

## INDIVIDUAL INCOME TAX STATISTICS REPORT FOR TAX YEAR 2006

This report summarizes data from individual income tax returns for tax year 2006 that were filed by October 15, 2007.

### COMPARISON WITH TAX YEAR 2005 (Table 1)

Taxpayers filed 2.76 million tax returns for tax year 2006, a decrease of 0.4% over the 2.77 million returns filed for 2005. In 2006, there were 1.1 million single filers, and 252,000 head-of-household filers. Married joint filers numbered 1.1 million while married separate filers numbered around 18,000. In addition, there were about 242,000 dependent filers (filers who were claimed as dependents on someone else's tax return).

Wisconsin adjusted gross income (WAGI) was \$129.2 billion in tax year 2006, a 6.2% increase over 2005. Total standard deductions equaled \$15.1 billion in tax year 2006, compared to \$14.4 billion for 2005, an increase of 5.0%. Personal exemptions were \$3.22 billion in 2006 compared to \$3.18 billion in 2005, a 1.2% increase. Total income tax liability (before the minimum tax) increased 5.4% to \$5.74 billion and the alternative minimum tax, paid by just under 9,000 filers, generated \$7.8 million in tax year 2006, a 74.0% increase over tax year 2005.<sup>1</sup> Of the 2.76 million tax returns filed for 2006, 2.03 million, or 74%, showed a net income tax liability. The average tax rate, equal to net tax divided by WAGI, was 4.45%.

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 development zone credit, the dairy investment credit, the historic rehabilitation credit, the angel investment credit, the early stage seed investment credit, and the technology zone credit. These credits increased 4.6% to \$1.02 billion in 2006. The three largest nonrefundable credits -- the school property tax credit (\$383.4 million), the married couple credit (\$271.3 million) and the itemized deduction credit (\$350.7 million) -- accounted for 98.3% 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 0.3% from \$219.8 million in 2005 to \$220.5 in 2006. The largest of these credits was the homestead credit at \$109.8 million, followed by the earned income tax credit at \$83.2 million. Separate reports on each of the refundable credits are available on the Department of Revenue website, [www.revenue.wi.gov](http://www.revenue.wi.gov).

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<sup>1</sup> The 2006 minimum tax exemption level were increased and should result in amended returns. These amended returns will reduce the number of filers who owed minimum tax.

**TABLE 1**  
**INDIVIDUAL INCOME TAX RETURNS AND SELECTED TAX ITEMS FOR TAX YEARS 2005 AND 2006**  
**(dollar amounts in millions)**

Tax Items	Tax Year 2005	Tax Year 2006	% Change
Count of Tax Returns	2,767,910	2,756,028	-0.4%
Single Filers	1,133,689	1,098,667	-3.1
Dependent Filers	241,399	241,733	0.1
Head of Household Filers	244,910	251,849	2.8
Married Joint Filers	1,131,006	1,146,080	1.3
Married Separate Filers	16,906	17,699	4.7
Wisconsin Adjusted Gross Income (WAGI)	\$121,711.8	\$129,212.4	6.2
Standard Deduction			
Number of Returns	2,291,466	2,323,859	1.4
Amount	\$14,413.0	\$15,134.5	5.0
Personal Exemptions			
Number of Returns	2,079,272	2,107,054	1.3
Amount	\$3,180.3	\$3,217.1	1.2
Taxable Income			
Number of Returns	2,132,037	2,147,774	0.7
Amount	\$104,762.1	\$111,665.2	6.6
Gross Income Tax (before credits)			
Number of Returns	2,126,604	2,145,813	0.9
Amount	\$6,424.3	\$6,857.3	6.7
Net Income Tax			
Number of Returns	2,006,770	2,027,173	1.0
Amount	\$5,446.4	\$5,738.9	5.4
Alternative Minimum Tax			
Number of Returns	5,135	8,933	74.0
Amount	\$6.2	\$7.8	26.7
Total Tax Liability (Net + Minimum Tax)			
Number of Returns	2,007,388	2,027,834	1.0
% of Total Returns Filed	72.5%	73.6%	
Amount	\$5,452.6	\$5,746.7	5.4
Average Tax Rate (as % of WAGI)	4.48%	4.45%	
Total Nonrefundable Credits (Used)	\$978.0	\$1,023.0	4.6
Itemized Deductions Credit			
Number of Returns	754,265	776,974	3.0
Amount	\$304.5	\$350.7	15.2
Armed Forces Member Credit			
Number of Returns	5,353	5,325	-0.5
Amount	\$0.9	\$1.3	43.3
School Property Tax/Rent Credit			
Number of Returns	1,681,020	1,711,295	1.8
Amount	\$373.1	\$383.4	2.8
Working Families' Credit			
Number of Returns	11,330	6,742	-40.5
Amount	\$0.3	\$0.2	-44.5
Married Couple Credit			
Number of Returns	700,180	702,079	0.3
Amount	\$268.5	\$271.3	1.0
Manufacturer's Sales Tax Credit			
Number of Returns	4,277	984	-77.0
Amount	\$13.3	\$1.3	-90.5%

**TABLE 1 (continued)**  
**INDIVIDUAL INCOME TAX RETURNS AND SELECTED TAX ITEMS FOR TAX YEARS 2005 AND 2006**  
**(dollars amounts in millions)**

Tax Items	Tax Year 2005	Tax Year 2006	% Change
Historic Rehabilitation Credit			
Number of Returns	350	430	22.9%
Amount	\$1.4	\$1.5	6.7
Development Zone Credit			
Number of Returns	446	267	-40.1
Amount	\$3.3	\$1.8	-43.6
Dairy Investment Credit			
Number of Returns	6,463	6,080	-5.9
Amount	\$11.8	\$8.1	-31.3
Angel Investment Credit			
Number of Returns	214	236	10.3
Amount	\$0.8	\$1.4	81.0
Seed Investment Credit			
Number of Returns	123	154	25.2
Amount	\$0.1	\$0.5	238.4
Technology Zone Credit			
Number of Returns	-	217	-
Amount	-	\$1.4	-
Total Refundable Credits	\$219.8	\$220.5	0.3
Earned Income Tax Credit			
Number of Returns	223,518	227,497	1.8
Amount	\$78.8	\$83.2	5.5
Homestead Credit			
Number of Returns	226,465	216,649	-4.3
Amount	\$114.6	\$109.7	-4.2
Farmland Preservation Credit			
Number of Returns	18,357	17,681	-3.7
Amount	\$12.8	\$11.8	-7.4
Farmland Tax Relief Credit			
Number of Returns	51,609	50,893	-1.4
Amount	\$12.8	\$14.6	14.2
Veterans' Property Tax Credit			
Number of Returns	301	382	26.9
Amount	\$0.9	\$1.1	31.5
Other			
Use Tax			
Number of Returns	24,968	29,262	17.2
Amount	\$1.4	\$1.6	10.4
Endangered Resources Donation			
Number of Returns	29,491	24,967	-15.3
Amount	\$0.5	\$0.4	-13.0
Packers Football Stadium Donation			
Number of Returns	8,591	7,486	-12.9
Amount	\$0.1	\$0.1	-5.8
Breast Cancer Research Donation			
Number of Returns	22,364	18,870	-15.6
Amount	\$0.3	\$0.2	-15.1
Veterans' Trust Fund Donation			
Number of Returns	12,370	9,518	-23.1
Amount	\$0.1	\$0.1	-20.5%

**TABLE 1 (continued)**  
**INDIVIDUAL INCOME TAX RETURNS AND SELECTED TAX ITEMS FOR TAX YEARS 2005 AND 2006**  
**(dollars amounts in millions)**

Tax Items	Tax Year 2005	Tax Year 2006	% Change
Multiple Sclerosis Donation			
Number of Returns	-	8,251	-
Amount	-	\$0.1	-
Firefighters Memorial Donation			
Number of Returns	-	6,017	-
Amount	-	\$0.05	-
Prostate Cancer Research Donation			
Number of Returns	-	9,868	-
Amount	-	\$0.1	-

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 2006 DISTRIBUTED BY INCOME CLASS

Tables 2A, 2B, 2C, 2D and Chart 1 show the distribution by income class – as measured by WAGI – of the number of tax filers, WAGI, net income tax, and alternative minimum tax liability for tax year 2006. The tables show the following:

- About 50% of tax filers had WAGI less than \$30,000, but they accounted for only 13% of total WAGI, and 5% of net tax.
- At the other end of the income scale, the 0.4% of tax filers with WAGI in excess of \$500,000 received 10% of total WAGI and paid 13% of net tax. Tax filers with WAGI between \$100,000 and \$500,000 accounted for 8% of all filers, 27% of total WAGI and 33% of net tax.
- The \$30,000 – \$50,000 income class accounted for roughly 18% of filers, 15% of total WAGI, and 13% of net tax.
- Those in the \$50,000 – \$100,000 income class were 23% of all filers, 35% of total WAGI and 36% of net tax.

