

INDIVIDUAL INCOME TAX STATISTICS REPORT FOR TAX YEAR 2005

This report summarizes data from individual income tax returns for tax year 2005 that are filed by October 15, 2006.¹

COMPARISON WITH TAX YEAR 2004 (Table 1)

Taxpayers filed 2.77 million tax returns for tax year 2005, an increase of 1.4% over the 2.73 million returns filed for 2004. In 2005, there were 1.1 million single filers and 245,000 head-of-household filers. Married joint filers numbered 1.1 million while married separate filers numbered around 17,000. In addition, there were about 241,000 dependent filers (filers who were claimed as dependents on someone else's tax return).

Wisconsin adjusted gross income (WAGI) was \$122 billion in tax year 2005, a 4.8% increase over 2004. Total standard deductions equaled \$14.4 billion in tax year 2005, compared to \$13.8 billion for 2004, an increase of 4.3%. Personal exemptions were \$3.18 billion in 2005 compared to \$3.14 billion in 2004, a 1.3% increase. Total income tax liability (before the minimum tax) increased 5.1% to \$5.45 billion and the alternative minimum tax, paid by just over 5,000 filers, generated \$6.2 million in tax year 2005, an 11.9% increase over tax year 2004. Of the 2.77 million tax returns filed for 2005, 2.01 million, or 73%, showed a net income tax liability. The average tax rate, equal to net tax divided by WAGI, was 4.5%.

Net income tax equals gross tax, calculated by applying the statutory tax rates and brackets to taxable income, less nonrefundable tax credits. Nonrefundable tax credits can only be used to offset tax liability. Since some taxpayers have low gross tax prior to credits, they are able to use only part of the credits that are claimed. Nonrefundable credits include the itemized deduction credit, the armed forces member credit, the school property tax credit, the working families credit, the married couple credit, the manufacturer's sales tax credit, the development zone credit, the dairy investment credit, the historic rehabilitation credit, and two venture capital credits. These credits increased 5.1% to \$978.0 million in 2005. The three largest nonrefundable credits -- the school property tax credit (\$373.1 million), the married couple credit (\$268.5 million) and the itemized deduction credit (\$304.6 million) -- accounted for 96.7% of the total used credits.

Wisconsin also allows refundable credits, with credit amounts in excess of tax liability refunded to the taxpayer. These credits include the earned income tax credit, the homestead credit, the farmland preservation credit, the farmland tax relief credit, and the veterans' and surviving spouses' property tax credit. Refundable credits increased 3.0% from \$213.3 million in 2004 to \$219.8 million in 2005. The largest of these credits was the Homestead credit at \$114.6 million, followed by the earned income tax credit at \$78.8 million. Separate reports on each of the refundable credits have been prepared by the Department of Revenue and are available on our website, www.revenue.wi.gov.

¹ Previous individual income tax statistics reports have used returns filed by August 15th of the preceding year. Starting with tax year 2005, the IRS changed the deadline for filing individual income taxes with an extension. Wisconsin conformed to the federal change by extending its deadline as well. As a result, using tax returns filed by October 15th provides comparable data to previous reports.

TABLE 1
INDIVIDUAL INCOME TAX RETURNS AND SELECTED TAX ITEMS FOR TAX YEARS 2004 AND 2005
(dollar amounts in millions)

Tax Items	Tax Year 2004	Tax Year 2005	% Change
Count of Tax Returns	2,729,381	2,767,910	1.4%
Single Filers	1,112,053	1,133,689	1.9
Dependent Filers	239,781	241,399	0.7
Head of Household Filers	241,096	244,910	1.6
Married Joint Filers	1,120,085	1,131,006	1.0
Married Separate Filers	16,366	16,906	3.3
Wisconsin Adjusted Gross Income (WAGI)	116,175.42	121,711.83	4.8
Standard Deduction			
Number of Returns	2,258,801	2,291,466	1.4
Amount	13,824.92	14,412.96	4.3
Personal Exemptions			
Number of Returns	2,044,871	2,079,272	1.7
Amount	3,140.35	3,180.35	1.3
Taxable Income			
Number of Returns	2,092,799	2,132,037	1.9
Amount	99,789.87	104,762.14	5.0
Gross Income Tax (before credits)			
Number of Returns	2,087,853	2,126,604	1.9
Amount	6,114.09	6,424.35	5.1
Net Income Tax			
Number of Returns	1,968,631	2,006,770	1.9
Amount	5,183.35	5,446.40	5.1
Alternative Minimum Tax			
Number of Returns	5,143	5,135	-0.2
Amount	5.52	6.17	11.9
Total Tax Liability (Net + Minimum Tax)			
Number of Returns	1,969,094	2,007,388	1.9
% of Total Returns Filed	72.1%	72.5%	
Amount	5,188.87	5,452.57	5.1
Average Tax Rate (as % of WAGI)	4.47%	4.48%	
Total Nonrefundable Credits (Used)	930.74	977.95	5.1
Itemized Deductions Credit			
Number of Returns	727,074	754,265	3.7
Amount	271.85	304.55	12.0
Armed Forces Member Credit			
Number of Returns	5,018	5,353	6.7
Amount	0.90	0.93	3.4
School Property Tax/Rent Credit			
Number of Returns	1,671,079	1,681,020	0.6
Amount	364.68	373.05	2.3
Working Families' Credit			
Number of Returns	13,740	11,330	-17.5
Amount	0.38	0.30	-20.4
Married Couple Credit			
Number of Returns	697,929	700,180	0.3
Amount	266.59	268.52	0.7
Manufacturer's Sales Tax Credit			
Number of Returns	3,715	4,277	15.1
Amount	11.33	13.26	17.1

TABLE 1 (continued)
INDIVIDUAL INCOME TAX RETURNS AND SELECTED TAX ITEMS FOR TAX YEARS 2004 AND 2005
(dollars amounts in millions)

Tax Items	Tax Year 2004	Tax Year 2005	% Change
Historic Rehabilitation Credit			
Number of Returns	344	350	1.7%
Amount	1.30	1.40	7.9
Development Zone Credit			
Number of Returns	234	446	90.6
Amount	1.48	3.25	119.7
Dairy Investment Credit			
Number of Returns	6,464	6,463	0.0
Amount	12.22	11.78	-3.6
Angel Investment Credit			
Number of Returns	-	214	-
Amount	-	0.78	-
Seed Investment Credit			
Number of Returns	-	123	-
Amount	-	0.15	-
Refundable Credits	213.33	219.79	3.0
Earned Income Tax Credit			
Number of Returns	216,707	223,518	3.1
Amount	73.48	78.83	7.3
Homestead Credit			
Number of Returns	230,972	226,465	-2.0
Amount	116.19	114.58	-1.4
Farmland Preservation Credit			
Number of Returns	18,789	18,357	-2.3
Amount	12.73	12.76	0.2
Farmland Tax Relief Credit			
Number of Returns	52,177	51,609	-1.1
Amount	10.92	12.76	16.8
Veterans' Property Tax Credit			
Number of Returns	-	301	-
Amount	-	0.87	-
Other			
Use Tax			
Number of Returns	25,007	24,968	-0.2
Amount	1.36	1.41	3.7
Endangered Resources Donation			
Number of Returns	33,019	29,491	-10.7
Amount	0.52	0.49	-6.7
Packers Football Stadium Donation			
Number of Returns	10,220	8,591	-15.9
Amount	0.08	0.06	-25.1
Breast Cancer Research Donation			
Number of Returns	27,139	22,364	-17.6
Amount	0.33	0.28	-15.8
Veterans' Trust Fund Donation			
Number of Returns	-	12,370	-
Amount	-	0.13	-

Source: Wisconsin Department of Revenue, Individual Income Tax Aggregate Statistics

Notes: Details may not sum to totals because of rounding. Percent changes were calculated before rounding. All dollar amounts are in millions.

INDIVIDUAL INCOME TAX FOR TAX YEAR 2005 DISTRIBUTED BY INCOME CLASS

Tables 2A, 2B, 2C, 2D, and Chart 1 show the distribution by income class – as measured by WAGI – of tax filers, WAGI, net income tax, and minimum tax liability for tax year 2005.

- About 52% of tax filers had WAGI of less than \$30,000, but they accounted for only 14% of total WAGI, and 5.6% of net tax.
- At the other end of the income scale, the 0.3% of tax filers with WAGI in excess of \$500,000 received 9% of total WAGI and paid 13% of net tax. Tax filers with WAGI between \$100,000 and \$500,000 accounted for 7% of all filers, 26% of total WAGI and 31% of net tax.
- The \$30,000 – \$50,000 income class accounted for roughly 18% of filers, 16% of total WAGI and 14% of net tax.
- Those in the \$50,000 – \$100,000 income class were 22% of all filers, 36% of total WAGI and 37% of net tax.

The distribution of tax filers by WAGI, as shown in Table 2A and Chart 1, does not accurately portray the distribution of households by household income. In particular, the percentage of households in low-income categories is much lower than the percentage of tax filers in those categories, for several reasons. First, nontaxable income is not included in the determination of WAGI. For example, at lower income levels, public assistance payments and most of social security benefits are not taxable and thus do not show up in WAGI. At higher income levels, interest on U.S. government securities is exempt from state taxation and not included in the calculation of WAGI. Thus, WAGI actually understates the income available to the tax filer for his or her use. Second, some taxpayers are able to reduce their income using tax shelters. As a result, WAGI understates their true income. Finally, about 17% of tax filers with WAGI lower than \$30,000 include children who are claimed as dependents on their parents' income tax returns, but have earned income and thus must file their own tax returns.

Table 2D shows average tax rates by WAGI class. These rates, calculated by dividing net tax liability by the amount of WAGI, average 4.5% for all income classes, but rise from less than 1% for incomes below \$15,000 to 6.2% for incomes over \$500,000. The increase in the effective tax rate as income increases is the result of the progressive aspects of Wisconsin's income tax structure – specifically, a sliding scale standard deduction where the standard deduction decreases as income increases, and marginal tax rates that increase as taxable income rises.

