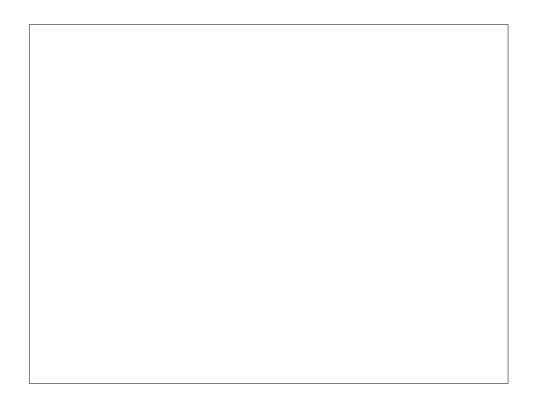
CAPITAL GAINS AND THE WISCONSIN INCOME TAX

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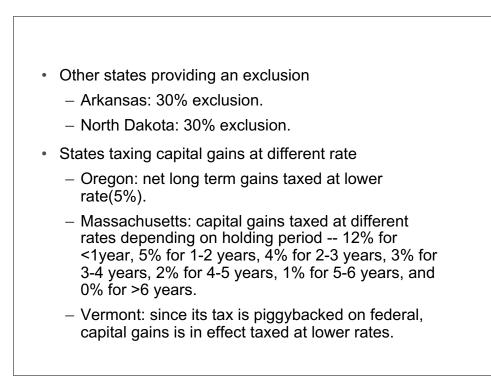
I. INTRODUCTION

- Taxable capital gains as a component of income.
- · Amounts of gains and losses by income class,
- Gains and losses by type of assets, holding periods.
- · Historical data on capital gains.
- 60% capital gains exclusion.

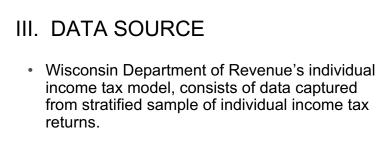
II.TAX TREATMENT OF CAPITAL GAINS

- Federal Law
 - Since 1987, capital gains net of capital losses are fully included in taxable income.
 - Net capital losses deductible up to \$3,000.
 Excess losses carried forward.
 - While top individual income tax rate is 39.6%, maximum rate on long-term capital gains is 20% (10% for those in the 15% bracket).
 - For assets held more than 5 years, special lower rate of 18% (8% for those in the 15% bracket).

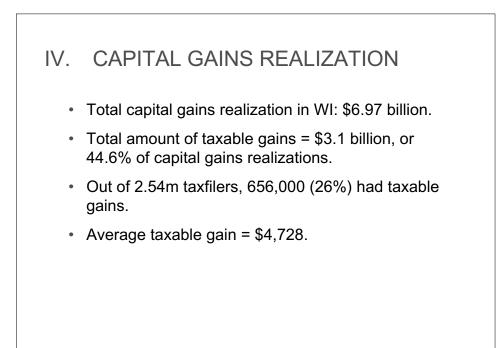
- Wisconsin Law
 - Pre-1982: all capital gains taxed as ordinary income.
 - Beginning in 1982, 60% exclusion phased in: 20% in 1982, 40% in 1983, 60% in 1984 and after.
 - Retained the 60% exclusion even after federal repeal. However, capital losses limited to \$500 instead of \$3,000.
- Other States: Most states with general income tax fully tax capital gains as ordinary income. Exceptions:



- Exclusion limited to specific assets:
 - Nebraska: 100% exclusion for gains from capital stock of a qualified corporation acquired either on account of employment by the corporation, or while employed by the corporation.
 - Iowa: 100% exclusion for select assets --
 - business assets and real property used in a business in which taxpayer materially involved for 10 years, and held for at least 10 years;
 - for farmers and ranchers, cattle and horses used for breeding, draft, dairy or sporting purposes held for at least 24 months and other breeding livestock held for at least 12 months; and
 - timber held for at more than 1 year.