It is important to note that the distribution of tax filers by WAGI, as shown in Table 2A and Chart 1, does not accurately reflect the distribution of households by total 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, 60% of long term capital gains are 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.

Tables 2B, 2C, and 2D show average tax rates by WAGI class. Table 2B includes net regular tax, while table 2C includes net minimum tax, and table 2D includes total net tax. The regular tax is calculated by applying the statutory tax rates and brackets to taxable income and subtracting used credits. The Wisconsin alternative minimum tax (AMT) is equal to 6.5% of alternative minimum taxable income after allowing exemptions of \$45,000 for individuals that are married filing jointly (\$22,500 if married filing separately and \$33,750 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.<sup>2</sup>

Table 2D shows average tax rates by WAGI class. These rates, calculated by dividing net tax liability by the amount of WAGI, average 4.45% for all income classes, but rise from less than 1% for incomes below \$15,000 to 5.8% 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.

<sup>2</sup> The 2006 minimum tax exemption level were increased and should result in amended returns. These amended returns will reduce the number of filers who owed minimum tax.

**TABLE 2A  
DISTRIBUTION OF TAX FILERS AND WAGI AND TAX BY WAGI CLASS, TAX YEAR 2006**

WAGI Class	Tax filers		Wisconsin Adjusted Gross Income (WAGI)		
	Count	%	Amount (\$)	%	Average (\$)
Less than \$0	24,367	0.9%	\$(804,464,622)	-0.6%	\$(33,015)
\$0 - <5,000	357,751	13.0	701,969,629	0.5	1,962
\$5,000 - <10,000	255,043	9.3	1,890,072,285	1.5	7,411
\$10,000 - <15,000	209,484	7.6	2,605,073,286	2.0	12,436
\$15,000 - <20,000	191,670	7.0	3,349,232,845	2.6	17,474
\$20,000 - <25,000	179,970	6.5	4,043,729,469	3.1	22,469
\$25,000 - <30,000	165,394	6.0	4,542,577,161	3.5	27,465
\$30,000 - <40,000	277,189	10.1	9,642,801,778	7.5	34,788
\$40,000 - <50,000	221,236	8.0	9,919,026,089	7.7	44,835
\$50,000 - <70,000	340,852	12.4	20,271,316,161	15.7	59,472
\$70,000 - <100,000	294,406	10.7	24,420,281,452	18.9	82,948
\$100,000 - <200,000	191,938	7.0	24,735,946,401	19.1	128,875
\$200,000 - <500,000	36,694	1.3	10,589,729,045	8.2	288,596
\$500,000 - <1,000,000	6,836	0.2	4,639,287,738	3.6	678,655
\$1,000,000 and over	3,198	0.1	8,665,811,634	6.7	2,709,760
<b>TOTAL</b>	<b>2,756,028</b>	<b>100.0%</b>	<b>\$129,212,390,351</b>	<b>100.0%</b>	<b>\$46,884</b>

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

**TABLE 2B  
DISTRIBUTION OF TAX FILERS AND NET TAX BY WAGI CLASS, TAX YEAR 2006**

WAGI Class	Tax filers		Net Income Tax*			Net Income Tax Rate**
	Count	%	Amount (\$)	%	Average (\$)	
Less than \$0	19	0.0%	\$(88,115)	0.0%	\$(4,638)	0.0%
\$0 - <5,000	34,446	1.7	2,312,962	0.0	67	0.3
\$5,000 - <10,000	42,187	2.1	4,880,731	0.1	116	0.3
\$10,000 - <15,000	113,686	5.6	18,376,698	0.3	162	0.7
\$15,000 - <20,000	146,907	7.2	46,235,956	0.8	315	1.4
\$20,000 - <25,000	162,269	8.0	87,949,421	1.5	542	2.2
\$25,000 - <30,000	160,810	7.9	128,666,371	2.2	800	2.8
\$30,000 - <40,000	274,598	13.5	337,256,312	5.9	1,228	3.5
\$40,000 - <50,000	220,087	10.9	391,422,141	6.8	1,778	3.9
\$50,000 - <70,000	339,843	16.8	876,924,132	15.3	2,580	4.3
\$70,000 - <100,000	293,990	14.5	1,167,417,643	20.3	3,971	4.8
\$100,000 - <200,000	191,711	9.5	1,297,586,910	22.6	6,768	5.2
\$200,000 - <500,000	36,623	1.8	616,522,227	10.7	16,834	5.8
\$500,000 - <1,000,000	6,809	0.3	281,412,944	4.9	41,330	6.1
\$1,000,000 and over	3,188	0.2	482,033,815	8.4	151,203	5.6
<b>TOTAL</b>	<b>2,027,173</b>	<b>100.0%</b>	<b>\$5,738,910,148</b>	<b>100.0%</b>	<b>\$2,831</b>	<b>4.4%</b>

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, TAX YEAR 2006**

WAGI Class	Tax filers		Minimum Tax		
	Count	%	Amount (\$)	%	Average (\$)
Less than \$0	60	0.7%	\$245,288	3.1%	\$4,088
\$0 - <5,000	1,650	18.5	561,921	7.2	341
\$5,000 - <10,000	468	5.2	125,618	1.6	268
\$10,000 - <15,000	306	3.4	81,238	1.0	265
\$15,000 - <20,000	202	2.3	87,885	1.1	435
\$20,000 - <25,000	183	2.0	91,802	1.2	502
\$25,000 - <30,000	160	1.8	109,685	1.4	686
\$30,000 - <40,000	276	3.1	213,449	2.7	773
\$40,000 - <50,000	210	2.4	91,204	1.2	434
\$50,000 - <70,000	304	3.4	212,235	2.7	698
\$70,000 - <100,000	325	3.6	440,769	5.6	1,356
\$100,000 - <200,000	501	5.6	969,731	12.4	1,936
\$200,000 - <500,000	3,804	42.6	2,631,658	33.7	692
\$500,000 - <1,000,000	346	3.9	911,961	11.7	2,636
\$1,000,000 and over	138	1.5	1,042,689	13.3	7,556
<b>TOTAL</b>	<b>8,933</b>	<b>100.0%</b>	<b>\$7,817,133</b>	<b>100.0%</b>	<b>\$875</b>

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

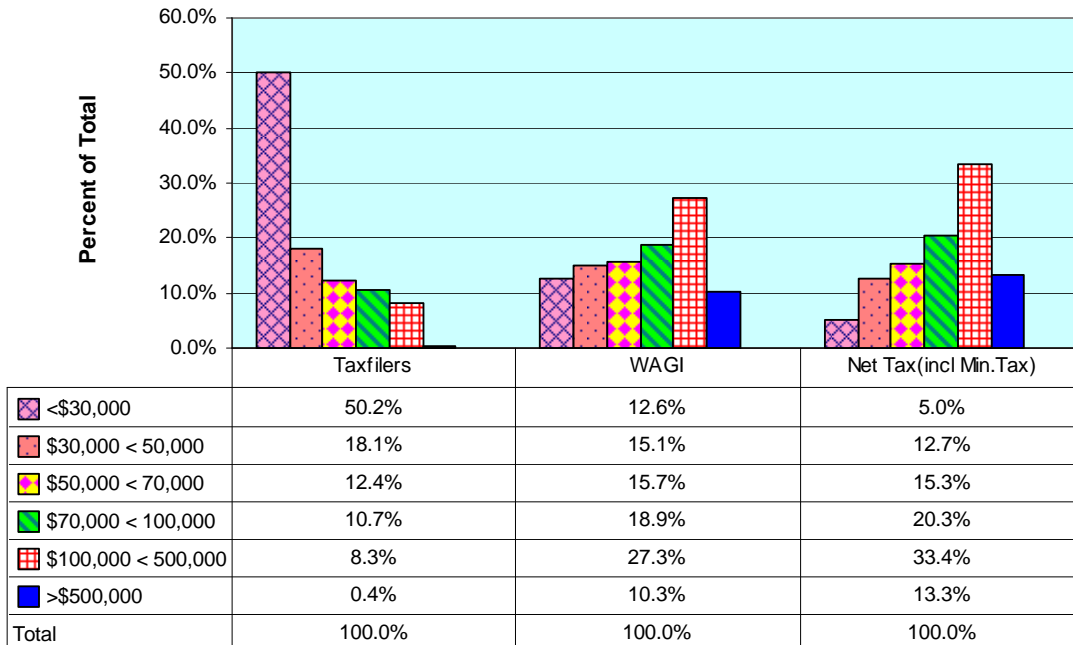
**TABLE 2D  
DISTRIBUTION OF TAX FILERS AND TOTAL NET TAX LIABILITY BY WAGI CLASS, TAX YEAR 2006**