TABLE 2A
DISTRIBUTION OF TAX FILERS AND WAGI AND TAX BY WAGI CLASS FOR TAX YEAR 2005

WAGI Class	Tax filers		Wisconsin Adjusted Gross Income (WAGI)		
	Count	%	Amount (\$)	%	Average (\$)
Less than \$0	37,720	1.4%	\$(643,598,618)	-0.5%	\$(17,063)
\$0 - <5,000	393,576	14.2	721,241,124	0.6	1,833
\$5,000 - <10,000	260,929	9.4	1,932,455,423	1.6	7,406
\$10,000 - <15,000	212,664	7.7	2,645,069,673	2.2	12,438
\$15,000 - <20,000	194,444	7.0	3,397,018,017	2.8	17,470
\$20,000 - <25,000	181,932	6.6	4,086,936,284	3.4	22,464
\$25,000 - <30,000	164,756	6.0	4,523,258,941	3.7	27,454
\$30,000 - <40,000	274,328	9.9	9,545,638,411	7.8	34,796
\$40,000 - <50,000	219,382	7.9	9,837,032,005	8.1	44,840
\$50,000 - <70,000	337,537	12.2	20,060,752,490	16.5	59,433
\$70,000 - <100,000	280,566	10.1	23,226,162,553	19.1	82,783
\$100,000 - <200,000	168,653	6.1	21,682,624,854	17.8	128,564
\$200,000 - <500,000	32,560	1.2	9,423,712,321	7.7	289,426
\$500,000 - <1,000,000	6,151	0.2	4,145,995,981	3.4	674,036
\$1,000,000 and over	2,712	0.1	7,127,532,723	5.9	2,628,146
TOTAL	2,767,910	100.0%	\$121,711,832,182	100.0%	\$43,972

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

TABLE 2B
DISTRIBUTION OF TAX FILERS AND NET TAX BY WAGI CLASS FOR TAX YEAR 2005

WAGI Class	Tax filers		Net Income Tax*			Net Income Tax Rate** (%)
	Count	%	Amount (\$)	%	Average (\$)	
Less than \$0	5	0.0%	\$(1,700)	0.0%	\$(340)	0.0%
\$0 - <5,000	42,612	2.1	3,085,136	0.1	72	0.4
\$5,000 - <10,000	48,697	2.4	5,972,334	0.1	123	0.3
\$10,000 - <15,000	120,624	6.0	21,087,346	0.4	175	0.8
\$15,000 - <20,000	150,422	7.5	50,202,204	0.9	334	1.5
\$20,000 - <25,000	166,490	8.3	93,622,094	1.7	562	2.3
\$25,000 - <30,000	161,092	8.0	132,962,773	2.4	825	2.9
\$30,000 - <40,000	272,211	13.6	342,181,030	6.3	1,257	3.6
\$40,000 - <50,000	218,347	10.9	393,181,269	7.2	1,801	4.0
\$50,000 - <70,000	336,542	16.8	875,571,733	16.1	2,602	4.4
\$70,000 - <100,000	280,055	14.0	1,117,470,350	20.5	3,990	4.8
\$100,000 - <200,000	168,313	8.4	1,145,635,041	21.0	6,807	5.3
\$200,000 - <500,000	32,512	1.6	557,419,057	10.2	17,145	5.9
\$500,000 - <1,000,000	6,143	0.3	258,078,234	4.7	42,012	6.2
\$1,000,000 and over	2,705	0.1	449,931,698	8.3	166,333	6.3
TOTAL	2,006,770	100.0%	\$5,446,398,599	100.0%	\$2,714	4.5%

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

*After nonrefundable credits and before refundable credits. Does not include tax filers with no net tax liability.

**Tax as % of WAGI.

**TABLE 2C
DISTRIBUTION OF TAX FILERS AND MINIMUM TAX LIABILITY BY WAGI CLASS FOR TAX YEAR 2005**

WAGI Class	Tax filers		Minimum Tax		
	Count	%	Amount (\$)	%	Average (\$)
Less than \$0	54	1.1%	\$72,466	1.2%	\$1,342
\$0 - <5,000	1,208	23.5	329,819	5.3	273
\$5,000 - <10,000	292	5.7	92,748	1.5	318
\$10,000 - <15,000	151	2.9	49,875	0.8	330
\$15,000 - <20,000	117	2.3	68,995	1.1	590
\$20,000 - <25,000	88	1.7	42,924	0.7	488
\$25,000 - <30,000	80	1.6	100,866	1.6	1,261
\$30,000 - <40,000	122	2.4	66,868	1.1	548
\$40,000 - <50,000	121	2.4	142,372	2.3	1,177
\$50,000 - <70,000	220	4.3	122,679	2.0	558
\$70,000 - <100,000	246	4.8	160,257	2.6	651
\$100,000 - <200,000	457	8.9	779,776	12.6	1,706
\$200,000 - <500,000	1,534	29.9	2,049,206	33.2	1,336
\$500,000 - <1,000,000	324	6.3	1,039,803	16.8	3,209
\$1,000,000 and over	121	2.4	1,053,159	17.1	8,704
TOTAL	5,135	100.0%	\$6,171,813	100.0%	\$1,202

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

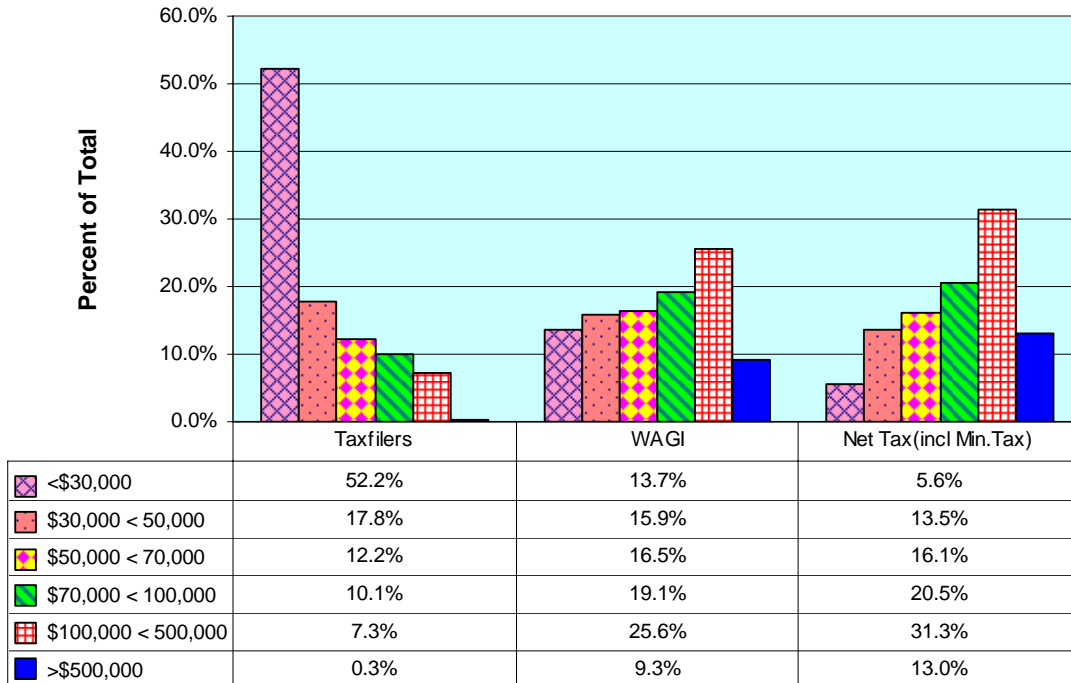
**TABLE 2D
DISTRIBUTION OF TAX FILERS AND TOTAL NET TAX LIABILITY BY WAGI CLASS FOR TAX YEAR 2005**

WAGI Class	Tax filers		Total Net Tax Liability (Net + Minimum Tax)			Average Tax Rate (%)**
	Count	%	Amount (\$)	%	Average (\$)	
Less than \$0	53	0.0%	\$70,766	0.0%	\$1,335	0.0%
\$0 - <5,000	43,064	2.1	3,414,955	0.1	79	0.5
\$5,000 - <10,000	48,762	2.4	6,065,082	0.1	124	0.3
\$10,000 - <15,000	120,658	6.0	21,137,221	0.4	175	0.8
\$15,000 - <20,000	150,430	7.5	50,271,199	0.9	334	1.5
\$20,000 - <25,000	166,491	8.3	93,665,018	1.7	563	2.3
\$25,000 - <30,000	161,093	8.0	133,063,639	2.4	826	2.9
\$30,000 - <40,000	272,206	13.6	342,247,898	6.3	1,257	3.6
\$40,000 - <50,000	218,347	10.9	393,323,641	7.2	1,801	4.0
\$50,000 - <70,000	336,547	16.8	875,694,412	16.1	2,602	4.4
\$70,000 - <100,000	280,062	14.0	1,117,630,607	20.5	3,991	4.8
\$100,000 - <200,000	168,320	8.4	1,146,414,817	21.0	6,811	5.3
\$200,000 - <500,000	32,508	1.6	559,468,263	10.3	17,210	5.9
\$500,000 - <1,000,000	6,142	0.3	259,118,037	4.8	42,188	6.2
\$1,000,000 and over	2,705	0.1	450,984,857	8.3	166,723	6.3
TOTAL	2,007,388	100.0%	\$5,452,570,412	100.0%	\$2,716	4.5%

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

**Tax as % of WAGI.

**CHART 1
DISTRIBUTION OF TAXFILERS, WAGI AND TAX BY INCOME CLASS
FOR TAX YEAR 2005**



DISTRIBUTION BY FILING STATUS

Table 3 and Chart 2 show that married couples, whether filing separately or jointly, accounted for 41% of all filers in tax year 2005. They were responsible for 70% of total WAGI and 73% of total net tax liability. In contrast, single tax filers, though accounting for about the same share of filers as married couples, -- 41% -- were responsible for 23% of WAGI and 22% of liability. Dependent filers -- those who file a return because they have income but are claimed as dependents on someone else's tax return -- accounted for 9% of filers but had an insignificant share of WAGI and tax liability. Heads of household with 9% of filers had 6% of total WAGI and 5% of tax.