- For the 1999 sample, 23,600 individual income tax and Homestead returns were selected, weighted to represent the 2.54 million taxfiling population.
- Data captured from a total of 1,300 fields from 23 separate federal and state schedules.
- Sampling "on the fly."



	1987	1989	1991	1993	1995	1997	1999
Capital Gains Realizations in WI (\$m)	2,086.6	2,061.2	1,885.3	2,687.8	2,895.7	5,731.5	6,957.1
WI Taxable Capital Gains (\$m)	923.0	924.8	793.1	1,229.6	1,294.5	2,550.5	3,102.4
WI Gross Income (bef.adjs.) (\$m)	47,957.0	56,180.1	62,332.9	69,327.6	77,832.0	89,218.4	100,411.6
WI Taxable Gains as % of Realizations	44.2%	44.9%	42.1%	45.7%	44.7%	44.5%	44.6%
WI Taxable Gains as % of gross inc.	1.9%	1.6%	1.3%	1.8%	1.7%	2.9%	3.1%

WISCONSIN	I CAPITAL GA	INS REALIZ	ATION (\$m)
		Wisconsin	
	SOI	Tax Model	Model/SOI
1987	2,155.70	2,086.64	0.968
1988	2,700.38		
1989	1,888.00	2,061.23	1.092
1990	1,720.85		
1991	1,832.30	1,885.34	1.029
1992	2,287.93		
1993	2,514.98	2,687.78	1.069
1994	2,531.66		
1995	2,859.06	2,895.67	1.013
1996	4,255.78		
1997	5,611.48	5,731.50	1.021
1998	7,099.41		
1999	7,334.19	6,957.06	0.949
2000	8,710.15		

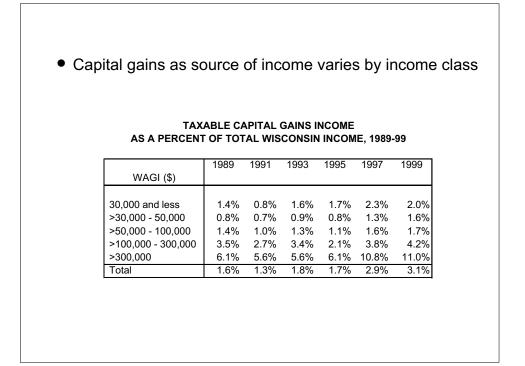
• How does our sample data compare to that of SOI?

V. CAPITAL GAINS AS COMPONENT OF INCOME

COMPONENTS OF INCOME	1989	1991	1993	1995	1997	1999
			(Amounts in	s million)		
Wages & Salaries	44,229.4	49,137.3	55,136.1	61,466.7	69,210.9	77,612.7
Taxable Interest	3,487.7	3,662.8	2,507.5	2,954.3	3,037.2	3,006.2
Dividends	1,358.3	1,392.4	1,494.8	1,683.2	2,085.5	1,917.4
Business Inc./Loss	1,721.7	1,991.3	2,274.7	2,382.5	2,546.0	2,781.8
Farm Income/Loss	332.5	55.3	(37.8)	(52.3)	(85.9)	62.2
Rents, Partnership Income	1,611.5	1,935.5	2,747.2	3,545.1	3,875.2	4,617.7
Taxable Capital Gains	924.8	793.1	1,229.6	1,294.5	2,550.5	3,102.4
Retirement Income						
Taxable IRA distributions	-	353.0	464.7	711.7	1,054.9	1,734.1
Taxable pensions	1,926.6	2,085.4	2,381.5	2,787.4	3,688.6	4,172.8
Taxable Soc.Security	285.2	356.1	447.8	554.9	752.9	917.5
Taxable Unemployment Comp.	206.5	356.6	359.5	297.5	314.1	338.5
Miscellaneous & all other incon	95.9	214.1	322.1	206.5	188.6	148.5
Total Wisconsin Income	56,180.1	62,332.9	69,327.6	77,832.0	89,218.4	100,411.6

