

WISCONSIN TAX LAW CHANGES FOR 2009



The budget signed into law this summer by Governor Doyle made some changes to Wisconsin's tax law. Because all of the changes were made retroactive to 1/1/2009, the new rules are **in effect for the entire 2009 tax year.**

❖ Tax Rate Increase

For years, the top state individual income tax rate in Wisconsin has been 6.75%. Beginning in 2009, the state introduced a 7.75% tax rate for taxable income over \$300,000 for those who are married filing jointly. Single individuals, heads of households, and trusts will pay at the higher rate for taxable income over \$225,000.

❖ Capital Gain Exclusion

Wisconsin used to exclude 60% of federal long-term capital gains from tax. Beginning 1/1/2009, Wisconsin reduced the exclusion from 60% to 30%. At the highest tax bracket, the change doubles the 2.7% effective tax rate under prior law to a 5.4% effective tax rate now. When combined with the federal capital gains rate, long-term capital gains are now taxed at 20.4%.

❖ Multi-State Business Taxes

Wisconsin has traditionally taxed businesses based upon all sales in this state and 50% of the sales to states in which the business was not required to pay taxes. 50% of sales in other states were considered a "throwback" to Wisconsin. Beginning in 2009, the percentage of other states' sales "thrown back" to Wisconsin is increased to 100%.

❖ Non-Resident Withholding

A pass-through entity (such as a trust, partnership, or S corporation) must now make *quarterly* estimate payments of withholding tax on a nonresident's share of Wisconsin income. Estimate payments were previously required annually.

❖ Domestic Production Activities

Wisconsin no longer allows an individual to take the domestic production activities deduction, also known as the federal *Manufacturing Deduction*.