**TABLE 3
DISTRIBUTION OF TAX FILERS, WAGI AND TAX FILING STATUS FOR TAX YEAR 2005**

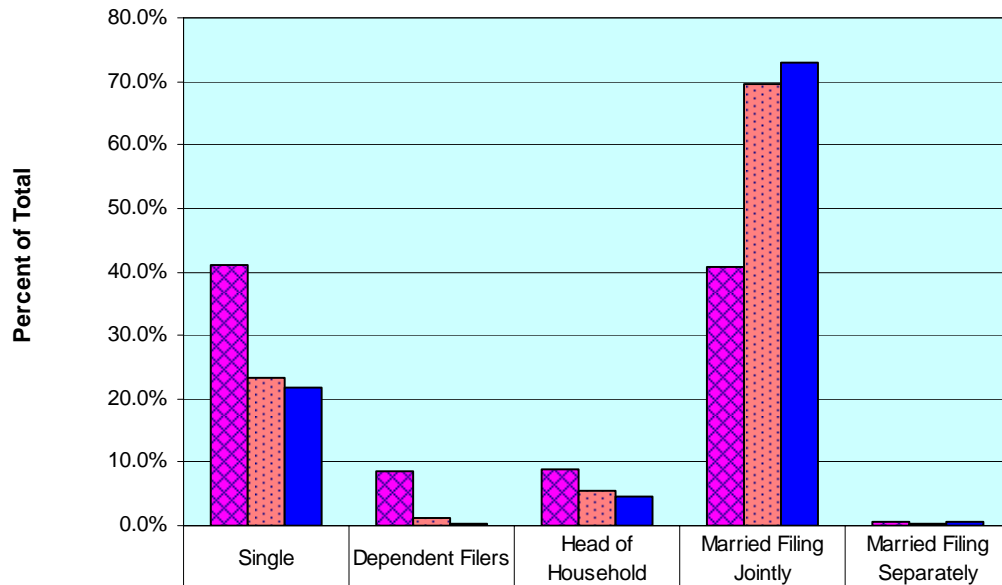
Filing Status	Tax filers		Wisconsin Adjusted Gross Income (WAGI)			Total Net Tax Liability*		Average Tax Rate** (%)
	Count	%	Total (\$ million)	%	Average (\$)	Total (\$ million)	%	
Single	1,133,689	41.0%	\$28,452.7	23.4%	\$25,097	\$1,192.3	21.9%	4.2%
Dependent	241,399	8.7	1,407.2	1.2	5,829	16.0	0.3	1.1
Head of Household	244,910	8.8	6,755.2	5.6	27,582	244.1	4.5	3.6
Married Filing Jointly	1,131,006	40.9	84,570.4	69.5	74,774	3,973.4	72.9	4.7
Married Filing Separately	16,906	0.6	526.3	0.4	31,129	26.8	0.5	5.1
TOTAL	2,767,910	100.0%	\$121,711.8	100.0%	\$43,972	\$5,452.6	100.0%	4.5%

* Total net tax liability includes alternative minimum tax and nonrefundable credits, but not refundable credits.

**Net tax as percentage of WAGI.

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

**CHART 2
DISTRIBUTION OF TAXFILERS, WAGI AND TAX BY FILING STATUS
FOR TAX YEAR 2005**



TAXFILERS	41.0%	8.7%	8.8%	40.9%	0.6%
WAGI	23.4%	1.2%	5.6%	69.5%	0.4%
TOTAL NET TAX LIABILITY*	21.9%	0.3%	4.5%	72.9%	0.5%

CREDITS

An income tax credit is a subtraction from gross tax liability. There are two kinds of credits: nonrefundable credits and refundable credits. Nonrefundable credits can only be used to reduce tax liability and in some cases unused amounts of credits can be carried forward for up to 15 years to offset tax liability. The three largest nonrefundable credits are the itemized deduction credit, the school property tax credit, and the married couple credit.

Itemized Deductions Credit

Unlike the federal income tax, the Wisconsin income tax does not allow itemized deductions. Instead, certain expenses are eligible for an itemized deduction credit. The credit equals 5% of the amount of eligible expenses in excess of the sliding scale standard deduction. Expenses qualifying for the credit include mortgage interest on a primary residence located in Wisconsin, charitable contributions, and medical expenses in excess of 7.5% of the taxpayer's federal adjusted gross income.

The distribution of the itemized deductions credit by income class is shown in Table 4. Out of a total of 2.77 million tax filers, about 770,000 (28%) claim the credit, but 754,000 have enough liability to use the credit. The percentage of filers within an income class using the credit tends to rise with income. While less than 4% of filers with incomes below \$30,000 used the itemized deductions credit, close to 100% of filers with incomes of \$100,000 or more used the credit. The total amount of the used itemized deductions credit was \$297 million. Just over 90% of the credits used were accounted for by filers with WAGI exceeding \$50,000.

The itemized deductions credit primarily benefits higher-income filers for two reasons. First, the expenses that qualify for the credit, mortgage interest and charitable contributions, tend to be larger for persons with higher incomes. Second, expenses are eligible for the credit only to the extent that they exceed the standard deduction. The design of the sliding scale standard deduction ensures that the standard deduction is reduced as income increases. Thus, lower income filers have larger standard deductions that typically exceed their qualified itemized deductions, so they seldom claim the itemized deductions credit. By contrast, higher income filers, who tend to have larger amounts of expenses eligible for the credit, have a small or no standard deduction. These filers tend to have a large amount of eligible expenses against which the 5% itemized deductions credit is applied.

**TABLE 4
DISTRIBUTION OF ITEMIZED DEDUCTIONS CREDIT BY WAGI CLASS FOR TAX YEAR 2005**

WAGI Class	Tax filers		Itemized Deductions Credit						
	Count	Total Claimed		Used Credit		Amount of Used Credit			% Used amounts to claimed amounts
		Count	Amount (\$)	Count	As % of filers in income class	(\$)	%	Average (\$)	
Less than \$0	37,720	5,315	\$3,070,604	0	0.0%	\$0	0.0%	-	0.0%
\$0 - <5,000	393,576	13,158	2,055,097	8,345	2.1	114,186	0.0	\$14	5.6
\$5,000 - <10,000	260,929	8,798	2,526,620	5,521	2.1	216,301	0.1	39	8.6
\$10,000 - <15,000	212,664	9,388	3,176,813	7,999	3.8	747,996	0.2	94	23.5
\$15,000 - <20,000	194,444	9,543	3,170,925	8,969	4.6	1,318,707	0.4	147	41.6
\$20,000 - <25,000	181,932	10,559	3,007,922	10,558	5.8	1,974,741	0.6	187	65.7
\$25,000 - <30,000	164,756	13,219	3,657,113	13,219	8.0	2,738,742	0.9	207	74.9
\$30,000 - <40,000	274,328	40,200	9,106,843	40,200	14.7	8,230,335	2.7	205	90.4
\$40,000 - <50,000	219,382	57,733	12,538,700	57,733	26.3	12,142,231	4.0	210	96.8
\$50,000 - <70,000	337,537	160,320	38,907,622	160,320	47.5	38,519,661	12.6	240	99.0
\$70,000 - <100,000	280,566	236,973	86,741,561	236,973	84.5	86,533,330	28.4	365	99.8
\$100,000 - <200,000	168,653	163,896	91,112,568	163,896	97.2	91,068,249	29.9	556	100.0
\$200,000 - <500,000	32,560	31,898	31,888,115	31,898	98.0	31,840,046	10.5	998	99.8
\$500,000 - <1,000,000	6,151	5,999	11,063,606	5,999	97.5	11,048,329	3.6	1,842	99.9
\$1,000,000 and over	2,712	2,635	18,052,665	2,635	97.2	18,052,665	5.9	6,851	100.0
TOTAL	2,767,910	769,634	\$320,076,774	754,265	27.3%	\$304,545,519	100.0%	\$404	95.1%

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

School Property Tax Credit

The school property tax credit for tax year 2005 is equal to 12% of the first \$2,500 of property taxes (or rent equivalent) paid on a principal residence, with a maximum credit of \$300. The rent equivalent of property tax is equal to 20% of rent if heat is included in the rent and 25% if the tenant paid for heat separately from his or her rent.

The school property tax credit has the highest participation rate of all the nonrefundable credits. As Table 5 shows, out of 2.77 million tax filers, 1.89 million (or 68%) claimed a total of \$419 million in credits: \$332 million in property tax credits and \$88 million in rent credits. (The total number of claimants is less than the sum of property tax credit claimants and rent credit claimants because some filers claim both credits if they were renters for part of the year and homeowners for the remainder of the year.) Because the credit is nonrefundable, some filers who claim it may not be able to fully use it because they do not have enough tax liability. As such, 1.68 million filers were able to use the credit, and the total amount of used credit was \$373 million, or 89% of the amount claimed.

Low-income filers were less likely to fully use their credit. Credits used are less than 5% of credits claimed for filers with WAGI less than \$10,000, but close to 100% for filers with WAGI of \$20,000 or more. Of the \$373 million in total used property tax/rent credit, 45% went to those with incomes of \$30,000 - \$70,000.

The \$2,500 cap on property taxes or rent equivalent that are eligible for the credit limits the value of the credit to upper-income filers who tend to live in homes with higher property values and thus pay higher property taxes. As seen in Table 5, filers with WAGI of \$200,000 or more had average credits that approach the \$300 maximum.

**TABLE 5
DISTRIBUTION OF SCHOOL PROPERTY TAX/RENT CREDIT BY WAGI CLASS FOR TAX YEAR 2005**

WAGI Class	Tax filers	School Property Tax/Rent Credit							
	Count	Property Tax Credit Claimed			Rent Credit Claimed			Total Credit Claimed	
		Count	Amount (\$)	Average (\$)	Count	Amount (\$)	Average (\$)	Count	Amount (\$)
Less than \$0	37,720	8,879	\$1,818,891	\$205	1,780	\$248,020	\$139	10,520	\$2,066,911
\$0 - <5,000	393,576	30,958	6,275,786	203	41,659	4,421,720	106	71,118	10,697,507
\$5,000 - <10,000	260,929	41,060	8,657,733	211	63,304	6,945,711	110	102,387	15,603,444
\$10,000 - <15,000	212,664	53,459	11,556,000	216	74,013	8,950,718	121	124,767	20,506,720
\$15,000 - <20,000	194,444	58,853	12,838,547	218	73,939	9,629,048	130	129,577	22,467,593
\$20,000 - <25,000	181,932	61,563	13,332,383	217	73,064	10,087,418	138	130,803	23,419,801
\$25,000 - <30,000	164,756	65,658	14,314,267	218	64,188	9,412,567	147	125,724	23,726,834
\$30,000 - <40,000	274,328	139,819	31,838,564	228	92,565	14,579,462	158	224,411	46,418,024
\$40,000 - <50,000	219,382	145,354	35,008,163	241	53,963	9,230,526	171	192,504	44,238,687
\$50,000 - <70,000	337,537	270,896	69,649,030	257	49,386	8,999,238	182	310,779	78,648,269
\$70,000 - <100,000	280,566	252,374	69,745,718	276	19,421	3,709,662	191	266,112	73,455,379
\$100,000 - <200,000	168,653	157,417	45,460,992	289	6,171	1,206,206	195	161,237	46,667,198
\$200,000 - <500,000	32,560	29,524	8,670,033	294	734	161,121	220	30,042	8,831,153
\$500,000 -									
<1,000,000	6,151	5,517	1,636,557	297	83	18,914	228	5,582	1,655,471
\$1,000,000 and over	2,712	2,364	699,881	296	34	7,288	214	2,393	707,170
TOTAL	2,767,910	1,323,695	\$331,502,545	\$3,664	614,304	\$87,607,619	\$2,450	1,887,956	\$419,110,161