V. CAPITAL GAINS AS COMPONENT OF INCOME (cont'd)

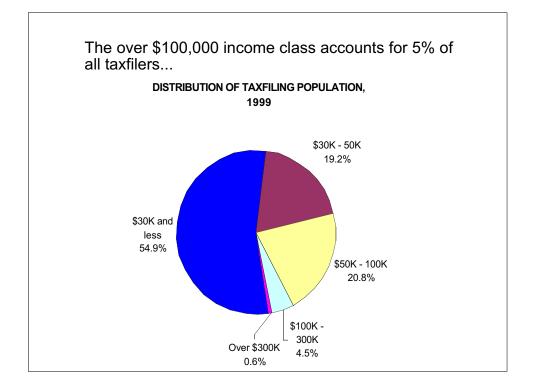
COMPONENTS OF INCOME	1989	1991	1993	1995	1997	1999
		(As a	a percent of	Total Income))	
Wages & Salaries	78.7%	78.8%	79.5%	79.0%	77.6%	77.3%
Taxable Interest	6.2%	5.9%	3.6%	3.8%	3.4%	3.0%
Dividends	2.4%	2.2%	2.2%	2.2%	2.3%	1.9%
Business Inc./Loss	3.1%	3.2%	3.3%	3.1%	2.9%	2.8%
Farm Income/Loss	0.6%	0.1%	-0.1%	-0.1%	-0.1%	0.1%
Rents, Partnership Income	2.9%	3.1%	4.0%	4.6%	4.3%	4.6%
Taxable Capital Gains	1.6%	1.3%	1.8%	1.7%	2.9%	3.1%
Retirement Income						
Taxable IRA distributions	0.0%	0.6%	0.7%	0.9%	1.2%	1.7%
Taxable pensions	3.4%	3.3%	3.4%	3.6%	4.1%	4.2%
Taxable Soc.Security	0.5%	0.6%	0.6%	0.7%	0.8%	0.9%
Taxable Unemployment Comp.	0.4%	0.6%	0.5%	0.4%	0.4%	0.3%
Miscellaneous & all other incon	0.2%	0.3%	0.5%	0.3%	0.2%	0.1%
Total Wisconsin Income	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

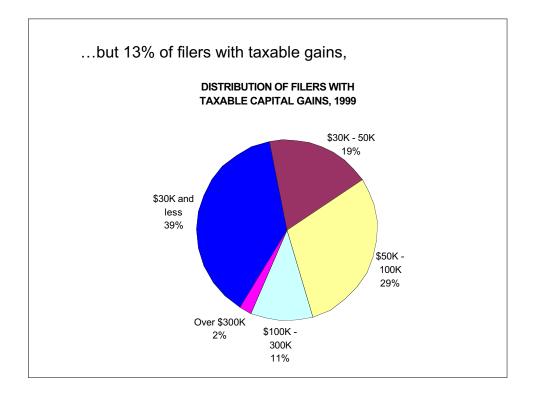


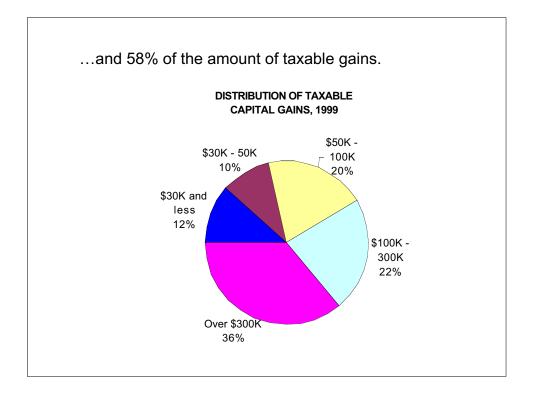
VI.	DISTRIBUTION OF TAXABLE GAINS
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All Taxfilers, 1999