WAGI Class	Tax filers		Total Net Tax Liability (Net + Minimum Tax)			Average Tax Rate (%)**
	Count	%	Amount (\$)	%	Average (\$)	
Less than \$0	55	0.0%	\$157,173	0.0%	\$2,858	0.0%
\$0 - <5,000	34,853	1.7	2,874,883	0.1	82	0.4
\$5,000 - <10,000	42,294	2.1	5,006,349	0.1	118	0.3
\$10,000 - <15,000	113,744	5.6	18,457,936	0.3	162	0.7
\$15,000 - <20,000	146,943	7.2	46,323,841	0.8	315	1.4
\$20,000 - <25,000	162,272	8.0	88,041,223	1.5	543	2.2
\$25,000 - <30,000	160,807	7.9	128,776,056	2.2	801	2.8
\$30,000 - <40,000	274,599	13.5	337,469,761	5.9	1,229	3.5
\$40,000 - <50,000	220,091	10.9	391,513,345	6.8	1,779	3.9
\$50,000 - <70,000	339,853	16.8	877,136,367	15.3	2,581	4.3
\$70,000 - <100,000	293,993	14.5	1,167,858,412	20.3	3,972	4.8
\$100,000 - <200,000	191,714	9.5	1,298,556,641	22.6	6,773	5.2
\$200,000 - <500,000	36,621	1.8	619,153,885	10.8	16,907	5.8
\$500,000 - <1,000,000	6,808	0.3	282,324,905	4.9	41,470	6.1
\$1,000,000 and over	3,187	0.2	483,076,504	8.4	151,577	5.6
<b>TOTAL</b>	<b>2,027,834</b>	<b>100.0%</b>	<b>\$5,746,727,281</b>	<b>100.0%</b>	<b>\$2,834</b>	<b>4.4%</b>

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 2006**



### DISTRIBUTION BY FILING STATUS

Table 3 and Chart 2 show that married couples, whether filing separately or jointly, accounted for 42% of all filers in tax year 2006. They were responsible for 70% of total WAGI and 74% of total net tax liability. In contrast, single tax filers, though accounting for about the same share of filers as married couples, -- 40% -- were responsible for 23% of WAGI and 21% 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 were 9% of filers and had 6% of total WAGI and 5% of tax.

**TABLE 3  
DISTRIBUTION OF TAX FILERS, WAGI AND NET TAX LIABILITY BY FILING STATUS, TAX YEAR 2006**

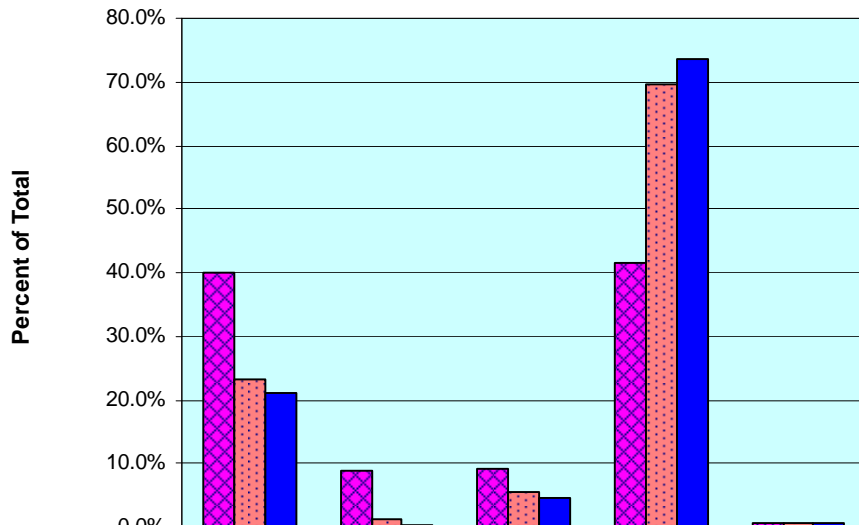
Filing Status	Tax filers		Wisconsin Adjusted Gross Income (WAGI)			Total Net Tax Liability*		Average Tax Rate** (%)
	Count	%	Total (\$ million)	%	Average (\$)	Total (\$ million)	%	
Single	1,098,667	39.9%	\$29,928.6	23.2%	\$27,241	\$1,213.4	21.1%	4.1%
Dependent	241,733	8.8	1,455.0	1.1	6,019	16.4	0.3	1.1
Head of Household	251,849	9.1	7,213.3	5.6	28,642	259.6	4.5	3.6
Married Filing Jointly	1,146,080	41.6	90,018.9	69.7	78,545	4,226.3	73.5	4.7
Married Filing Separately	17,699	0.6	596.5	0.5	33,702	31.0	0.5	5.2
<b>TOTAL</b>	<b>2,756,028</b>	<b>100.0%</b>	<b>\$129,212.4</b>	<b>100.0%</b>	<b>\$46,884</b>	<b>\$5,746.7</b>	<b>100.0%</b>	<b>4.4%</b>

\* 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 TAX FILERS, WAGI AND NET TAX LIABILITY BY FILING STATUS, TAX YEAR 2006**



	Single	Dependent Filers	Head of Household	Married Filing Jointly	Married Filing Separately	Total
TAXFILERS	39.9%	8.8%	9.1%	41.6%	0.6%	100.0%
WAGI	23.2%	1.1%	5.6%	69.7%	0.5%	100.0%
TOTAL NET TAX LIABILITY*	21.1%	0.3%	4.5%	73.5%	0.5%	100.0%

## **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 2.76 million tax filers, about 795,000 (29%) claim the credit, but 777,000 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 \$350.7 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 2006**

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	24,367	4,806	\$6,399,387	0	0.0%	\$0	0.0%	-	0.0%
\$0 - <5,000	357,751	16,120	15,123,943	7,914	2.2	121,300	0.0	\$15	0.8
\$5,000 - <10,000	255,043	8,550	2,598,480	5,241	2.1	216,831	0.1	41	8.3
\$10,000 - <15,000	209,484	9,016	3,426,834	7,584	3.6	694,414	0.2	92	20.3
\$15,000 - <20,000	191,670	9,280	3,635,865	8,578	4.5	1,308,694	0.4	153	36.0
\$20,000 - <25,000	179,970	10,528	3,400,563	10,527	5.8	2,078,920	0.6	197	61.1
\$25,000 - <30,000	165,394	13,257	4,053,750	13,257	8.0	2,938,391	0.8	222	72.5
\$30,000 - <40,000	277,189	40,030	10,790,743	40,030	14.4	8,874,254	2.5	222	82.2
\$40,000 - <50,000	221,236	57,055	13,694,893	57,055	25.8	13,079,976	3.7	229	95.5
\$50,000 - <70,000	340,852	154,637	40,582,978	154,637	45.4	40,190,376	11.5	260	99.0
\$70,000 - <100,000	294,406	239,887	91,056,200	239,887	81.5	90,892,427	25.9	379	99.8
\$100,000 - <200,000	191,938	186,223	108,255,716	186,223	97.0	108,072,994	30.8	580	99.8
\$200,000 - <500,000	36,694	36,144	37,288,912	36,144	98.5	37,222,673	10.6	1,030	99.8
\$500,000 - <1,000,000	6,836	6,738	12,590,883	6,738	98.6	12,542,286	3.6	1,861	99.6
\$1,000,000 and over	3,198	3,159	32,696,282	3,159	98.8	32,503,666	9.3	10,289	99.4
<b>TOTAL</b>	<b>2,756,028</b>	<b>795,430</b>	<b>\$385,595,429</b>	<b>776,974</b>	<b>28.2%</b>	<b>\$350,737,202</b>	<b>100.0%</b>	<b>\$451</b>	<b>91.0%</b>

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

### **School Property Tax Credit**

The school property tax credit for tax year 2006 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 2.76 million tax filers, 1.93 million (or 70%) claimed a total of \$431 million in credits: \$339 million in property tax credits and \$92 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, 1.71 million filers were able to use the credit, and the total amount of used credit was \$383 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 \$383 million in total used property tax/rent credit, 44% 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 \$100,000 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 2006**