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

TABLE 5 (continued)
DISTRIBUTION OF SCHOOL PROPERTY TAX/RENT CREDIT BY WAGI CLASS FOR TAX YEAR 2005

WAGI Class	Total Credit Used		Amount Of Used Credit			% Used amounts to claimed amounts
	Count	As % of filers in income class	(\$)	%	Average (\$)	
Less than \$0	0	0.0%	\$0	0.0%	-	0.0%
\$0 - <5,000	3,409	0.9	53,490	0.0	\$16	0.5
\$5,000 - <10,000	21,858	8.4	621,977	0.2	28	4.0
\$10,000 - <15,000	90,189	42.4	9,307,387	2.5	103	45.4
\$15,000 - <20,000	117,906	60.6	16,502,020	4.4	140	73.4
\$20,000 - <25,000	129,970	71.4	22,616,499	6.1	174	96.6
\$25,000 - <30,000	125,302	76.1	23,551,074	6.3	188	99.3
\$30,000 - <40,000	224,055	81.7	46,293,004	12.4	207	99.7
\$40,000 - <50,000	192,355	87.7	44,193,309	11.8	230	99.9
\$50,000 - <70,000	310,662	92.0	78,613,970	21.1	253	100.0
\$70,000 - <100,000	266,078	94.8	73,444,740	19.7	276	100.0
\$100,000 - <200,000	161,223	95.6	46,663,093	12.5	289	100.0
\$200,000 - <500,000	30,039	92.3	8,830,253	2.4	294	100.0
\$500,000 - <1,000,000	5,581	90.7	1,655,044	0.4	297	100.0
\$1,000,000 and over	2,393	88.2	707,170	0.2	296	100.0
TOTAL	1,681,020	60.7%	\$373,053,030	100.0%	\$222	89.0%

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

Married Couple Credit

A married couple credit is available to married couples filing jointly where both spouses are employed. The purpose of the credit is to offset the marriage tax penalty that may occur due to the structure of the state's income tax. In Wisconsin, a married couple may pay taxes that are higher than their combined liability would be if they had each filed as a single taxpayer.

For tax year 2005, the credit equaled 3% of the first \$16,000 of the earned income of the lower-earning spouse, with a maximum credit of \$480. Earned income includes wages, salaries, tips or other employee compensation and net earnings from self-employment, reduced by any net loss from self-employment and by deductions for Keogh or individual retirement accounts. Married couples must file jointly in order to claim the married couple credit.

About 62% of all married joint filers used the credit in 2005, as Table 6 shows. About 700,000 married couples were able to use a total of \$268 million in credits to lower their tax liability. Most of the benefits of the married couple credit go to the upper middle income class, with 85% of the used credits going to those with incomes of \$50,000 or more.

**TABLE 6
DISTRIBUTION OF MARRIED COUPLE CREDIT BY WAGI CLASS FOR TAX YEAR 2005**

WAGI Class	Married Joint Filers	Married Couple Credit							
	Count	Total Claimed		Used Credit					% Used amounts to claimed amounts
		Count	Amount (\$)	Count	As % of filers in income class	Amount (\$)	%	Average (\$)	
Less than \$0	9,100	1,012	\$237,387	5	0.1%	\$1,700	0.0%	\$340	0.7%
\$0 - <5,000	32,019	1,926	196,998	283	0.9	16,594	0.0	59	8.4
\$5,000 - <10,000	28,139	4,320	349,959	588	2.1	41,193	0.0	70	11.8
\$10,000 - <15,000	37,046	7,070	746,247	779	2.1	77,946	0.0	100	10.4
\$15,000 - <20,000	45,126	10,271	1,356,495	2,508	5.6	220,498	0.1	88	16.3
\$20,000 - <25,000	44,672	13,578	2,193,426	11,553	25.9	1,350,324	0.5	117	61.6
\$25,000 - <30,000	44,345	17,641	3,447,248	17,449	39.3	3,228,021	1.2	185	93.6
\$30,000 - <40,000	93,116	47,524	12,207,444	47,425	50.9	12,151,808	4.5	256	99.5
\$40,000 - <50,000	110,400	70,921	23,143,538	70,903	64.2	23,135,782	8.6	326	100.0
\$50,000 - <70,000	245,866	188,385	73,744,748	188,365	76.6	73,738,398	27.5	391	100.0
\$70,000 - <100,000	249,151	210,946	90,922,083	210,943	84.7	90,921,035	33.9	431	100.0
\$100,000 - <200,000	155,143	127,397	55,237,256	127,395	82.1	55,236,724	20.6	434	100.0
\$200,000 - <500,000	29,085	18,223	7,063,575	18,223	62.7	7,063,575	2.6	388	100.0
\$500,000 - <1,000,000	5,440	2,625	936,889	2,624	48.2	936,409	0.3	357	99.9
\$1,000,000 and over	2,358	964	340,705	964	40.9	340,705	0.1	353	100.0
TOTAL	1,131,006	722,803	\$272,123,998	700,007	61.9%	\$268,460,712	100.0%	\$384	98.7%

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

Working Families' Credit

The working families' credit, introduced in tax year 1998, eliminates Wisconsin income tax for single persons with \$9,000 or less of income and for married couples with income of \$18,000 or less. The credit is phased out over the next \$1,000 of income above these thresholds. In tax year 2005, while 19,000 filers claimed the credit, only 11,000 filers benefited from it, at a total cost to the state of approximately \$299,000 (see Table 7).

The credit has declined over the years as other provisions of the income tax code have made it redundant. In particular, the standard deduction, which was raised substantially in tax year 2000 and indexed for inflation for subsequent years, has had more impact on lowering the tax burden of families.

In 1998, when the working families' credit first took effect, the maximum standard deduction for singles was \$5,200, phasing down to zero at \$50,830 of income. The maximum standard deduction for married joint filers was \$8,900, phasing down to zero at \$55,000 of income. In contrast, for tax year 2005, the maximum standard deduction for singles was \$8,170 phasing down to zero at \$79,853 of income. For married joint filers the maximum standard deduction was \$14,710, phasing down to zero at \$90,896 of income. In addition, a single filer received a \$700 personal exemption and a married couple received two exemptions totaling \$1,400. In 1998, there were no personal exemptions.

Thus, whereas a single filer with income of \$9,000 had a standard deduction of \$4,990 in tax year 1998, he or she could claim the maximum deduction of \$8,170 plus a personal exemption of \$700 in 2005, for a total reduction in taxable income of \$8,870. A married couple with \$18,000 of income had their standard deduction increased from \$7,268 in 1998 to \$14,710 in 2005, and received exemptions of \$1,400 in 2005 for a total reduction of \$16,110. Indexing of the maximum standard deduction and its phase-out range will continue to reduce the relevance of the working families' credit, since income thresholds and ceilings for the credit are not indexed for inflation.

The decline in the working families' credit has been dramatic. In tax year 1998, the amount of credit used totaled \$15.6 million for 140,000 tax filers. In 2000, when the standard deduction was greatly expanded and the personal exemption created, the number of filers who used the credit had dropped to 32,700 and the amount to \$1.5 million. With indexing of the standard deduction and an increase in the personal exemption, the 2005 usage of the working families' credit declined further to 11,000 filers and \$0.3 million.

**TABLE 7
DISTRIBUTION OF WORKING FAMILIES' CREDIT BY WAGI CLASS FOR TAX YEAR 2005**

WAGI Class	Tax filers	Working Families Credit							
	Count	Total Claimed		Used Credit				% Used amounts to claimed amounts	
		Count	Amount (\$)	Count	As % of filers in income class	Amount (\$)	%		Average (\$)
Less than \$0	37,720	-	-	-	0.0%	-	0.0%	-	-
\$0 - <5,000	393,576	90	\$ 3,719	32	0.0	\$3,550	1.2	\$111	95.5%
\$5,000 - <10,000	260,929	8,751	110,639	7,942	3.0	98,735	33.0	12	89.2
\$10,000 - <15,000	212,664	141	38,420	118	0.1	36,727	12.3	311	95.6
\$15,000 - <20,000	194,444	10,195	459,969	3,082	1.6	159,757	53.5	52	34.7
\$20,000 - <25,000	181,932	-	-	-	0.0	-	0.0	-	-
\$25,000 - <30,000	164,756	-	-	-	0.0	-	0.0	-	-
\$30,000 - <40,000	274,328	-	-	-	0.0	-	0.0	-	-
\$40,000 - <50,000	219,382	-	-	-	0.0	-	0.0	-	-
\$50,000 - <70,000	337,537	-	-	-	0.0	-	0.0	-	-
\$70,000 - <100,000	280,566	-	-	-	0.0	-	0.0	-	-
\$100,000 - <200,000	168,653	-	-	-	0.0	-	0.0	-	-
\$200,000 - <500,000	32,560	-	-	-	0.0	-	0.0	-	-
\$500,000 - <1,000,000	6,151	-	-	-	0.0	-	0.0	-	-
\$1,000,000 and over	2,712	-	-	-	0.0	-	0.0	-	-
TOTAL	2,767,910	19,177	\$612,747	11,174	0.4%	\$298,769	100.0%	\$27	48.8%

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

Other Nonrefundable Credits

Tables 8A - 8G provide information on the remaining nonrefundable credits.

The armed forces member tax credit (see Table 8A) provides up to \$200 for military pay received for service while stationed outside the United States. It benefited 5,353 filers at a cost of \$0.9 million. About 76% of the credit went to filers with incomes below \$40,000.

**TABLE 8A
DISTRIBUTION OF ARMED FORCES MEMBER TAX CREDIT BY WAGI CLASS FOR TAX YEAR 2005**

WAGI Class	Tax filers	Used Armed Forces Member Tax Credit				
	Count	Count	As % of filers in income class	Amount (\$)	%	Average Credit (\$)
Less than \$0	37,720	-	0.00%	-	0.00%	-
\$0 - <5,000	393,576	12	0.00	\$553	0.06	\$46
\$5,000 - <10,000	260,929	184	0.07	6,943	0.75	38
\$10,000 - <15,000	212,664	729	0.34	109,120	11.71	150
\$15,000 - <20,000	194,444	1,132	0.58	206,083	22.12	182
\$20,000 - <25,000	181,932	786	0.43	152,726	16.39	194
\$25,000 - <30,000	164,756	550	0.33	108,128	11.60	197
\$30,000 - <40,000	274,328	639	0.23	126,442	13.57	198
\$40,000 - <50,000	219,382	424	0.19	78,726	8.45	186
\$50,000 - <70,000	337,537	457	0.14	78,241	8.40	171
\$70,000 - <100,000	280,566	279	0.10	43,111	4.63	155
\$100,000 - <200,000	168,653	150	0.09	20,507	2.20	137
\$200,000 - <500,000	32,560	10	0.03	1,177	0.13	118
\$500,000 - <1,000,000	6,151	1	0.02	1	0.00	1
\$1,000,000 and over	2,712	-	0.00	-	0.00	-
TOTAL	2,767,910	5,353	0.19%	\$931,758	100.0%	\$174

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

The manufacturer's sales tax credit (see Table 8B) benefited 4,277 filers who were able to reduce their tax liability by \$13.3 million for an average credit of \$3,101. About 96% of the credit went to filers with incomes of \$100,000 and over and about 59% went to filers with over \$1 million of income. The credit is repealed effective for tax years that begin after December 31, 2005, and is replaced with a sales tax exemption.