	ALL TAXE	TII FRS		XFILERS WI E CAPITAL (AM TAXABLE	OUNT O		TAXES F	
				% of total	% of			Aver.		
WAGI CLASS	Count	%		filers	all	Amount		Taxable	Amount	
(\$)	of Filers		Count	with gains	filers	(\$ m)	%	Gain(\$)	(\$ m)	%
30,000 and less	1,392,040	54.9%	253,812	38.7%	18.2%	362.02	11.7%	1,426	16.86	8.5%
>30,000 - 50,000	486,254	19.2%	123,822	18.9%	25.5%	301.53	9.7%	2,435	21.75	10.9%
>50,000 - 100,000	528,175	20.8%	191,993	29.3%	36.4%	623.97	20.1%	3,250	42.45	21.1%
>100,000 - 300,000	114,925	4.5%	74,097	11.3%	64.5%	695.86	22.4%	9,391	45.78	22.9%
>300,000	14,167	0.6%	12,466	1.9%	88.0%	1,119.00	36.1%	89,764	72.65	36.4%
TOTAL	2,535,561	100.0%	656,191	100.0%	25.9%	3,102.38	100.0%	4,728	199.49	100.0%





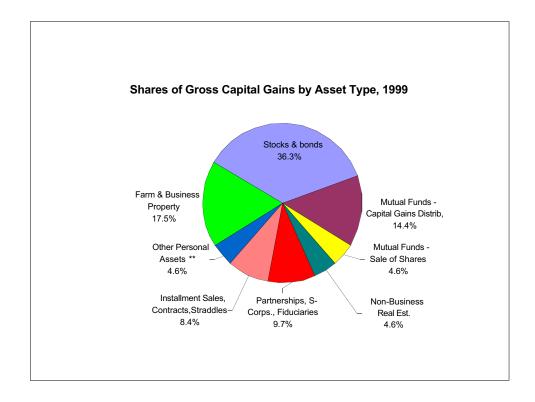


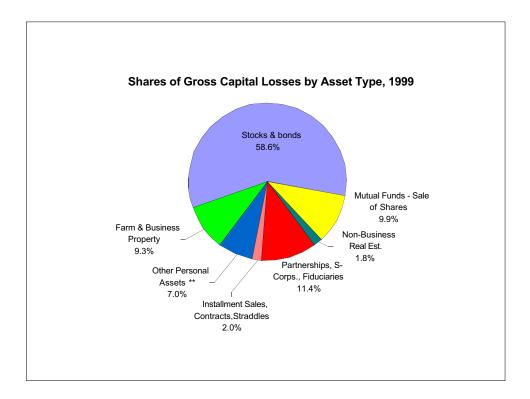
	'S' SHAR	ES OF TO TY198		XABLE C	APITAL	GAINS
		11130	5-55			
WAGI (\$)	1989	1991	1993	1995	1997	1999
			(\$ Mil	llion)		
30,000 and less	256.1	146.2	286.0	309.4	417.3	362.0
>30,000 - 50,000	135.1	129.9	157.1	151.0	251.8	301.
>50,000 - 100,000	191.7	172.4	280.4	273.8	491.4	624.0
>100,000 - 300,000	157.0	145.9	246.5	195.6	479.0	695.9
>300,000	185.0	198.7	259.6	364.7	910.9	1119.0
Total	924.8	793.1	1229.6	1294.5	2550.5	3102.4
WAGI (\$)	1989	1991	1993	1995	1997	1999
			% Distr	ibution		
30,000 and less	27.7%	18.4%	23.3%	23.9%	16.4%	11.7%
>30,000 - 50,000	14.6%	16.4%	12.8%	11.7%	9.9%	9.7%
>50,000 - 100,000	20.7%	21.7%	22.8%	21.1%	19.3%	20.1%
>100,000 - 300,000	17.0%	18.4%	20.0%	15.1%	18.8%	22.4%
>300,000	20.0%	25.0%	21.1%	28.2%	35.7%	36.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

VII. COMPOSITION OF CAPITAL GAINS & LOSSES BY ASSET TYPE

- 3 asset categories:
 - Capital assets (Schedule D assets) held for investment (e.g., stocks, bonds, shares in mutual funds, real estate except for personal residence, commodities).
 - Business assets (schedule 4797 assets) used in a trade or business (e.g., livestock, machinery and equipment, real estate).
 - "Other assets" consisting of capital gains distributions from mutual funds, installment sales, and capital gains from partnerships, S-corporations, fiduciaries.