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	24,367	11,150	\$2,285,546	\$205	2,248	\$316,656	\$141	13,205	\$2,602,202
\$0 - <5,000	357,751	31,133	6,246,684	201	43,794	4,717,104	108	73,127	10,963,788
\$5,000 - <10,000	255,043	38,974	8,152,867	209	62,583	7,006,821	112	99,416	15,159,688
\$10,000 - <15,000	209,484	51,348	11,118,292	217	74,839	9,232,120	123	123,379	20,350,412
\$15,000 - <20,000	191,670	56,060	12,252,585	219	74,780	9,966,643	133	127,677	22,219,228
\$20,000 - <25,000	179,970	59,335	12,913,797	218	73,619	10,356,949	141	129,311	23,270,746
\$25,000 - <30,000	165,394	63,942	14,022,913	219	65,659	9,794,524	149	125,561	23,817,437
\$30,000 - <40,000	277,189	137,776	31,448,616	228	96,353	15,406,007	160	226,355	46,854,623
\$40,000 - <50,000	221,236	142,858	34,395,470	241	56,655	9,861,559	174	192,776	44,257,029
\$50,000 - <70,000	340,852	269,072	69,194,258	257	53,061	9,903,411	187	312,949	79,097,669
\$70,000 - <100,000	294,406	262,606	72,496,860	276	21,739	4,231,839	195	278,496	76,728,699
\$100,000 - <200,000	191,938	178,951	51,764,503	289	7,120	1,416,110	199	183,504	53,180,613
\$200,000 - <500,000	36,694	33,549	9,856,552	294	812	169,005	208	34,097	10,025,557
\$500,000 - <1,000,000	6,836	6,177	1,824,603	295	134	28,272	211	6,274	1,852,875
\$1,000,000 and over	3,198	2,803	828,242	295	43	9,887	230	2,837	838,129
<b>TOTAL</b>	<b>2,756,028</b>	<b>1,345,734</b>	<b>\$338,801,788</b>	<b>\$252</b>	<b>633,439</b>	<b>\$92,416,907</b>	<b>\$146</b>	<b>1,928,964</b>	<b>\$431,218,695</b>

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 2006**

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	3,162	0.9	50,742	0.0	\$16	0.5
\$5,000 - <10,000	16,982	6.7	427,689	0.1	25	2.8
\$10,000 - <15,000	88,084	42.0	8,617,576	2.2	98	42.3
\$15,000 - <20,000	113,331	59.1	15,943,494	4.2	141	71.8
\$20,000 - <25,000	128,263	71.3	22,194,704	5.8	173	95.4
\$25,000 - <30,000	125,008	75.6	23,595,040	6.2	189	99.1
\$30,000 - <40,000	225,913	81.5	46,700,193	12.2	207	99.7
\$40,000 - <50,000	192,595	87.1	44,198,811	11.5	229	99.9
\$50,000 - <70,000	312,828	91.8	79,058,249	20.6	253	100.0
\$70,000 - <100,000	278,453	94.6	76,716,233	20.0	276	100.0
\$100,000 - <200,000	183,476	95.6	53,172,113	13.9	290	100.0
\$200,000 - <500,000	34,093	92.9	10,024,357	2.6	294	100.0
\$500,000 - <1,000,000	6,271	91.7	1,851,975	0.5	295	100.0
\$1,000,000 and over	2,836	88.7	837,829	0.2	295	100.0
<b>TOTAL</b>	<b>1,711,295</b>	<b>62.1%</b>	<b>\$383,389,005</b>	<b>100.0%</b>	<b>\$224</b>	<b>88.9%</b>

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 2006, 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 61% of all married joint filers used the credit in 2006, as Table 6 shows. About 702,000 married couples were able to use a total of \$271 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 86% 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 2006**

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	11,226	1,304	\$320,841	15	0.1%	\$6,013	0.0%	\$401	1.9%
\$0 - <5,000	36,611	2,004	198,859	288	0.8	15,630	0.0	54	7.9
\$5,000 - <10,000	26,276	4,071	345,570	479	1.8	34,185	0.0	71	9.9
\$10,000 - <15,000	34,911	6,833	742,630	716	2.1	72,580	0.0	101	9.8
\$15,000 - <20,000	42,303	9,642	1,285,478	1,989	4.7	178,078	0.1	90	13.9
\$20,000 - <25,000	42,609	12,658	2,044,054	10,057	23.6	1,117,692	0.4	111	54.7
\$25,000 - <30,000	42,991	16,258	3,202,156	15,968	37.1	2,909,844	1.1	182	90.9
\$30,000 - <40,000	90,539	44,342	11,331,942	44,196	48.8	11,253,041	4.1	255	99.3
\$40,000 - <50,000	105,477	65,415	21,282,780	65,378	62.0	21,267,041	7.8	325	99.9
\$50,000 - <70,000	238,317	178,245	69,382,875	178,228	74.8	69,370,820	25.6	389	100.0
\$70,000 - <100,000	256,883	214,600	92,222,130	214,585	83.5	92,216,188	34.0	430	100.0
\$100,000 - <200,000	176,143	145,020	63,178,846	145,015	82.3	63,176,215	23.3	436	100.0
\$200,000 - <500,000	32,886	20,929	8,166,086	20,928	63.6	8,166,049	3.0	390	100.0
\$500,000 - <1,000,000	6,085	3,051	1,099,617	3,050	50.1	1,099,154	0.4	360	100.0
\$1,000,000 and over	2,823	1,187	426,776	1,187	42.0	426,776	0.2	360	100.0
<b>TOTAL</b>	<b>1,146,080</b>	<b>725,559</b>	<b>\$275,230,640</b>	<b>702,079</b>	<b>61.3%</b>	<b>\$271,309,306</b>	<b>100.0%</b>	<b>\$386</b>	<b>98.6%</b>

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 2006, while 11,000 filers claimed the credit, only 6,700 filers benefited from it, at a total cost to the state of approximately \$167,000 (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 2006, the maximum standard deduction for singles was \$8,460 phasing down to zero at \$82,700 of income. For married joint filers the maximum standard deduction was \$15,240, phasing down to zero at \$94,175 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 \$8,460 plus a personal exemption of \$700 in 2006, reducing taxable income to \$0. A married couple with \$18,000 of income had their standard deduction increased from \$7,268 in 1998 to \$15,017 in 2006, and received exemptions of \$1,400 in 2006 for a total reduction of \$16,417. 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 2006 usage of the working families' credit declined further to 6,700 filers and \$0.17 million.

**TABLE 7  
DISTRIBUTION OF WORKING FAMILIES' CREDIT BY WAGI CLASS FOR TAX YEAR 2006**

WAGI Class	Tax filers	Working Families Credit							% Used amounts to claimed amounts
	Count	Total Claimed		Used Credit					
		Count	Amount (\$)	Count	As % of filers in income class	Amount (\$)	%	Average (\$)	
Less than \$0	24,367	-	-	-	0.0%	-	0.0%	-	-
\$0 - <5,000	357,751	47	\$4,358	42	0.0	\$3,977	2.4	\$95	91.3%
\$5,000 - <10,000	255,043	4,993	48,862	4,898	1.9	45,426	27.4	9	93.0
\$10,000 - <15,000	209,484	94	35,075	85	0.0	31,772	19.2	374	90.6
\$15,000 - <20,000	191,670	5,974	205,423	1,717	0.9	84,597	51.0	49	41.2
\$20,000 - <25,000	179,970	-	-	-	0.0	-	0.0	-	-
\$25,000 - <30,000	165,394	-	-	-	0.0	-	0.0	-	-
\$30,000 - <40,000	277,189	-	-	-	0.0	-	0.0	-	-
\$40,000 - <50,000	221,236	-	-	-	0.0	-	0.0	-	-
\$50,000 - <70,000	340,852	-	-	-	0.0	-	0.0	-	-
\$70,000 - <100,000	294,406	-	-	-	0.0	-	0.0	-	-
\$100,000 - <200,000	191,938	-	-	-	0.0	-	0.0	-	-
\$200,000 - <500,000	36,694	-	-	-	0.0	-	0.0	-	-
\$500,000 - <1,000,000	6,836	-	-	-	0.0	-	0.0	-	-
\$1,000,000 and over	3,198	-	-	-	0.0	-	0.0	-	-
<b>TOTAL</b>	<b>2,756,028</b>	<b>11,108</b>	<b>\$293,718</b>	<b>6,742</b>	<b>0.2%</b>	<b>\$165,772</b>	<b>100.0%</b>	<b>\$25</b>	<b>56.4%</b>

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

## Other Nonrefundable Credits

Tables 8A – 8H provide information on the remaining nonrefundable credits.

The armed forces member tax credit (see Table 8A) provides up to \$300 for military pay received for service while stationed outside the United States. It benefited 5,325 filers at a cost of \$1.3 million. About 75% 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 2006**

WAGI Class	Tax filers		Used Armed Forces Member Tax Credit			
	Count	Count	As % of filers in income class	Amount (\$)	%	Average Credit (\$)
Less than \$0	24,367	-	0.00%	-	0.00%	-
\$0 - <5,000	357,751	9	0.00	\$514	0.04	\$57
\$5,000 - <10,000	255,043	124	0.05	4,440	0.33	36
\$10,000 - <15,000	209,484	673	0.32	106,202	7.95	158
\$15,000 - <20,000	191,670	1,004	0.52	258,197	19.33	257
\$20,000 - <25,000	179,970	885	0.49	244,197	18.29	276
\$25,000 - <30,000	165,394	582	0.35	172,013	12.88	296
\$30,000 - <40,000	277,189	754	0.27	221,660	16.60	294
\$40,000 - <50,000	221,236	376	0.17	105,734	7.92	281
\$50,000 - <70,000	340,852	449	0.13	119,346	8.94	266
\$70,000 - <100,000	294,406	304	0.10	68,550	5.13	225
\$100,000 - <200,000	191,938	154	0.08	34,081	2.55	221
\$200,000 - <500,000	36,694	11	0.03	521	0.04	47
\$500,000 - <1,000,000	6,836	-	0.00	-	0.00	-
\$1,000,000 and over	3,198	-	0.00	-	0.00	-
<b>TOTAL</b>	<b>2,756,028</b>	<b>5,325</b>	<b>0.19%</b>	<b>\$1,335,455</b>	<b>100.0%</b>	<b>\$251</b>

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

The manufacturer's sales tax credit (see Table 8B) benefited 984 filers who were able to reduce their tax liability by \$1.3 million for an average credit of \$1,281. About 92% of the credit went to filers with incomes of \$100,000 and over and about 28% went to filers with over \$1 million of income. The credit was repealed effective for tax years that begin after December 31, 2005 and was replaced with a sales tax exemption, but carryforward credit claims were still allowed.

