

Wisconsin – Tax Updates

Lower tax rate, more flexible NOL treatments for 2014

Wisconsin Governor Scott Walker continued his pattern of reducing state income taxes by signing into law another round of tax cuts totaling \$541 million. These cuts are on top of the more significant cuts made to income tax rates in the 2013-2015 budget signed last year, as well as property tax cuts enacted late in 2013.

Changes to Wisconsin Tax Brackets

The latest change to the Wisconsin tax brackets reduces the tax rate on the lowest levels of income from 4.4% to 4.0%. By changing the tax rate on the first dollars of taxable income, taxpayers at all income levels will benefit from this change. The table below shows the evolution of the Wisconsin tax rates from 2012-2014:

Taxable Income*		2012	2013	2014
Married Couples	Singles			
\$0 – 14,540	\$0 – 10,910	4.60%	4.40%	4.00%
\$14,540 – 29,090	\$10,910 – 21,820	6.15%	5.84%	5.84%
\$29,090 – 320,250	\$21,280 – 240,190	6.50%	6.27%	6.27%
\$320,250 +	\$240,190 +	7.75%**	7.65%	7.65%

* All income amounts shown are for 2014 only. Income brackets for prior years would have been adjusted for inflation.

** For 2012, a 6.75% rate applied for couples with income between \$211,330 and \$310,210 (singles between \$158,500 and \$232,660). That bracket was eliminated beginning in 2013.

Net Operating Losses

The treatment of corporate net operating losses has been standardized across all corporations. Beginning with 2014, all net operating losses can be carried forward for 20 years, rather than 15 years for some types of entities. In addition, taxpayers have the choice – but are not required – to carry back losses to the preceding two taxable years, beginning in 2014. If the losses are carried back, interest will not be paid on any tax refunds due as a result of the carryback.

Changes to Tax Credits

Wisconsin offers a variety of tax credits to encourage specific types of activity. Those credits have in the past been able to only reduce a taxpayers regular income tax liability. Now, some of those credits will be able to offset any Alternative Minimum Tax liabilities as well. This change will apply to the Manufacturing and Agriculture Credit (beginning in 2013), and the Historic Rehabilitation and Research Credits (beginning in 2014).

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First Use: March 2014