		All Holdin		-
Asset	§ mill.	Bain %	\$ mill.	_oss %
Capital Assets				
	2,875.33	35.3%	593.09	56.3%
Bonds and Notes	75.06	0.9%	23.82	2.3%
Mutual Funds	375.01	4.6%	104.18	9.9%
Non-Business Real Estate	377.52	4.6%		1.8%
Tangible Personal Property	1.79	0.0%		0.1%
Commodities	7.29	0.1%		0.1%
Qualified Small Business Stock	0.07	0.0%		0.0%
Partnership Interest	61.28	0.8%		3.8%
Unknown	304.36	3.7%	32.26	3.1%
Sub-Total	4,077.70	50.1%	813.52	77.3%
Business Assets				
Livestock	179.86	2.2%	13.61	1.3%
Farmland	112.58	1.4%	2.29	0.2%
Depreciable Farm Real Estate	18.32	0.2%	2.90	0.3%
Farm Equipment	59.90	0.7%	1.94	0.2%
Non-Farm Business Land	61.02	0.7%	2.11	0.2%
Depreciable Non-Farm Real Estate	402.87	5.0%	10.64	1.0%
Depreciable Personal Property	92.11	1.1%	9.54	0.9%
Timber, Gravel, Standing Crops, etc.		0.2%	0.36	0.0%
Partnerships, Sub-S, passthrough, e		5.6%		4.6%
Unknown Business Asset	24.74	0.3%	6.56	0.6%
Sub-Total	1,424.92	17.5%	98.40	9.3%
Other Assets	1.169.19	14.4%		0.0%
Capital Gains Distribution	1,169.19 786.68		-	
Partnerships, S-Corps., Fiduciaries		9.7%	119.57	11.4%
Installment Sales, Miscell.	679.77	8.4%	21.42	2.0%
Sub-Total	2,635.63	32.4%	140.99	13.4%
TOTAL	8,138.25	100.0%	1,052.91	100.0%