**TABLE 8B  
DISTRIBUTION OF MANUFACTURER'S SALES TAX CREDIT BY WAGI CLASS FOR TAX YEAR 2006**

WAGI Class	Tax filers	Used Manufacturer's Sales Tax Credit				
	Count	Count	As % of filers in income class	Amount (\$)	%	Average Credit (\$)
Less than \$0	24,367	-	0.00%	-	0.00%	-
\$0 - <5,000	357,751	18	0.01	\$966	0.08	\$54
\$5,000 - <10,000	255,043	23	0.01	2,034	0.16	88
\$10,000 - <15,000	209,484	16	0.01	2,509	0.20	157
\$15,000 - <20,000	191,670	19	0.01	2,273	0.18	120
\$20,000 - <25,000	179,970	25	0.01	2,505	0.20	100
\$25,000 - <30,000	165,394	11	0.01	1,073	0.09	98
\$30,000 - <40,000	277,189	39	0.01	16,557	1.31	425
\$40,000 - <50,000	221,236	25	0.01	12,653	1.00	506
\$50,000 - <70,000	340,852	69	0.02	15,179	1.20	220
\$70,000 - <100,000	294,406	78	0.03	43,527	3.45	558
\$100,000 - <200,000	191,938	193	0.10	124,510	9.88	645
\$200,000 - <500,000	36,694	212	0.58	259,231	20.57	1,223
\$500,000 - <1,000,000	6,836	130	1.90	422,226	33.50	3,248
\$1,000,000 and over	3,198	126	3.94	355,096	28.17	2,818
<b>TOTAL</b>	<b>2,756,028</b>	<b>984</b>	<b>0.04%</b>	<b>\$1,260,339</b>	<b>100.00%</b>	<b>\$1,281</b>

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

The historic credit (see Table 8C) was used by 430 tax filers for \$1.5 million for an average credit of \$3,480. Filers with income of \$70,000 or more accounted for 92% 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 2006**

WAGI Class	Tax filers	Used Historic Credit				
	Count	Count	As % of filers in income class	Amount (\$)	%	Average Credit (\$)
Less than \$0	24,367	-	0.00%	-	0.00%	-
\$0 - <5,000	357,751	1	0.00	\$ 10	0.00	\$10
\$5,000 - <10,000	255,043	1	0.00	5	0.00	5
\$10,000 - <15,000	209,484	2	0.00	127	0.01	64
\$15,000 - <20,000	191,670	5	0.00	61	0.00	12
\$20,000 - <25,000	179,970	8	0.00	1,670	0.11	209
\$25,000 - <30,000	165,394	8	0.00	4,459	0.30	557
\$30,000 - <40,000	277,189	16	0.01	9,541	0.64	596
\$40,000 - <50,000	221,236	22	0.01	24,169	1.62	1,099
\$50,000 - <70,000	340,852	48	0.01	74,435	4.97	1,551
\$70,000 - <100,000	294,406	80	0.03	192,646	12.87	2,408
\$100,000 - <200,000	191,938	147	0.08	518,588	34.66	3,528
\$200,000 - <500,000	36,694	67	0.18	411,470	27.50	6,141
\$500,000 - <1,000,000	6,836	19	0.28	146,754	9.81	7,724
\$1,000,000 and over	3,198	6	0.19	112,366	7.51	18,728
<b>TOTAL</b>	<b>2,756,028</b>	<b>430</b>	<b>0.02%</b>	<b>\$1,496,301</b>	<b>100.0%</b>	<b>\$ 3,480</b>

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

The development zone credits (see Table 8D) benefited 267 tax filers at a cost of \$1.8 million for an average credit of \$6,871. About 94% of this credit went to filers with income of \$200,000 or more, and 66% 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 2006**

WAGI Class	Tax filers		Used Development Zone Credit			
	Count	Count	As % of filers in income class	Amount (\$)	%	Average Credit (\$)
Less than \$0	24,367	1	0.00%	\$903	0.05%	\$903
\$0 - <5,000	357,751	3	0.00	70	0.00	23
\$5,000 - <10,000	255,043	3	0.00	111	0.01	37
\$10,000 - <15,000	209,484	6	0.00	2,165	0.12	361
\$15,000 - <20,000	191,670	-	0.00	-	0.00	-
\$20,000 - <25,000	179,970	3	0.00	1,613	0.09	538
\$25,000 - <30,000	165,394	1	0.00	75	0.00	75
\$30,000 - <40,000	277,189	10	0.00	5,146	0.28	515
\$40,000 - <50,000	221,236	3	0.00	341	0.02	114
\$50,000 - <70,000	340,852	24	0.01	13,067	0.71	544
\$70,000 - <100,000	294,406	27	0.01	15,344	0.84	568
\$100,000 - <200,000	191,938	65	0.03	72,471	3.95	1,115
\$200,000 - <500,000	36,694	48	0.13	192,773	10.51	4,016
\$500,000 - <1,000,000	6,836	39	0.57	323,970	17.66	8,307
\$1,000,000 and over	3,198	34	1.06	1,206,464	65.76	35,484
TOTAL	2,756,028	267	0.01%	\$1,834,513	100.00%	\$6,871

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

The dairy investment credit (see Table 8E) was used by 6,080 tax filers at a cost of \$8.1 million. The average credit was \$1,331. Filers with incomes of \$50,000 or more accounted for 70% of the credit amount.

**TABLE 8E  
DISTRIBUTION OF DAIRY INVESTMENT CREDIT BY WAGI CLASS FOR TAX YEAR 2006**

WAGI Class	Tax filers		Used Dairy Investment Credit			
	Count	Count	As % of filers in income class	Amount (\$)	%	Average Credit (\$)
Less than \$0	24,367	2	0.01%	\$1,843	0.02%	\$922
\$0 - <5,000	357,751	12	0.00	16,581	0.20	1,382
\$5,000 - <10,000	255,043	33	0.01	6,450	0.08	195
\$10,000 - <15,000	209,484	185	0.09	22,021	0.27	119
\$15,000 - <20,000	191,670	234	0.12	52,945	0.65	226
\$20,000 - <25,000	179,970	519	0.29	131,192	1.62	253
\$25,000 - <30,000	165,394	654	0.40	255,025	3.15	390
\$30,000 - <40,000	277,189	1,153	0.42	843,545	10.42	732
\$40,000 - <50,000	221,236	932	0.42	1,069,658	13.22	1,148
\$50,000 - <70,000	340,852	1,214	0.36	2,001,092	24.73	1,648
\$70,000 - <100,000	294,406	709	0.24	1,807,045	22.33	2,549
\$100,000 - <200,000	191,938	351	0.18	1,381,423	17.07	3,936
\$200,000 - <500,000	36,694	67	0.18	452,789	5.60	6,758
\$500,000 - <1,000,000	6,836	9	0.13	33,184	0.41	3,687
\$1,000,000 and over	3,198	6	0.19	17,452	0.22	2,909
TOTAL	2,756,028	6,080	0.22%	\$8,092,245	100.0%	\$1,331

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

The angel investment credit (see Table 8F) benefited 236 tax filers at a cost of \$1.4 million for an average credit of \$5,999. About 98% of this credit went to filers with income of \$100,000 or more, and 63% 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 2006**

WAGI Class	Tax filers		Used Angel Investment Credit			
	Count	Count	As % of filers in income class	Amount (\$)	%	Average Credit (\$)
Less than \$0	24,367	1	0.00%	\$731	0.05%	\$731
\$0 - <5,000	357,751	3	0.00	1,902	0.13	634
\$5,000 - <10,000	255,043	1	0.00	336	0.02	336
\$10,000 - <15,000	209,484	-	0.00	-	0.00	-
\$15,000 - <20,000	191,670	-	0.00	-	0.00	-
\$20,000 - <25,000	179,970	1	0.00	1,433	0.10	1,433
\$25,000 - <30,000	165,394	-	0.00	-	0.00	-
\$30,000 - <40,000	277,189	4	0.00	1,636	0.12	409
\$40,000 - <50,000	221,236	2	0.00	1,699	0.12	850
\$50,000 - <70,000	340,852	3	0.00	3,790	0.27	1,263
\$70,000 - <100,000	294,406	9	0.00	22,234	1.57	2,470
\$100,000 - <200,000	191,938	53	0.03	149,371	10.55	2,818
\$200,000 - <500,000	36,694	69	0.19	341,565	24.12	4,950
\$500,000 - <1,000,000	6,836	43	0.63	384,159	27.13	8,934
\$1,000,000 and over	3,198	47	1.47	507,011	35.81	10,787
<b>TOTAL</b>	<b>2,756,028</b>	<b>236</b>	<b>0.01%</b>	<b>\$1,415,867</b>	<b>100.0%</b>	<b>\$ 5,999</b>

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

The seed investment credit (see Table 8G) was used by 154 tax filers at a cost of \$0.5 million. The average credit was \$3,226. Filers with incomes of \$100,000 or more accounted for 96% of the credit amount.

