Summary #35)*. Adopt the Governor's recommendation to increase income and franchise tax collections by an estimated \$4,900,000 in 2019-20 and \$6,900,000

in 2020-21 to account for the interaction effects of proposed changes regarding taxable income, tax rates, and tax credits.

Sales and Use Taxes

26. *Require Marketplace Providers to Collect Sales Tax (Paper #345)*. Adopt the Governor's recommendations to define marketplace providers and marketplace sellers as well as to require a marketplace provider to collect and remit state sales and use tax, and other applicable taxes and fees, on sales the marketplace provider makes on behalf of a seller with the modification that a marketplace provider would include a person that indirectly engages as a provider. Estimate increased sales tax collections of \$26,800,000 in 2019-20 and \$67,100,000 in 2020-21. (Alternative 1 in LFB Paper #345).

Excise Taxes and Other Taxes

27. *Impose Tobacco Products Tax on Vapor Products (Paper #350)*. Adopt the Governor's recommendation to impose the tobacco products tax on vapor products, and specify that the inventory tax would be applied at a rate of 71 percent of the purchase price paid by the retailer to obtain vapor products. In addition, specify that any vapor products retailers not currently in possession of a tobacco products retailer license would need to apply for the license on the day after publication of the bill. Estimate increased excise tax collections of \$16,600,000 in 2019-20 and \$19,800,000 in 2020-21. (Alternative 1 in LFB Paper #350).

28. *Impose Cigarette Tax on Little Cigars (Paper #351)*. Approve the Governor's request, and specify that manufacturers or distributors are required to provide the manufacturer's established list price information to retailers no later than five days prior to the effective date of the rate increase. Estimate increased excise tax revenues of \$2,900,000 in 2019-20 and \$3,500,000 in 2020-21. Compared to the bill, reduce estimated revenues by \$400,000 in 2020-21 (Alternative 1 in LFB Paper #350).

29. *Cigarette and Tobacco Product Tax Refunds -- Current Law Reestimate (Paper #352)*. Reestimate the sum sufficient appropriation for cigarette and tobacco product tax refunds under current law at \$32,200,000 GPR in 2019-20 and at \$31,700,000 GPR in 2020-21. The reestimate would decrease the appropriation by \$1,746,000 GPR in 2019-20 and \$2,296,000 GPR in 2020-21 (Modification in LFB Paper #352).

30. *Limit Real Estate Transfer Fee Exemptions for Transfers Between Related Entities (Paper #353)*. Adopt the Governor's recommendation to clarify that, to be eligible for the exemption regarding transfers between parent and subsidiary, both the subsidiary and the parent must be a corporation. Also stipulate that, regarding the exemption for conveyances made to provide or release security for a debt, the exemption would not apply if the debt or obligation was incurred as the result of a conveyance. Specify that the provision would first apply to conveyances made on the first day of the third month beginning after publication of the bill. Estimate increased state tax revenues of \$538,500 in 2019-20 and \$718,000 in 2020-21 and annually thereafter. In addition, estimate increased county tax revenues of \$135,000 in 2019-20 and \$180,000 in 2020-21 and annually thereafter.

(Modification in LFB Paper #353).

Miscellaneous Appropriations

31. *Oil Pipeline Terminal Tax Distribution (LFB Summary #4)*. Adopt the Governor's recommendation to increase the estimated payments from the sum sufficient appropriation by \$886,100 GPR in 2019-20 and \$948,600 GPR in 2020-21 to reflect payments estimated at \$6,386,100 in 2019-20 and \$6,448,600 in 2020-21 to make payments to municipalities where oil pipeline terminal facilities are located.

Revenue -- Tax Administration

32. *Expand Auditing Activity (Paper #625)*. Adopt the Governor's recommendation to provide \$3,215,100 in 2019-20 and \$3,834,300 in 2020-21 and 36.0 positions annually (24.0 project positions and 12.0 permanent positions) to DOR to increase auditing activity and improve tax collections. Estimate increased state tax revenues of \$14,500,000 in 2019-20 and \$29,000,000 in 2020-21. The project positions would be authorized from October 1, 2019, through September 30, 2023 (Alternative 1 in Paper #625).

Restore Items Previously Removed from Budget Consideration

33. *Limitation on Exclusion for Nonfarm Capital Gains (Page 134, #2)*.

34. *Manufacturing and Agriculture Credit Limitation (Page 135, #3)*.

35. *Earned Income Tax Credit -- Credit percentages for Claimants with One Child or Two Children (Page 137, #6)*.

36. *Homestead Tax Credit -- Modifications to Formula Factors and Indexing (Page 138, #8)*.

37. *Sunset Private School Tuition Deduction (Page 139, #10)*.

38. *Enterprise Zone Tax Credit Program (Page 145, #23)*.

39. *Broadcaster Apportionment Modifications (Page 144, #21 and Page 450, Item #2)*.

40. *Repeal Sales Tax Exemption for Clay Pigeons and Game Birds (Page 153, #2)*.

41. *Repeal Sales Tax Exemption for Farm-Raised Deer (Page 3, #3)*.