**TABLE 8B
DISTRIBUTION OF MANUFACTURER'S SALES TAX CREDIT BY WAGI CLASS FOR TAX YEAR 2005**

WAGI Class	Tax filers		Used Manufacturer's Sales Tax Credit			
	Count	Count	As % of filers in income class	Amount (\$)	%	Average Credit (\$)
Less than \$0	37,720	-	0.00%	-	0.00%	-
\$0 - <5,000	393,576	122	0.03	\$10,288	0.08	\$84
\$5,000 - <10,000	260,929	83	0.03	17,836	0.13	215
\$10,000 - <15,000	212,664	65	0.03	18,966	0.14	292
\$15,000 - <20,000	194,444	32	0.02	8,315	0.06	260
\$20,000 - <25,000	181,932	48	0.03	22,228	0.17	463
\$25,000 - <30,000	164,756	44	0.03	57,881	0.44	1,315
\$30,000 - <40,000	274,328	91	0.03	35,363	0.27	389
\$40,000 - <50,000	219,382	128	0.06	47,272	0.36	369
\$50,000 - <70,000	337,537	214	0.06	125,122	0.94	585
\$70,000 - <100,000	280,566	375	0.13	236,705	1.78	631
\$100,000 - <200,000	168,653	887	0.53	748,483	5.64	844
\$200,000 - <500,000	32,560	1,038	3.19	2,093,680	15.79	2,017
\$500,000 - <1,000,000	6,151	578	9.40	1,956,463	14.75	3,385
\$1,000,000 and over	2,712	572	21.09	7,885,084	59.45	13,785
TOTAL	2,767,910	4,277	0.15%	\$13,263,686	100.0%	\$3,101

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

The historic credit (see Table 8C) was used by 350 tax filers for \$1.4 million for an average credit of \$4,007. Filers with income of \$70,000 or more accounted for 93% of the credit amount. Unused credits can be carried forward for 15 years.

**TABLE 8C
DISTRIBUTION OF HISTORIC CREDIT BY WAGI CLASS FOR TAX YEAR 2005**

WAGI Class	Tax filers		Used Historic Credit			
	Count	Count	As % of filers in income class	Amount (\$)	%	Average Credit (\$)
Less than \$0	37,720	-	0.00%	-	0.00%	-
\$0 - <5,000	393,576	-	0.00	-	0.00	-
\$5,000 - <10,000	260,929	-	0.00	-	0.00	-
\$10,000 - <15,000	212,664	-	0.00	-	0.00	-
\$15,000 - <20,000	194,444	1	0.00	\$236	0.02	\$236
\$20,000 - <25,000	181,932	4	0.00	1,368	0.10	342
\$25,000 - <30,000	164,756	2	0.00	1,053	0.08	527
\$30,000 - <40,000	274,328	8	0.00	5,803	0.41	725
\$40,000 - <50,000	219,382	19	0.01	27,132	1.93	1,428
\$50,000 - <70,000	337,537	28	0.01	62,420	4.45	2,229
\$70,000 - <100,000	280,566	76	0.03	189,311	13.50	2,491
\$100,000 - <200,000	168,653	115	0.07	442,380	31.55	3,847
\$200,000 - <500,000	32,560	77	0.24	494,032	35.23	6,416
\$500,000 - <1,000,000	6,151	17	0.28	159,854	11.40	9,403
\$1,000,000 and over	2,712	3	0.11	18,691	1.33	6,230
TOTAL	2,767,910	350	0.01%	\$1,402,280	100.0%	\$4,007

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

The development zone credits (see Table 8D) benefited 446 tax filers at a cost of \$3.3 million for an average credit of \$7,298. About 91% of this credit went to filers with income of \$200,000 or more, and 52% of this credit went to filers with income of \$1 million or more.

**TABLE 8D
DISTRIBUTION OF DEVELOPMENT ZONE CREDITS BY WAGI CLASS FOR TAX YEAR 2005**

WAGI Class	Tax filers		Used Development Zone Credit			
	Count	Count	As % of filers in income class	Amount (\$)	%	Average Credit (\$)
Less than \$0	37,720	-	0.00%	-	0.00%	-
\$0 - <5,000	393,576	12	0.00	\$921	0.03	\$77
\$5,000 - <10,000	260,929	9	0.00	1,730	0.05	192
\$10,000 - <15,000	212,664	3	0.00	466	0.01	155
\$15,000 - <20,000	194,444	6	0.00	3,889	0.12	648
\$20,000 - <25,000	181,932	4	0.00	2,742	0.08	686
\$25,000 - <30,000	164,756	6	0.00	5,320	0.16	887
\$30,000 - <40,000	274,328	13	0.00	8,199	0.25	631
\$40,000 - <50,000	219,382	21	0.01	18,988	0.58	904
\$50,000 - <70,000	337,537	31	0.01	41,884	1.29	1,351
\$70,000 - <100,000	280,566	25	0.01	43,696	1.34	1,748
\$100,000 - <200,000	168,653	74	0.04	177,617	5.46	2,400
\$200,000 - <500,000	32,560	105	0.32	556,780	17.11	5,303
\$500,000 - <1,000,000	6,151	60	0.98	703,393	21.61	11,723
\$1,000,000 and over	2,712	77	2.84	1,689,090	51.90	21,936
TOTAL	2,767,910	446	0.02%	\$3,254,715	100.0%	\$7,298

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

The dairy investment credit (see Table 8E) was used by 6,463 tax filers at a cost of \$11.8 million. The average credit was \$1,822. Filers with incomes of \$50,000 or more accounted for 77% of the credit amount.

**TABLE 8E
DISTRIBUTION OF DAIRY INVESTMENT CREDIT BY WAGI CLASS FOR TAX YEAR 2005**

WAGI Class	Tax filers		Used Dairy Investment Credit			
	Count	Count	As % of filers in income class	Amount (\$)	%	Average Credit (\$)
Less than \$0	37,720	-	0.00%	-	0.00%	-
\$0 - <5,000	393,576	13	0.00	\$20,089	0.17	\$1,545
\$5,000 - <10,000	260,929	25	0.01	1,743	0.01	70
\$10,000 - <15,000	212,664	160	0.08	22,135	0.19	138
\$15,000 - <20,000	194,444	242	0.12	58,573	0.50	242
\$20,000 - <25,000	181,932	511	0.28	156,243	1.33	306
\$25,000 - <30,000	164,756	594	0.36	275,885	2.34	464
\$30,000 - <40,000	274,328	1,115	0.41	918,858	7.80	824
\$40,000 - <50,000	219,382	908	0.41	1,198,013	10.17	1,319
\$50,000 - <70,000	337,537	1,353	0.40	2,611,382	22.17	1,930
\$70,000 - <100,000	280,566	884	0.32	2,683,041	22.78	3,035
\$100,000 - <200,000	168,653	558	0.33	2,986,802	25.36	5,353
\$200,000 - <500,000	32,560	87	0.27	734,206	6.23	8,439
\$500,000 - <1,000,000	6,151	8	0.13	98,173	0.83	12,272
\$1,000,000 and over	2,712	5	0.18	11,226	0.10	2,245
TOTAL	2,767,910	6,463	0.23%	\$11,776,369	100.0%	\$1,822

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

The angel investment credit (see Table 8F) benefited 214 tax filers at a cost of \$0.8 million for an average credit of \$3,655. About 96% of this credit went to filers with income of \$100,000 or more, and 53% of this credit went to filers with income of \$500,000 or more.

**TABLE 8F
DISTRIBUTION OF ANGEL INVESTMENT CREDIT BY WAGI CLASS FOR TAX YEAR 2005**

WAGI Class	Tax filers		Used Angel Investment Credit			
	Count	Count	As % of filers in income class	Amount (\$)	%	Average Credit (\$)
Less than \$0	37,720	-	0.00%	-	0.00%	-
\$0 - <5,000	393,576	2	0.00	\$47	0.01	\$24
\$5,000 - <10,000	260,929	3	0.00	638	0.08	213
\$10,000 - <15,000	212,664	3	0.00	82	0.01	27
\$15,000 - <20,000	194,444	8	0.00	2,211	0.28	276
\$20,000 - <25,000	181,932	1	0.00	6	0.00	6
\$25,000 - <30,000	164,756	4	0.00	30	0.00	8
\$30,000 - <40,000	274,328	11	0.00	60	0.01	5
\$40,000 - <50,000	219,382	8	0.00	3,179	0.41	397
\$50,000 - <70,000	337,537	19	0.01	14,381	1.84	757
\$70,000 - <100,000	280,566	10	0.00	9,783	1.25	978
\$100,000 - <200,000	168,653	42	0.02	121,074	15.48	2,883
\$200,000 - <500,000	32,560	53	0.16	214,508	27.42	4,047
\$500,000 - <1,000,000	6,151	25	0.41	175,364	22.42	7,015
\$1,000,000 and over	2,712	25	0.92	240,885	30.79	9,635
TOTAL	2,767,910	214	0.01%	\$782,248	100.0%	\$3,655

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

The seed investment credit (see Table 8G) was used by 123 tax filers at a cost of \$0.1 million. The average credit was \$1,194. Filers with incomes of \$100,000 or more accounted for 91% of the credit amount.

**TABLE 8G
DISTRIBUTION OF SEED INVESTMENT CREDIT BY WAGI CLASS FOR TAX YEAR 2005**

WAGI Class	Tax filers		Used Seed Investment Credit			
	Count	Count	As % of filers in income class	Amount (\$)	%	Average Credit (\$)
Less than \$0	37,720	-	0.00%	-	0.00%	-
\$0 - <5,000	393,576	2	0.00	\$10	0.01	\$5
\$5,000 - <10,000	260,929	2	0.00	8	0.01	4
\$10,000 - <15,000	212,664	4	0.00	24	0.02	6
\$15,000 - <20,000	194,444	5	0.00	39	0.03	8
\$20,000 - <25,000	181,932	3	0.00	33	0.02	11
\$25,000 - <30,000	164,756	4	0.00	710	0.48	178
\$30,000 - <40,000	274,328	5	0.00	59	0.04	12
\$40,000 - <50,000	219,382	11	0.01	2,149	1.46	195
\$50,000 - <70,000	337,537	7	0.00	78	0.05	11
\$70,000 - <100,000	280,566	14	0.00	9,877	6.73	706
\$100,000 - <200,000	168,653	10	0.01	7,333	4.99	733
\$200,000 - <500,000	32,560	29	0.09	56,190	38.27	1,938
\$500,000 - <1,000,000	6,151	16	0.26	18,395	12.53	1,150
\$1,000,000 and over	2,712	11	0.41	51,920	35.36	4,720
TOTAL	2,767,910	123	0.00%	\$146,825	100.0%	\$1,194

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

REFUNDABLE CREDITS

Wisconsin income tax law allows for several refundable credits. These are the Earned Income Tax Credit, the Homestead Credit, the Farmland Preservation Credit, the Farmland Tax Relief Credit, and the Veterans' and Surviving Spouses' Property Tax Credit. The first four credits are discussed in greater detail in separate reports which can be found on the Department of Revenue's website.