**TABLE 8G  
DISTRIBUTION OF SEED INVESTMENT CREDIT BY WAGI CLASS FOR TAX YEAR 2006**

WAGI Class	Tax filers		Used Seed Investment Credit			
	Count	Count	As % of filers in income class	Amount (\$)	%	Average Credit (\$)
Less than \$0	24,367	-	0.00%	-	0.00%	-
\$0 - <5,000	357,751	5	0.00	\$731	0.15	\$146
\$5,000 - <10,000	255,043	-	0.00	-	0.00	-
\$10,000 - <15,000	209,484	-	0.00	-	0.00	-
\$15,000 - <20,000	191,670	-	0.00	-	0.00	-
\$20,000 - <25,000	179,970	1	0.00	845	0.17	845
\$25,000 - <30,000	165,394	2	0.00	1,151	0.23	576
\$30,000 - <40,000	277,189	-	0.00	-	0.00	-
\$40,000 - <50,000	221,236	2	0.00	2,775	0.56	1,388
\$50,000 - <70,000	340,852	4	0.00	4,860	0.98	1,215
\$70,000 - <100,000	294,406	4	0.00	10,501	2.11	2,625
\$100,000 - <200,000	191,938	18	0.01	33,206	6.68	1,845
\$200,000 - <500,000	36,694	51	0.14	168,444	33.91	3,303
\$500,000 - <1,000,000	6,836	31	0.45	92,756	18.67	2,992
\$1,000,000 and over	3,198	36	1.13	181,524	36.54	5,042
<b>TOTAL</b>	<b>2,756,028</b>	<b>154</b>	<b>0.01%</b>	<b>\$496,793</b>	<b>100.00%</b>	<b>\$ 3,226</b>

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

The technology zone credit (see Table 8H) was used by 217 tax filers at a cost of \$1.4 million. The average credit was \$6,467. Filers with incomes of \$100,000 or more accounted for 97% of the credit amount.

**TABLE 8H  
DISTRIBUTION OF TECHNOLOGY ZONE CREDIT BY WAGI CLASS FOR TAX YEAR 2006**

WAGI Class	Tax filers	Used Technology Zone Credit				
	Count	Count	As % of filers in income class	Amount (\$)	%	Average Credit (\$)
Less than \$0	24,367	-	0.00%	-	0.00%	-
\$0 - <5,000	357,751	5	0.00%	184	0.01%	37
\$5,000 - <10,000	255,043	-	0.00%	-	0.00%	-
\$10,000 - <15,000	209,484	2	0.00%	1,253	0.09%	627
\$15,000 - <20,000	191,670	2	0.00%	99	0.01%	50
\$20,000 - <25,000	179,970	1	0.00%	78	0.01%	78
\$25,000 - <30,000	165,394	2	0.00%	3,263	0.23%	1,632
\$30,000 - <40,000	277,189	4	0.00%	4,788	0.34%	1,197
\$40,000 - <50,000	221,236	1	0.00%	433	0.03%	433
\$50,000 - <70,000	340,852	8	0.00%	16,372	1.17%	2,047
\$70,000 - <100,000	294,406	13	0.00%	11,614	0.83%	893
\$100,000 - <200,000	191,938	48	0.03%	67,084	4.78%	1,398
\$200,000 - <500,000	36,694	57	0.16%	208,568	14.86%	3,659
\$500,000 - <1,000,000	6,836	36	0.53%	399,464	28.46%	11,096
\$1,000,000 and over	3,198	38	1.19%	690,197	49.18%	18,163
<b>TOTAL</b>	<b>2,756,028</b>	<b>217</b>	<b>0.01%</b>	<b>1,403,397</b>	<b>100.0%</b>	<b>6,467</b>

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 underlined credits are discussed in greater detail in separate reports which can be found on the Department of Revenue's website using the links above.

The Veterans' and Surviving Spouses' Property Tax Credit was created in tax year 2005. As shown in table 9 the credit is targeted at a relatively small number of taxpayers. Only 382 tax filers claimed the credit in tax year 2006 at a total cost to the state of \$1.1 million. The average credit was \$2,981. These numbers may not reflect ongoing participation and costs for this credit as awareness of the credit increases and credit expansions take effect.

**TABLE 9**  
**DISTRIBUTION OF VETERANS' AND SURVIVING SPOUSES' PROPERTY TAX CREDIT**  
**BY WAGI CLASS FOR TAX YEAR 2006**

WAGI Class	Count	Count	As % of filers in income class	Amount (\$)	%	Average Credit (\$)
Less than \$0	24,367	6	0.02%	\$13,984	1.23%	\$2,331
\$0 - <5,000	357,751	75	0.02	187,959	16.51	2,506
\$5,000 - <10,000	255,043	51	0.02	120,486	10.58	2,362
\$10,000 - <15,000	209,484	59	0.03	176,510	15.50	2,992
\$15,000 - <20,000	191,670	36	0.02	107,265	9.42	2,980
\$20,000 - <25,000	179,970	30	0.02	90,892	7.98	3,030
\$25,000 - <30,000	165,394	13	0.01	47,742	4.19	3,672
\$30,000 - <40,000	277,189	36	0.01	103,127	9.06	2,865
\$40,000 - <50,000	221,236	22	0.01	70,223	6.17	3,192
\$50,000 - <70,000	340,852	28	0.01	112,861	9.91	4,031
\$70,000 - <100,000	294,406	17	0.01	66,896	5.87	3,935
\$100,000 - <200,000	191,938	7	0.00	30,279	2.66	4,326
\$200,000 - <500,000	36,694	2	0.01	10,514	0.92	5,257
\$500,000 - <1,000,000	6,836	0	0.00	0	0.00	-
\$1,000,000 and over	3,198	0	0.00	0	0.00	-
<b>TOTAL</b>	<b>2,756,028</b>	<b>382</b>	<b>0.01%</b>	<b>\$1,138,738</b>	<b>100.0%</b>	<b>\$2,981</b>

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, about 1% of filers (29,262) report use tax. Total use tax collected through the income tax return amounted to \$1.56 million, for an average of \$53. 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 1.06%, with the average reported use tax gradually increasing from \$20 to more than \$50. Total use tax collected has risen from \$245,000 to \$1.56 million.

**TABLE 10A  
USE TAX FOR TAX YEAR 2006**

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	24,367	135	0.55%	\$21,467	1.38%	\$159
\$0 - <5,000	357,751	1,221	0.34	24,711	1.59	20
\$5,000 - <10,000	255,043	1,175	0.46	29,654	1.91	25
\$10,000 - <15,000	209,484	1,088	0.52	36,632	2.35	34
\$15,000 - <20,000	191,670	1,091	0.57	32,671	2.10	30
\$20,000 - <25,000	179,970	1,121	0.62	36,715	2.36	33
\$25,000 - <30,000	165,394	1,272	0.77	39,640	2.55	31
\$30,000 - <40,000	277,189	2,608	0.94	92,835	5.97	36
\$40,000 - <50,000	221,236	2,633	1.19	103,697	6.67	39
\$50,000 - <70,000	340,852	4,614	1.35	190,537	12.25	41
\$70,000 - <100,000	294,406	4,972	1.69	228,112	14.66	46
\$100,000 - <200,000	191,938	4,924	2.57	316,739	20.36	64
\$200,000 - <500,000	36,694	1,659	4.52	174,098	11.19	105
\$500,000 - <1,000,000	6,836	460	6.73	79,982	5.14	174
\$1,000,000 and over	3,198	289	9.04	148,153	9.52	513
<b>TOTAL</b>	<b>2,756,028</b>	<b>29,262</b>	<b>1.06%</b>	<b>\$1,555,643</b>	<b>100.0%</b>	<b>\$53</b>

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

**TABLE 10B  
USE TAX FOR TAX YEARS 1988-2006**

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
2006	2,756,028	29,262	1.06%	\$1,555,643	\$53

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 2006, 24,967 filers donated a total of about \$424,000 or an average of \$17 for every donor. The average ranged from below \$10 for incomes below \$10,000 to \$65 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 2006, 24,967, 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 2006.