FISCAL EFFECT OF MOTION #149 (CHANGE TO BASE AND BILL)

	Change to Base		Change to Bill		Source
	2019-20	2020-21	2019-20	2020-21	
Family and Individual Reinvestment Credit	-\$421,550,000	-\$412,050,000	\$0	\$0	GPR-Tax
Sunset Working Families Credit	50,000	50,000	0	0	GPR-Tax
IRC Update	187,500,000	173,850,000	-350,000	-600,000	GPR-Tax
Child and Dependent Care Credit	0	-9,900,000	0	0	GPR-Tax
Medical Care Insurance for Self-Employed	0	-9,500,000	0	0	GPR-Tax
NOL Carrybacks	2,000,000	4,100,000	0	0	GPR-Tax
First-Time Home Buyer Savings Account	9,813,000	4,100,000	0	0	GPR-Tax
Illinois-Wisconsin Reciprocity Reestimate	0	9,913,000	4,735,000	1,153,000	GPR
Refundable Research Tax Credit	0	2,250,000	0	0	GPR
Enterprise Zone Sum Sufficient Reestimate	-4,000,000	13,400,000	0	31,000,000	GPR
Business Development Credit Reestimate	2,600,000	4,000,000	600,000	1,700,000	GPR
Business Development Credit	0	2,000,000	0	2,000,000	GPR
Exclusion for WHEFA Interest	0	-130,000	0	0	GPR-Tax
Veterans and Surviving Spouses Reestimate	3,470,000	4,570,000	0	0	GPR
Interest on Overpayment of Taxes	500,000	0	0	0	GPR
Repayment Credit	-31,000	-31,000	0	0	GPR
Jobs Tax Credit Reestimate	-7,100,000	-9,200,000	0	0	GPR
Refundable Research Credit Reestimate	5,400,000	6,900,000	0	0	GPR
LIHTC Credit Addback	140,000	310,000	0	0	GPR-Tax
Interactive Effects	4,900,000	6,900,000	0	0	GPR-Tax
Marketplace Providers	26,800,000	67,100,000	0	0	GPR-Tax
Tobacco Products Tax on Vapor Products	16,600,000	19,800,000	1,700,000	0	GPR-Tax
Cigarette Tax on Little Cigars	2,900,000	3,500,000	0	-400,000	GPR-Tax
Tribal Refunds -- Current Law Reestimate	-1,796,000	-2,296,000	-1,435,000	-1,425,000	GPR-Tax
Limit RETF Exemptions for Related Entities	538,500	718,000	0	0	GPR
Oil Pipeline Sum Sufficient Reestimate	886,100	948,600	0	0	GPR
Expand Auditing Activity	3,215,100	3,834,300	0	0	GPR
Expand Auditing Activity	14,500,000	29,000,000	0	0	GPR-Tax
Limitation on Exclusion for Nonfarm Capital Gains	285,100,000	220,000,000	285,100,000	220,000,000	GPR-Tax
Manufacturing and Agriculture Credit Limitation	279,500,000	237,100,000	279,500,000	237,100,000	GPR-Tax
Earned Income Tax Credit	10,400,000	9,700,000	8,800,000	9,500,000	GPR
Earned Income Tax Credit	16,000,000	17,000,000	16,000,000	17,000,000	TANF
Homestead Tax Credit -- Modifications to	0	38,900,000	0	38,900,000	GPR
Formula Factors and Indexing	12,100,000	12,200,000	12,100,000	12,200,000	GPR-Tax
Sunset Private School Tuition Deduction	16,200,000	13,300,000	16,200,000	13,300,000	GPR-Tax
Broadcaster Apportionment Modifications	590,000	480,000	590,000	480,000	SEG-REV
Broadcaster Apportionment Modifications	590,000	480,000	590,000	480,000	SEG
Broadcaster Apportionment Modifications	-590,000	-480,000	-590,000	-480,000	SEG
Repeat Exemption for Clay Pigeons/Game Birds	150,000	200,000	150,000	200,000	GPR-Tax
Repeat Exemption for Farm-Raised Deer	90,800	121,000	90,800	121,000	GPR-Tax
	\$26,281,700	\$88,382,900	\$14,725,000	\$84,733,000	GPR
	\$425,184,800	\$349,555,000	\$593,055,800	\$480,496,000	GPR
	\$16,000,000	\$17,000,000	\$16,000,000	\$17,000,000	TANF
	-\$590,000	-\$480,000	-\$590,000	-\$480,000	SEG
	\$590,000	\$480,000	\$590,000	\$480,000	SEG-REV
Expand Auditing Activity (Positions)	36,000	36,000	0.00	0.00	GPR
			\$99,458,000	\$99,458,000	
			\$1,073,340,000	\$1,073,340,000	
			\$33,000,000	\$33,000,000	
			-\$1,070,000	-\$1,070,000	
			\$1,070,000	\$1,070,000	

M# 149

NYGREN	Y	N	A
LOUDENBECK	Y	N	A
BORN	Y	N	A
ROHRKASTE	Y	N	A
KATSMA	Y	N	A
ZIMMERMAN	Y	N	A
TAYLOR	Y	N	A
GOYKE	Y	N	A

DARLING	Y	N	A
OLSEN	Y	N	A
TIFFANY	Y	N	A
MARKLEIN	Y	N	A
STROEBEL	Y	N	A
LAMANIEU	Y	N	A
ERPENBACH	Y	N	A
JOHNSON	Y	N	A

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