The Veterans' and Surviving Spouses' Property Tax Credit is new for tax year 2005. As shown in table 9 the credit is targeted at a relatively small number of taxpayers. Approximately 300 tax filers claimed the credit in tax year 2005 at a total cost to the state of \$0.9 million. The average credit was \$2,878. These numbers may not reflect ongoing participation and costs for this credit as awareness of the credit increases and individuals adjust their filing behavior.

TABLE 9
DISTRIBUTION OF VETERANS' AND SURVIVING SPOUSES' PROPERTY TAX CREDIT
BY WAGI CLASS FOR TAX YEAR 2005

WAGI Class	Count	Count	As % of filers in income class	Amount (\$)	%	Average Credit (\$)
Less than \$0	37,720	1	0.00%	\$1,914	0.22%	\$1,914
\$0 - <5,000	393,576	73	0.02	167,043	19.28	2,288
\$5,000 - <10,000	260,929	40	0.02	106,882	12.34	2,672
\$10,000 - <15,000	212,664	35	0.02	81,570	9.42	2,331
\$15,000 - <20,000	194,444	36	0.02	104,962	12.12	2,916
\$20,000 - <25,000	181,932	27	0.01	79,048	9.13	2,928
\$25,000 - <30,000	164,756	15	0.01	46,509	5.37	3,101
\$30,000 - <40,000	274,328	27	0.01	95,144	10.98	3,524
\$40,000 - <50,000	219,382	11	0.01	38,670	4.46	3,515
\$50,000 - <70,000	337,537	19	0.01	68,885	7.95	3,626
\$70,000 - <100,000	280,566	10	0.00	42,073	4.86	4,207
\$100,000 - <200,000	168,653	3	0.00	10,222	1.18	3,407
\$200,000 - <500,000	32,560	4	0.01	23,333	2.69	5,833
\$500,000 - <1,000,000	6,151	0	0.00	0	0.00	-
\$1,000,000 and over	2,712	0	0.00	0	0.00	-
TOTAL	2,767,910	301	0.01%	\$866,255	100.0%	\$2,878

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

OTHER ITEMS

Sales and Use Tax on Out-of-State Purchases

The income tax form provides a line for taxpayers to report any state and local sales tax on purchases from out-of-state firms on which the sales tax was not charged. Use taxes are taxes paid by Wisconsin residents to the state of Wisconsin on purchases from out-of-state firms. As seen in Table 10A, less than 1% of filers (24,968) report use tax. Total use tax collected through the income tax return amounted to \$1.4 million, or an average of \$56. The participation rate increases with income.

Since its inception in 1988, the reporting of use tax on the income tax form has increased from 0.5% of all filers to 0.9%, with the average reported use tax gradually increasing from \$20 to \$56. Total use tax collected has risen from \$245,000 to \$1.4 million.

**TABLE 10A
USE TAX FOR TAX YEAR 2005**

WAGI Class	Tax filers		Use Tax On Income Tax Form			Average Use Tax (\$)
	Count	Count	As % of filers in income class	Amount (\$)	%	
Less than \$0	37,720	101	0.40%	\$18,442	1.31%	\$183
\$0 - <5,000	393,576	666	2.67	42,793	3.04	64
\$5,000 - <10,000	260,929	845	3.38	25,570	1.82	30
\$10,000 - <15,000	212,664	922	3.69	29,886	2.12	32
\$15,000 - <20,000	194,444	1,000	4.01	30,945	2.20	31
\$20,000 - <25,000	181,932	998	4.00	35,931	2.55	36
\$25,000 - <30,000	164,756	1,091	4.37	34,551	2.45	32
\$30,000 - <40,000	274,328	2,225	8.91	99,867	7.09	45
\$40,000 - <50,000	219,382	2,309	9.25	90,495	6.42	39
\$50,000 - <70,000	337,537	4,118	16.49	167,313	11.88	41
\$70,000 - <100,000	280,566	4,426	17.73	214,208	15.21	48
\$100,000 - <200,000	168,653	4,112	16.47	248,298	17.63	60
\$200,000 - <500,000	32,560	1,489	5.96	149,234	10.59	100
\$500,000 - <1,000,000	6,151	412	1.65	83,256	5.91	202
\$1,000,000 and over	2,712	254	1.02	137,879	9.79	543
TOTAL	2,767,910	24,968	0.90%	\$1,408,668	100.0%	\$56

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

**TABLE 10B
USE TAX FOR TAX YEARS 1988-2005**

Tax Year	Tax filers		Use Tax On Income Tax Form		
	Count	Count	As % of all filers	Amount (\$)	Average Amount (\$)
1988	2,267,716	12,319	0.54%	\$245,099	\$20
1989	2,346,343	14,202	0.61	336,831	24
1990	2,383,933	15,426	0.65	377,908	24
1991	2,402,512	16,533	0.69	441,350	27
1992	2,414,541	17,686	0.73	503,372	28
1993	2,441,280	18,711	0.77	635,806	34
1994	2,489,322	20,201	0.81	728,294	36
1995	2,529,204	22,218	0.88	1,046,592	47
1996	2,567,895	24,333	0.95	1,245,718	51
1997	2,614,735	23,912	0.91	1,235,273	52
1998	2,651,683	25,044	0.94	1,328,636	53
1999	2,693,792	23,601	0.88	1,347,424	57
2000	2,738,421	25,050	0.91	1,393,659	56
2001	2,715,633	24,706	0.91	1,335,969	54
2002	2,698,475	25,126	0.93	1,346,426	54
2003	2,702,716	24,769	0.92	1,418,742	57
2004	2,729,381	25,007	0.92	1,357,845	54
2005	2,767,910	24,968	0.90%	\$1,408,668	\$56

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics, various years.

Endangered Resources Donation

Another line is provided on the individual income tax form to allow tax filers to donate money for the preservation and management of threatened and endangered species. The donation either reduces the taxpayer's refund or increases tax due. As shown in Table 11, in tax year 2005, 29,491 filers donated a total of about \$487,000 or an average of \$17 for every donor. The average ranged from below \$10 for incomes below \$10,000 to \$90 at incomes above \$500,000. The participation rate was highest for the \$70,000 - \$200,000 income range.

The endangered resources donation was first introduced in 1984. Throughout the 1990s participation declined gradually, dropping to 41,472 by 1999. The declining trend reversed itself in 2000 and 2001 with participation around 46,450. Participation in 2005, 29,396, is the lowest since the donation's inception. While participation remains below what it was at the beginning, average donations have increased—from \$10 in 1990 to \$17 in 2005.

**TABLE 11
ENDANGERED RESOURCES DONATION FOR TAX YEAR 2005**

WAGI Class	Tax filers	Endangered Resources Donation				
	Count	Count	As % of filers in income class	Amount (\$)	%	Average (\$)
Less than \$0	37,720	59	0.16%	\$1,245	0.3%	\$21
\$0 - <5,000	393,576	1,216	0.31	7,791	1.6	6
\$5,000 - <10,000	260,929	1,655	0.63	13,405	2.8	8
\$10,000 - <15,000	212,664	1,465	0.69	15,697	3.2	11
\$15,000 - <20,000	194,444	1,564	0.80	17,521	3.6	11
\$20,000 - <25,000	181,932	1,653	0.91	19,773	4.1	12
\$25,000 - <30,000	164,756	1,581	0.96	19,498	4.0	12
\$30,000 - <40,000	274,328	3,163	1.15	41,608	8.5	13
\$40,000 - <50,000	219,382	2,986	1.36	44,058	9.0	15
\$50,000 - <70,000	337,537	4,890	1.45	84,851	17.4	17
\$70,000 - <100,000	280,566	5,050	1.80	99,283	20.4	20
\$100,000 - <200,000	168,653	3,658	2.17	97,275	20.0	27
\$200,000 - <500,000	32,560	482	1.48	19,086	3.9	40
\$500,000 - <1,000,000	6,151	51	0.83	4,924	1.0	97
\$1,000,000 and over	2,712	18	0.66	1,181	0.2	66
TOTAL	2,767,910	29,491	1.07%	\$487,196	100.0%	\$17

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

**TABLE 12
ENDANGERED RESOURCES DONATION 1990-2005**

Tax Year	Tax filers		Endangered Resources Donation		
	Count	Count	Participation Rate (%)	Amount (\$)	Average (\$)
1990	2,383,933	64,281	2.7%	\$652,944	\$10
1991	2,402,512	60,235	2.5	642,543	11
1992	2,414,541	56,785	2.4	611,426	11
1993	2,441,280	53,084	2.2	593,476	11
1994	2,489,322	50,206	2.0	595,615	12
1995	2,529,204	48,749	1.9	604,506	12
1996	2,567,895	44,767	1.7	572,572	13
1997	2,614,735	41,576	1.6	536,418	13
1998	2,651,683	44,107	1.7	636,979	14
1999	2,693,792	41,472	1.5	563,627	14
2000	2,738,421	46,458	1.7	697,328	15
2001	2,715,633	46,438	1.7	690,574	15
2002	2,698,475	41,350	1.5	658,774	16
2003	2,702,716	39,005	1.4	626,056	16
2004	2,729,381	33,019	1.2	522,007	16
2005	2,767,910	29,491	1.1%	\$487,196	\$17

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics, various years.

Packers Football Stadium Donation

This donation, first available in tax year 2001, allows the taxpayer to make a donation towards the renovation of the Packers' football stadium in Green Bay. The donation either reduces a taxpayer's refund or adds to tax due. For tax year 2005, 8,591 filers gave a total of nearly \$63,000, for an average of \$7. Donors with income below \$100,000 gave \$7 on average, while donors with income \$100,000 or more donated \$12 on average.