**TABLE 11  
ENDANGERED RESOURCES DONATION FOR TAX YEAR 2006**

WAGI Class	Tax filers	Endangered Resources Donation				
	Count	Count	As % of filers in income class	Amount (\$)	%	Average (\$)
Less than \$0	24,367	58	0.24%	\$1,379	0.3%	\$24
\$0 - <5,000	357,751	889	0.25	5,905	1.4	7
\$5,000 - <10,000	255,043	1,220	0.48	10,063	2.4	8
\$10,000 - <15,000	209,484	1,236	0.59	12,896	3.0	10
\$15,000 - <20,000	191,670	1,242	0.65	13,864	3.3	11
\$20,000 - <25,000	179,970	1,337	0.74	15,595	3.7	12
\$25,000 - <30,000	165,394	1,305	0.79	14,842	3.5	11
\$30,000 - <40,000	277,189	2,662	0.96	36,363	8.6	14
\$40,000 - <50,000	221,236	2,419	1.09	36,170	8.5	15
\$50,000 - <70,000	340,852	4,124	1.21	69,680	16.4	17
\$70,000 - <100,000	294,406	4,490	1.53	86,971	20.5	19
\$100,000 - <200,000	191,938	3,416	1.78	91,415	21.6	27
\$200,000 - <500,000	36,694	491	1.34	23,424	5.5	48
\$500,000 - <1,000,000	6,836	59	0.86	2,640	0.6	45
\$1,000,000 and over	3,198	19	0.59	2,420	0.6	127
<b>TOTAL</b>	<b>2,756,028</b>	<b>24,967</b>	<b>0.91%</b>	<b>\$423,627</b>	<b>100.0%</b>	<b>\$17</b>

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

**TABLE 12  
ENDANGERED RESOURCES DONATION 1990-2006**

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
2006	2,756,028	24,967	0.9%	\$423,627	\$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 2006, 7,486 filers gave a total of nearly \$60,000, for an average of \$8. 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 2006**

WAGI Class	Tax filers	Packers Stadium Donation				
	Count	Count	As % of filers in income class	Amount (\$)	%	Average (\$)
Less than \$0	24,367	18	0.07%	\$139	0.2%	\$8
\$0 - <5,000	357,751	407	0.11	1,953	3.3	5
\$5,000 - <10,000	255,043	482	0.19	1,845	3.1	4
\$10,000 - <15,000	209,484	494	0.24	2,392	4.0	5
\$15,000 - <20,000	191,670	468	0.24	2,607	4.4	6
\$20,000 - <25,000	179,970	529	0.29	3,754	6.3	7
\$25,000 - <30,000	165,394	514	0.31	3,034	5.1	6
\$30,000 - <40,000	277,189	871	0.31	6,792	11.4	8
\$40,000 - <50,000	221,236	681	0.31	5,500	9.2	8
\$50,000 - <70,000	340,852	1,063	0.31	9,793	16.4	9
\$70,000 - <100,000	294,406	1,045	0.35	10,656	17.8	10
\$100,000 - <200,000	191,938	786	0.41	8,952	15.0	11
\$200,000 - <500,000	36,694	108	0.29	1,839	3.1	17
\$500,000 - <1,000,000	6,836	19	0.28	466	0.8	25
\$1,000,000 and over	3,198	1	0.03	10	0.0	10
<b>TOTAL</b>	<b>2,756,028</b>	<b>7,486</b>	<b>0.27%</b>	<b>\$59,732</b>	<b>100.0%</b>	<b>\$8</b>

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. 19,000 filers gave a total of \$236,000 for an average of \$13. Donors with income below \$100,000 gave \$11 on average, while donors with income \$100,000 or more donated \$24 on average.

**TABLE 14  
BREAST CANCER RESEARCH DONATION FOR TAX YEAR 2006**

WAGI Class	Tax filers		Breast Cancer Research Donation			
	Count	Count	As % of filers in income class	Amount (\$)	%	Average (\$)
Less than \$0	24,367	59	0.24%	\$752	0.3%	\$13
\$0 - <5,000	357,751	806	0.23	4,200	1.8	5
\$5,000 - <10,000	255,043	1,210	0.47	7,810	3.3	6
\$10,000 - <15,000	209,484	1,284	0.61	11,274	4.8	9
\$15,000 - <20,000	191,670	1,315	0.69	11,904	5.0	9
\$20,000 - <25,000	179,970	1,218	0.68	12,000	5.1	10
\$25,000 - <30,000	165,394	1,154	0.70	9,978	4.2	9
\$30,000 - <40,000	277,189	2,089	0.75	22,476	9.5	11
\$40,000 - <50,000	221,236	1,730	0.78	20,937	8.9	12
\$50,000 - <70,000	340,852	2,796	0.82	37,194	15.7	13
\$70,000 - <100,000	294,406	2,887	0.98	42,399	17.9	15
\$100,000 - <200,000	191,938	2,040	1.06	40,391	17.1	20
\$200,000 - <500,000	36,694	239	0.65	10,372	4.4	43
\$500,000 - <1,000,000	6,836	33	0.48	2,623	1.1	79
\$1,000,000 and over	3,198	10	0.31	1,965	0.8	197
<b>TOTAL</b>	<b>2,756,028</b>	<b>18,870</b>	<b>0.68%</b>	<b>\$236,275</b>	<b>100.0%</b>	<b>\$13</b>

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

### Veterans' Trust Fund Donation

This donation was first available in 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 9,500 filers who gave a total of \$106,000 for an average of \$11 per return. Donors with income above \$200,000 donated the most on average at about \$36 per return. Filers with income of less than \$200,000 had average donations of about \$10.

**TABLE 15  
VETERANS' TRUST FUND DONATION FOR TAX YEAR 2006**

WAGI Class	Tax filers		Veterans' Trust Fund Donation			
	Count	Count	As % of filers in income class	Amount (\$)	%	Average (\$)
Less than \$0	24,367	43	0.18%	\$703	0.7%	\$16
\$0 - <5,000	357,751	422	0.12	2,783	2.6	7
\$5,000 - <10,000	255,043	578	0.23	3,339	3.1	6
\$10,000 - <15,000	209,484	580	0.28	4,429	4.2	8
\$15,000 - <20,000	191,670	641	0.33	5,606	5.3	9
\$20,000 - <25,000	179,970	622	0.35	4,960	4.7	8
\$25,000 - <30,000	165,394	579	0.35	4,680	4.4	8
\$30,000 - <40,000	277,189	1,134	0.41	12,439	11.7	11
\$40,000 - <50,000	221,236	917	0.41	11,024	10.4	12
\$50,000 - <70,000	340,852	1,435	0.42	16,837	15.9	12
\$70,000 - <100,000	294,406	1,454	0.49	18,643	17.6	13
\$100,000 - <200,000	191,938	965	0.50	15,451	14.6	16
\$200,000 - <500,000	36,694	128	0.35	4,552	4.3	36
\$500,000 - <1,000,000	6,836	15	0.22	541	0.5	36
\$1,000,000 and over	3,198	5	0.16	186	0.2	37
<b>TOTAL</b>	<b>2,756,028</b>	<b>9,518</b>	<b>0.35%</b>	<b>\$106,173</b>	<b>100.0%</b>	<b>\$11</b>

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

### Multiple Sclerosis Research Donation

This donation was new for tax year 2006 and allows taxpayers to make donations towards multiple sclerosis research. A donation either reduces a taxpayer's refund, or adds to tax due. There were 8,000 filers who gave a total of \$96,000 for an average of \$12 per return. Donors with income above \$50,000 donated the most on average at about \$16 per return. Filers with income of less than \$50,000 had average donations of about \$9.

**TABLE 16  
MULTIPLE SCLEROSIS RESEARCH DONATION FOR TAX YEAR 2006**

WAGI Class	Tax filers		Multiple Sclerosis Research Donation			
	Count	Count	As % of filers in income class	Amount (\$)	%	Average (\$)
Less than \$0	24,367	27	0.11%	\$366	0.4%	\$14
\$0 - <5,000	357,751	390	0.11	2,114	2.2	5
\$5,000 - <10,000	255,043	573	0.22	3,712	3.9	6
\$10,000 - <15,000	209,484	582	0.28	4,398	4.6	8
\$15,000 - <20,000	191,670	568	0.30	4,173	4.3	7
\$20,000 - <25,000	179,970	573	0.32	5,254	5.5	9
\$25,000 - <30,000	165,394	513	0.31	4,454	4.6	9
\$30,000 - <40,000	277,189	940	0.34	9,632	10.0	10
\$40,000 - <50,000	221,236	772	0.35	8,622	9.0	11
\$50,000 - <70,000	340,852	1,198	0.35	15,226	15.9	13
\$70,000 - <100,000	294,406	1,169	0.40	16,965	17.7	15
\$100,000 - <200,000	191,938	806	0.42	14,293	14.9	18
\$200,000 - <500,000	36,694	116	0.32	3,090	3.2	27
\$500,000 - <1,000,000	6,836	21	0.31	3,503	3.6	167
\$1,000,000 and over	3,198	3	0.09	235	0.2	78
<b>TOTAL</b>	<b>2,756,028</b>	<b>8,251</b>	<b>0.30%</b>	<b>\$96,037</b>	<b>100.0%</b>	<b>\$12</b>

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

## Firefighters Memorial Donation

This donation was new for tax year 2006 and allows taxpayers to make donations towards the Firefighters Memorial. A donation either reduces a taxpayer's refund, or adds to tax due. There were 6,000 filers who gave a total of \$49,000 for an average of \$8 per return. Donors with income above \$50,000 donated the most on average at about \$11 per return. Filers with income of less than \$50,000 had average donations of about \$7.

**TABLE 17  
FIREFIGHTERS MEMORIAL DONATION FOR TAX YEAR 2006**

WAGI Class	Tax filers	Firefighters Memorial Donation				
	Count	Count	As % of filers in income class	Amount (\$)	%	Average (\$)
Less than \$0	24,367	23	0.09%	\$334	0.7%	\$15
\$0 - <5,000	357,751	299	0.08	1,350	2.7	5
\$5,000 - <10,000	255,043	421	0.17	1,891	3.8	4
\$10,000 - <15,000	209,484	435	0.21	2,303	4.7	5
\$15,000 - <20,000	191,670	463	0.24	2,690	5.5	6
\$20,000 - <25,000	179,970	429	0.24	3,171	6.4	7
\$25,000 - <30,000	165,394	398	0.24	2,660	5.4	7
\$30,000 - <40,000	277,189	704	0.25	5,517	11.2	8
\$40,000 - <50,000	221,236	560	0.25	4,701	9.6	8
\$50,000 - <70,000	340,852	831	0.24	7,926	16.1	10
\$70,000 - <100,000	294,406	854	0.29	8,901	18.1	10
\$100,000 - <200,000	191,938	513	0.27	6,366	12.9	12
\$200,000 - <500,000	36,694	79	0.22	1,217	2.5	15
\$500,000 - <1,000,000	6,836	4	0.06	21	0.0	5
\$1,000,000 and over	3,198	4	0.13	145	0.3	36
<b>TOTAL</b>	<b>2,756,028</b>	<b>6,017</b>	<b>0.22%</b>	<b>\$49,193</b>	<b>100.0%</b>	<b>\$8</b>

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

### Prostate Cancer Research Donation

This donation was new for tax year 2006 and allows taxpayers to make donations towards prostate cancer research. A donation either reduces a taxpayer's refund, or adds to tax due. There were 10,000 filers who gave a total of \$91,000 for an average of \$9 per return. Donors with income above \$100,000 donated the most on average at about \$19 per return. Filers with income of less than \$100,000 had average donations of about \$8.

**TABLE 18  
PROSTATE CANCER RESEARCH DONATION FOR TAX YEAR 2006**

WAGI Class	Tax filers	Prostate Cancer Research Donation				
	Count	Count	As % of filers in income class	Amount (\$)	%	Average (\$)
Less than \$0	24,367	28	0.11%	\$260	0.3%	\$9
\$0 - <5,000	357,751	459	0.13	2,161	2.4	5
\$5,000 - <10,000	255,043	672	0.26	2,982	3.3	4
\$10,000 - <15,000	209,484	652	0.31	3,742	4.1	6
\$15,000 - <20,000	191,670	610	0.32	3,221	3.5	5
\$20,000 - <25,000	179,970	625	0.35	4,639	5.1	7
\$25,000 - <30,000	165,394	574	0.35	3,609	4.0	6
\$30,000 - <40,000	277,189	1,067	0.38	8,311	9.2	8
\$40,000 - <50,000	221,236	899	0.41	8,164	9.0	9
\$50,000 - <70,000	340,852	1,495	0.44	14,042	15.5	9
\$70,000 - <100,000	294,406	1,544	0.52	16,164	17.8	10
\$100,000 - <200,000	191,938	1,072	0.56	17,185	18.9	16
\$200,000 - <500,000	36,694	148	0.40	4,189	4.6	28
\$500,000 - <1,000,000	6,836	22	0.32	2,126	2.3	97
\$1,000,000 and over	3,198	1	0.03	20	0.0	20
<b>TOTAL</b>	<b>2,756,028</b>	<b>9,868</b>	<b>0.36%</b>	<b>\$90,815</b>	<b>100.0%</b>	<b>\$9</b>

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

## **APPENDIX A MAJOR PROVISIONS OF 2006 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 2006 include:

- An exclusion for 60% of 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.
- 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 \$4,536 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 2006 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 2006**

Filing Status	Wisconsin Adjusted Gross Income (WAGI) (\$)	Standard Deduction (\$)
Single	<12,199	8,460
	12,199 to 82,700	8,460 – 12% (WAGI – 12,200)
	> 82,700	0
Head of Household	<12,199	10,930
	12,199 to 35,690	10,930 – 22.515% (WAGI – 12,200)
	>35,690 to 82,700	8,460 – 12% (WAGI – 12,200)
	>82,700	0
Married Filing Jointly	<17,119	15,240
	17,119 to 94,175	15,240 – 19.778% (WAGI – 17,120)
	>94,175	0
Married Filing Separately	<8,129	7,240
	8,129 to 44,736	7,240 – 19.778% (WAGI – 8,130)
	>44,736	0

Source: WI Department of Revenue.

### Personal Exemptions

Personal exemptions are subtracted from WAGI to arrive at taxable income. For tax year 2006, 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 2006 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 2006**

Marginal Tax Rates (%)	Taxable Income Brackets (\$)		
	Single	Married Filing Jointly	Married Filing Separately
4.60	>0 – 9,160	>0 – 12,210	>0 – 6,110
6.15	>9,160 – 18,320	>12,210 – 24,430	>6,110 – 12,210
6.50	>18,320 – 137,410	>24,430 – 183,210	>12,210 – 91,600
6.75	>137,410	>183,210	>91,600

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 \$45,000 for individuals that are married filing jointly

(\$22,500 if married filing separately and \$33,750 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.<sup>3</sup>

### **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 \$300 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 \$300 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 has been repealed and replaced with a sales tax exemption, so only carry forward claims are allowed beginning in 2006.
- The development zone credit and technology zone credit are available to taxpayers as certified by the Department of Commerce. Unused amounts of the credit can be carried forward for up to 15 years.

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<sup>3</sup> The 2006 minimum tax exemption levels were increased and should result in amended returns. These amended returns will reduce the number of filers who owed minimum tax.

- There are two historic rehabilitation credits provided to encourage the rehabilitation of historic buildings in Wisconsin:
  - Supplement to the federal historic rehabilitation credit equal to 5% of qualified rehabilitation expenditures for historic buildings used in a trade or business that qualify for the federal credit and are located in Wisconsin. Unused amounts of the credit can be carried forward 15 years.
  - 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 2006, the maximum federal credit is 34% of earnings not exceeding \$8,080 for persons with one child and 40% of earnings not exceeding \$11,340 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 \$16,810 - \$34,001, for singles it is \$14,810 - \$32,001.

- for 2 or more children the phase-out range for joint filers is \$16,810 - \$38,348, and for singles it is \$14,810 - \$36,348.

Thus, the maximum federal credit for tax year 2006 is \$2,747 for one child and \$4,536 for two or more children, and the maximum state credit is \$110 for one child, \$635 for two children, and \$1,950 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 2006 was equal to 23% of up to \$6,522 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 first available in 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 2006 RETURNS**

The following significant changes affected tax year 2006 returns:

- The armed forces member credit was increased from a maximum of \$200 in tax year 2005 to a maximum of \$300 in tax year 2006.
- The dairy investment credit was expanded to include livestock farm modernization and expansion.
- The farmland tax relief credit was increased from tax year 2005 to 2006, from 20% of farmland property taxes up to \$7,500 (or a maximum credit of \$1,500) to 23% of farmland property taxes up to \$6,522 (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 technology zone credit was created for a total cost to the state of \$1.4 million.
- The maximum subtraction for tuition paid was increased to \$4,536 from \$4,244 per student.
- New donation check-offs were added for multiple sclerosis research, prostate cancer research, and the firefighters memorial. Approximately \$236,000 were raised for these funds.
- 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 2005. (Tax year 2006 amounts are in Tables A1 and A2.)

**TABLE B1  
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.

**TABLE B2  
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.