**TABLE 13
PACKERS FOOTBALL STADIUM DONATION FOR TAX YEAR 2005**

WAGI Class	Tax filers		Packers Stadium Donation			
	Count	Count	As % of filers in income class	Amount (\$)	%	Average (\$)
Less than \$0	37,720	31	0.08%	\$306	0.5%	\$10
\$0 - <5,000	393,576	550	0.14	2,619	4.1	5
\$5,000 - <10,000	260,929	571	0.22	2,830	4.5	5
\$10,000 - <15,000	212,664	534	0.25	2,470	3.9	5
\$15,000 - <20,000	194,444	512	0.26	3,042	4.8	6
\$20,000 - <25,000	181,932	562	0.31	3,273	5.2	6
\$25,000 - <30,000	164,756	508	0.31	3,023	4.8	6
\$30,000 - <40,000	274,328	903	0.33	5,821	9.2	6
\$40,000 - <50,000	219,382	778	0.35	5,920	9.3	8
\$50,000 - <70,000	337,537	1,249	0.37	10,516	16.6	8
\$70,000 - <100,000	280,566	1,360	0.48	11,624	18.3	9
\$100,000 - <200,000	168,653	880	0.52	9,236	14.6	10
\$200,000 - <500,000	32,560	138	0.42	2,463	3.9	18
\$500,000 - <1,000,000	6,151	11	0.18	241	0.4	22
\$1,000,000 and over	2,712	4	0.15	41	0.1	10
TOTAL	2,767,910	8,591	0.31%	\$63,425	100.0%	\$7

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

Breast Cancer Research Donation

This donation, first available in tax year 2004, allows taxpayers to make a donation towards breast cancer research. The donation either reduces a taxpayer's refund or adds to tax due. 22,364 filers gave a total of \$278,000 for an average of \$12. Donors with income below \$100,000 gave \$11 on average, while donors with income \$100,000 or more donated \$22 on average.

**TABLE 14
BREAST CANCER RESEARCH DONATION FOR TAX YEAR 2005**

WAGI Class	Tax filers		Breast Cancer Research Donation			
	Count	Count	As % of filers in income class	Amount (\$)	%	Average (\$)
Less than \$0	37,720	71	0.19%	\$945	0.3%	\$13
\$0 - <5,000	393,576	1,137	0.29	6,599	2.4	6
\$5,000 - <10,000	260,929	1,580	0.61	10,760	3.9	7
\$10,000 - <15,000	212,664	1,383	0.65	11,834	4.3	9
\$15,000 - <20,000	194,444	1,466	0.75	13,511	4.9	9
\$20,000 - <25,000	181,932	1,452	0.80	13,500	4.9	9
\$25,000 - <30,000	164,756	1,374	0.83	13,899	5.0	10
\$30,000 - <40,000	274,328	2,400	0.87	25,537	9.2	11
\$40,000 - <50,000	219,382	2,120	0.97	25,701	9.2	12
\$50,000 - <70,000	337,537	3,518	1.04	48,921	17.6	14
\$70,000 - <100,000	280,566	3,373	1.20	51,193	18.4	15
\$100,000 - <200,000	168,653	2,201	1.31	44,344	15.9	20
\$200,000 - <500,000	32,560	251	0.77	8,188	2.9	33
\$500,000 - <1,000,000	6,151	28	0.46	2,905	1.0	104
\$1,000,000 and over	2,712	10	0.37	415	0.1	42
TOTAL	2,767,910	22,364	0.81%	\$278,252	100.0%	\$12

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

Veterans' Trust Fund Donation

This donation was new for tax year 2005 and allows taxpayers to make donations towards the Veterans' Trust Fund. A donation either reduces a taxpayer's refund or adds to tax due. There were 12,370 filers who gave a total of \$134,000 for an average of \$11 per return. Donors with income between \$200,000 and \$1 million donated the most on average at just under \$30 per return. Both the \$0 to \$40,000 income groups and the \$1 million and over income group had average donations of less than \$10.

**TABLE 15
VETERANS' TRUST FUND DONATION FOR TAX YEAR 2005**

WAGI Class	Tax filers	Veterans' Trust Fund Donation				
	Count	Count	As % of filers in income class	Amount (\$)	%	Average (\$)
Less than \$0	37,720	33	0.09%	\$653	0.5%	\$20
\$0 - <5,000	393,576	637	0.16	4,181	3.1	7
\$5,000 - <10,000	260,929	828	0.32	5,778	4.3	7
\$10,000 - <15,000	212,664	791	0.37	6,045	4.5	8
\$15,000 - <20,000	194,444	866	0.45	8,414	6.3	10
\$20,000 - <25,000	181,932	896	0.49	8,153	6.1	9
\$25,000 - <30,000	164,756	808	0.49	6,763	5.1	8
\$30,000 - <40,000	274,328	1,468	0.54	13,909	10.4	9
\$40,000 - <50,000	219,382	1,271	0.58	13,620	10.2	11
\$50,000 - <70,000	337,537	1,828	0.54	21,800	16.3	12
\$70,000 - <100,000	280,566	1,723	0.61	21,831	16.3	13
\$100,000 - <200,000	168,653	1,076	0.64	18,218	13.6	17
\$200,000 - <500,000	32,560	128	0.39	3,353	2.5	26
\$500,000 - <1,000,000	6,151	13	0.21	818	0.6	63
\$1,000,000 and over	2,712	4	0.15	35	0.0	9
TOTAL	2,767,910	12,370	0.45%	\$133,571	100.0%	\$11

Source: WI Department of Revenue, Individual Income Tax Aggregate Statistics.

APPENDIX A MAJOR PROVISIONS OF 2005 WISCONSIN INDIVIDUAL INCOME TAX LAW

For a more detailed description of the Wisconsin individual income tax structure and history, see the Department of Revenue's report on [The Wisconsin Individual Income Tax](#) on our website.

Wisconsin Adjusted Gross Income

Wisconsin adjusted gross income (WAGI) is the base for the state individual income tax. It follows closely the base for the federal individual income tax, federal adjusted gross income (FAGI), but is modified by additions and subtractions. Additions account for income exempt from federal tax but subject to state tax and subtractions account for income taxed federally but not by Wisconsin and allow expenses permitted by Wisconsin but not by federal law.

FAGI is equal to gross income after adjustments. Gross income includes all types of income subject to tax, e.g., wages and salaries, net business and farm income (or loss), interest, dividends, rents, retirement income, alimony received, capital gains, unemployment compensation, and a portion of social security benefits.

Adjustments are subtractions from gross income to arrive at FAGI. Examples of adjustments include contributions to Individual Retirement Accounts and self-employed retirement plans, health insurance premiums paid by the self-employed, one-half of the self-employment tax for Social Security and Medicare, a portion of student loan interest, moving expenses, and alimony paid.

Modifications, both additions and subtractions, are then made to FAGI to determine WAGI. Additions to FAGI include income that is exempt from federal tax but is subject to state tax. Major examples include:

- State and municipal bond interest. There is some state and local interest that remains exempt from state taxation (e.g., interest on bonds issued by municipal housing, community development authorities, cultural and sports stadium districts, the Wisconsin Housing and Economic Development Authority, and the governments of Guam, Puerto Rico, and the Virgin Islands.)
- Capital losses in excess of \$500 (federal law allows a \$3,000 capital loss deduction but Wisconsin limits the loss to \$500).
- A certain portion of farm losses for those not actively engaged in farming when non-farm WAGI exceeds \$55,000 (\$27,500 if married filing separately).

Subtractions to FAGI are for income that is taxable for federal purposes but not for state purposes. Examples for tax year 2005 include:

- A 60% exclusion for capital gains on assets held for more than one year which Wisconsin allows but are taxed in full at the federal level.
- Interest on U.S. government bonds, which states are prohibited from taxing.

- Pensions received by persons who were members of or retired from Milwaukee city and county retirement plans, the state teachers' retirement plan, and the civil service retirement system prior to January 1, 1964.
- A portion of social security benefits that is taxable for federal purposes. Up to 85% of social security benefits are subject to federal tax, but Wisconsin limits the amount taxed to no more than 50% of those benefits.
- A portion of unemployment compensation, which is fully taxable for federal purposes but only taxed by Wisconsin when income exceeds \$18,000 for married couples and \$12,000 for most other filers.
- Railroad retirement benefits, railroad unemployment insurance, and sickness benefits, which are taxable under federal law but which states are not permitted to tax.
- State income tax refunds.
- 50% of health insurance premiums paid by employed persons whose employer does not contribute to their health insurance.
- Premiums paid for long-term care insurance.
- Tuition payments, up to \$4,244 per student, to post-secondary institutions in Wisconsin and to schools in Minnesota covered under Minnesota-Wisconsin tuition reciprocity.
- Contributions to and distributions from the Wisconsin EdVest College Savings Program that are included in FAGI.
- Adoption expenses of up to \$5,000.

Standard Deduction

Wisconsin has a sliding scale standard deduction, which means that as WAGI rises, the amount of the standard deduction phases out to zero. Table A1 shows the 2005 standard deduction schedule by filing status. The maximum standard deduction amounts and the phase-out ranges for WAGI are indexed annually for inflation.

**TABLE A1
STANDARD DEDUCTIONS FOR TAX YEAR 2005**

Filing Status	Wisconsin Adjusted Gross Income (WAGI) (\$)	Standard Deduction (\$)
Single	<11,769	8,170
	11,769 to 79,853	8,170 – 12% (WAGI – 11,770)
	> 79,853	0
Head of Household	<11,769	10,550
	11,769 to 34,404	10,550 – 22.515% (WAGI – 11,770)
	>34,404 to 79,853	8,170 – 12% (WAGI – 11,770)
	>79,853	0
Married Filing Jointly	<16,519	14,710
	16,519 to 90,895	14,710 – 19.778% (WAGI – 16,520)
	>90,895	0
Married Filing Separately	<7,849	6,990
	7,849 to 43,192	6,990 – 19.778% (WAGI – 7,850)
	>43,192	0

Source: WI Department of Revenue.

Personal Exemptions

Personal exemptions are subtracted from WAGI to arrive at taxable income. For tax year 2005, a personal exemption of \$700 is allowed for each taxpayer, spouse, and dependent. An additional \$250 exemption is allowed for each taxpayer or spouse who is 65 years of age or older. Thus, an elderly couple filing jointly has a total of \$1,900 in personal exemptions.

Taxable Income

Taxable income is determined by subtracting the standard deduction and personal exemptions from Wisconsin adjusted gross income.

Income Tax Rates and Brackets

Wisconsin has a graduated rate structure where tax rates increase as taxable income increases. Table A2 shows the 2005 tax rate schedule. The brackets for married taxpayers filing separately are approximately half of that for married joint filers. Tax brackets are indexed annually.

**TABLE A2
INDIVIDUAL INCOME TAX RATES FOR TAX YEAR 2005**

Marginal Tax Rates (%)	Taxable Income Brackets (\$)		
	Single	Married Filing Jointly	Married Filing Separately
4.60	>0 – 8,840	>0 – 11,780	>0 – 5,890
6.15	>8,840 – 17,680	>11,780 – 23,570	>5,890 – 11,780
6.50	>17,680 – 132,580	>23,570 – 176,770	>11,780 – 88,390
6.75	>132,580	>176,770	>88,390

Source: WI Department of Revenue.

Alternative Minimum Tax

The Wisconsin alternative minimum tax (AMT) is equal to 6.5% of alternative minimum taxable income after allowing exemptions of \$58,000 for individuals that are married filing jointly (\$29,000 if married filing separately and \$40,250 if single). This calculated AMT amount is then

compared with the liability under the regular income tax. An AMT is owed only if the calculated amount exceeds the regular tax.

Nonrefundable Credits

Nonrefundable credits are those credits that are limited to the amount of income tax otherwise due.

- The itemized deductions credit is 5% of the excess of qualified itemized deductions over the sliding scale standard deduction. Expenses qualifying for the credit include mortgage interest on a primary residence located in Wisconsin, charitable contributions, and medical expenses in excess of 7.5% of the taxpayer's AGI.
- The school property tax credit is equal to 12% of the first \$2,500 of property taxes or rent constituting property taxes paid on a person's primary residence and contiguous land (maximum credit of \$300.) For renters, the rent equivalent of property tax is 25% of rent if heat is not included and 20% of rent if heat is included.
- The armed forces member tax credit is a credit for full-year Wisconsin residents for up to \$200 for military pay received for service while stationed outside the U.S. If both spouses of a married couple filing jointly receive pay for military service outside the U.S., both may claim the \$200 credit.
- The working families' credit is equal to a taxpayer's net tax liability (defined as gross tax less the itemized deduction credit, school property tax credit, and historic rehabilitation credit) when income is \$18,000 or less for married couples filing jointly and \$9,000 or less for other tax filers. Essentially, this credit eliminates tax liability when income is below these levels. The credit is phased out over the next \$1,000 of income above these ceilings. The credit is available only to full-year residents and it is not available to persons who are claimed as a dependent on someone else's tax return.
- The married couple credit is available only when both spouses work. The credit is equal to 3% of the first \$16,000 of the earned income of the lower-earning spouse (or a maximum credit of \$480).
- The manufacturer's sales tax credit is for owners of non-corporate businesses (e.g., sole proprietorships, partnerships). They may claim a credit for the amount of sales taxes paid on fuel and electricity used in manufacturing tangible personal property in Wisconsin. The credit is repealed effective for tax years that begin after December 31, 2005 and is replaced with a sales tax exemption. The development zone credit is available to taxpayers that are certified by the Department of Commerce to participate in the Wisconsin Development Zone program. Unused amounts of the credit can be carried forward for up to 15 years.
- There are two historic rehabilitation credits provided to encourage the rehabilitation of historic buildings in Wisconsin:
 - A supplement to the federal historic rehabilitation credit equal to 5% of qualified rehabilitation expenditures for historic buildings used in a trade or business that

qualifies for the federal credit and is located in Wisconsin. Unused amounts of the credit can be carried forward 15 years.

- A state historic rehabilitation credit which applies to owner-occupied personal residences and is equal to 25% of qualified expenditures to rehabilitate certified historic buildings for noncommercial use that are located in Wisconsin. The maximum credit is \$10,000 (\$5,000 for married persons filing separately). Unused amounts of the credit can be carried forward for up to 15 years.
- The dairy investment credit is available for 10% of certain expenditures to modernize or expand a dairy or livestock farm. The maximum amount of the credit that can be claimed is \$50,000.
- The angel investment credit is available for qualified new business ventures certified by the Department of Commerce. The credit is equal to 12.5% of the investment and is limited to \$500,000 per investment per year, \$3 million total per year, and \$30 million for all taxable years.
- The early stage seed investment credit is available for 25% of qualified new business ventures certified by the Department of Commerce. The credit is limited to \$3.5 million per taxable year and \$35 million for all taxable years.

Credit for Taxes Paid to Other States

Wisconsin residents may reduce their Wisconsin income tax by the amount of income taxes paid to other states or to the District of Columbia. The credit is not allowed if wages are earned in states having reciprocity agreements with Wisconsin. The credit is nonrefundable.

Refundable Credits

Refundable credits are credits that can exceed tax liability otherwise due. When that happens, a refund check for the excess is issued to the claimant.

- The Wisconsin earned income tax credit (EITC) is equal to a percentage of the federal EITC, based on the number of children in the household: 4% for one child, 14% for two children, and 43% of the federal credit for 3 or more children. For tax year 2005, the maximum federal credit is 34% of earnings not exceeding \$7,830 for persons with one child and 40% of earnings not exceeding \$11,000 for persons with two or more children. These credits are phased out as income rises. The phase-out ranges for FAGI are as follows:
 - for one child, the phase-out range for joint filers is \$16,370 - \$33,030, for singles it is \$14,370 - \$31,030.
 - for 2 or more children the phase-out range for joint filers is \$16,370 - \$37,263, and for singles it is \$14,370 - \$35,263.

Thus, the maximum federal credit for tax year 2005 is \$2,662 for one child and \$4,400 for two or more children, and the maximum state credit is \$106 for one child, \$616 for two children, and \$1,892 for 3 or more children.

- The Homestead credit is based on household income and property taxes (or rent equivalent) and is available to low income homeowners and renters (those with household incomes below \$24,500). The maximum amount of property tax that qualifies for the credit is \$1,450. For renters, property tax is assumed to be 20% of rent if heat is included and 25% if heat is not included. The credit is computed as follows:
 - if household income is \$8,000 or less, the credit is 80% of property taxes up to \$1,450 (or a maximum credit of \$1,160);
 - if household income is more than \$8,000 but not more than \$24,500, the credit is equal to 80% of the amount by which the property tax exceeds 8.778% of household income in excess of \$8,000;
 - if household income exceeds \$24,500, no Homestead credit is allowed.
 - In computing household income, a claimant may deduct \$250 for each dependent living with the claimant.
- The farmland preservation credit is available to owners of farmland covered by an exclusive agricultural zoning or a farmland preservation agreement. The credit is based on the claimant's household income and property taxes on farmland. The maximum potential credit is \$4,200 for claimants with incomes below \$5,000, and the credit is reduced as income rises above \$5,000. However, the actual credit is 70%, 80% or 100% of the potential credit, depending on whether the claimant has a farmland preservation agreement or participates in the program through zoning and on the type of action the county and municipality have taken on the agricultural preservation plan or zoning ordinance. To qualify for the credit, the farmland must be at least 35 acres, and be part of a farm that produces gross profits of at least \$6,000 in the year the credit is claimed, or \$18,000 in total for the years the credit is claimed and the two prior years.
- The farmland tax relief credit in tax year 2005 was equal to 20% of an amount up to \$7,500 of property taxes on farmland, for a maximum credit of \$1,500. Each year the Wisconsin Department of Revenue sets the credit percentage so that expenditures on the credit for all claimants – individuals as well as corporations – total \$15 million, adjusted for expenditures in excess or less than the \$15 million in the prior fiscal year. To qualify for the credit, the farmland must be at least 35 acres, and be part of a farm that produces gross profits of at least \$6,000 in the year the credit is claimed, or \$18,000 in total for the years the credit is claimed and the two prior years.
- The veterans' and surviving spouses' property tax credit was new for tax year 2005. Eligible veterans and surviving spouses may claim this credit in the amount of property taxes paid during the year on the claimant's principal dwelling in Wisconsin. To be eligible for the credit, veterans must be at least 65 years of age and verified by the Wisconsin Department of Veterans Affairs as having served in the U.S. armed forces, having been a Wisconsin resident at the time of entry into service, currently being a Wisconsin resident for the purpose of veterans benefits, and having a service-connected disability rating of 100%. An eligible surviving spouse must be an un-remarried widow of an individual who was a Wisconsin resident at the time of entry into service, was a Wisconsin resident at the time of death, and died while on active duty or would be otherwise considered an eligible veteran at the time of death.

APPENDIX B CHANGES AFFECTING TAX YEAR 2005 RETURNS

The following significant changes affected tax year 2005 returns:

- The farmland tax relief credit was increased from tax year 2004 to 2005, from 15% of farmland property taxes up to \$10,000 (or a maximum credit of \$1,500) to 20% of farmland property taxes up to \$7,500 (or a maximum credit of \$1,500). The credit rate is set by the Department of Revenue each year so that expenditures on the credit for all claimants - individuals and corporate - is \$15 million, adjusted for expenditures in excess of or less than this amount in the prior fiscal year.
- The angel and early stage seed investment credits were created for a total cost to the state of \$0.8 million.
- The veterans' and surviving spouses' credit was created to counteract the property taxes paid by fully disabled veterans or their surviving spouses.
- The maximum subtraction for tuition paid was increased to \$4, 244 from \$3,000 per student.
- A new donation check-off was added for the veterans' trust fund. Approximately 12,000 tax filers donated \$132,000 to this fund.
- The following items were increased due to indexing for inflation:
 - The income levels for each tax bracket.
 - The maximum standard deduction amounts and the income phase-out ranges for the standard deduction.

See Tables B1 and B2 for the tax brackets and standard deductions for tax year 2004. (Tax year 2005 amounts are in Tables A1 and A2.)

**TABLE B1
STANDARD DEDUCTIONS FOR TAX YEAR 2004**

Filing Status	Wisconsin Adjusted Gross Income (WAGI) (\$)	Standard Deduction (\$)
Single	<11,470	7,950
	11,470 to 77,720	7,950 – 12% (WAGI – 11,470)
	> 77,720	0
Head of Household	<11,470	10,270
	11,470 to 33,535	10,270 – 22.515% (WAGI – 11,470)
	>33,535 to 77,720	7,950 – 12% (WAGI – 11,470)
	>77,720	0
Married Filing Jointly	<16,100	14,330
	16,100 to 88,554	14,330 – 19.778% (WAGI – 16,100)
	>88,554	0
Married Filing Separately	<7,640	6,810
	7,640 to 42,072	6,810 – 19.778% (WAGI – 7,640)
	>42,072	0

Source: WI Department of Revenue.

**TABLE B2
INDIVIDUAL INCOME TAX RATES FOR TAX YEAR 2004**

Marginal Tax Rates (%)	Taxable Income Brackets (\$)		
	Single	Married Filing Jointly	Married Filing Separately
4.60%	>0 – 8,610	>0 – 11,480	>0 – 5,740
6.15	>8,610 – 17,220	>11,480 – 22,960	>5,740 – 11,480
6.50	>17,220 – 129,150	>22,960 – 172,200	>11,480 – 86,100
6.75%	>129,150	>172,200	>86,100

Source: WI Department of Revenue.