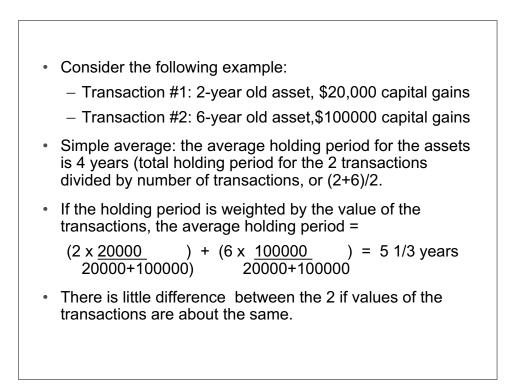




ins:								
		Capita	l Gains			Capital	Losses	
	198		199		198		199	
Asset	\$ mill.	%	\$ mill.	%	\$ mill.	%	\$ mill.	%
Capital Assets								
Stocks	715.6	23.8%	2,875.33	35.3%	276.7	51.3%	593.09	56.3%
Bonds and Notes	17.5	0.6%	75.06	0.9%	20.1	3.7%	23.82	2.3%
Mutual Funds	33.1	1.1%	375.01	4.6%	34.3	6.4%	104.18	9.9%
Other	216.9	7.2%	752.3	9.2%	96.2	17.9%	92.4	8.8%
Sub-Total	983.1	32.7%	4,077.70	50.1%	427.3	79.3%	813.52	77.3%
Business Assets								
Livestock	286.3	9.5%	179.86	2.2%	15.2	2.8%	13.61	1.3%
Farmland	24.9	0.8%	112.58	1.4%	2.1	0.4%	2.29	0.2%
Depreciable Farm Real Estate	13.6	0.5%	18.32	0.2%	2.8	0.5%	2.90	0.3%
Farm Equipment	59.5	2.0%	59.90	0.7%	4.6	0.9%	1.94	0.2%
Other	454.3	15.1%	1,054.2	13.0%	63.6	11.8%	77.7	7.4%
Sub-Total	838.6	27.9%	1,424.92	17.5%	88.3	16.4%	98.40	9.3%
Other Assets								
Capital Gains Distribution	677.6	22.6%	1.169.19	14.4%	0	0.0%	0.00	0.0%
Partnerships, S-Corps., Fiducs	164.9	5.5%	786.68	9.7%	23.3	4.3%	119.57	11.4%
Installment Sales, Miscell.	299.5	10.0%	679.77	8.4%	0	0.0%	21.42	2.0%
Personal residence	40.2	1.3%	na		0	0.0%	na	
Sub-Total	1182.2	39.4%	2,635.63	32.4%	23.3	4.3%	140.99	13.4%
TOTAL	3,003.9	100.0%	8,138.3	100.0%	538.9	100.0%	1,052.9	100.0%

IX. HOLDING PERIODS

- 2 ways to calculate average holding period:
 - Simple average: sum the holding periods for all transactions, and divide by the number of transactions.
 - Weighted average: weight the holding period by the value of the gain/loss.



		ding Period ahted)*		Aver. Holding Period (Unweighted)		
Asset Type	Gains	Losses	Gains	Losses		
Capital Assets	10.0	5.0	4.5	3.1		
Stocks	8.6	4.5	4.0	2.5		
Bonds & Notes	12.6	3.2	5.8	4.6		
Mutual Funds	5.3	3.6	3.5	3.6		
Nonfarm Real Estate	16.6	7.8	13.8	8.5		
Personal Property	1.8	15.3	3.2	14.5		
Commoditites	6.2	0.7	4.3	0.5		
Qualif.Small Business Stock	-	-	-	-		
Partnership Interest, Other	15.7	12.1	12.3	7.3		
Unknown	4.4	3.2	3.0	6.8		
Business Assets	13.3	3.8	7.9	3.2		
Livestock	4.6	1.6	4.3	1.8		
Farmland	17.3	2.9	17.1	1.7		
Depreciable Farm Real Est.	18.5	12.1	20.8	19.7		
Farm Implements	8.5	8.1	8.9	5.2		
Non-Farm Land	9.2	7.8	8.4	9.4		
Depreciable Real Estate	14.0	3.8	10.2	3.1		
Depreciable Personal Prop.	15.0	2.3	6.5	2.8		
Timber, Coal, Standing crop	11.7	1.7	13.1	1.7		
Partnerships, Sub-S	8.4	3.1	4.4	3.5		
Unknown	15.1	2.7	5.2	2.7		

	4		
Asset type	1 year or less	> 1year	>20 years
Capital Assets			
Stocks	16.1%	83.9%	4.5%
Bonds and Notes	4.4%	95.6%	8.4%
Mutual Funds	10.6%	89.4%	0.1%
NonBusiness Real Estate	3.5%	96.5%	26.7%
Tangible Personal Prop.	44.2%	55.8%	0.0%
Commodities	12.1%	87.9%	2.8%
Qualified Small Business Stock	0.0%	100.0%	0.0%
Other	7.0%	93.0%	30.7%
Unknown	4.8%	95.2%	0.0%
Total Personal Assets	13.2%	86.8%	6.3%
Business Assets			
Livestock	1.1%	98.9%	0.0%
Farmland	0.0%	100.0%	39.4%
Depreciable Farm Real Est.	2.9%	97.1%	54.2%
Farm Implement	1.9%	98.1%	2.3%
Nonfarm Land	0.0%	100.0%	0.5%
Depreciable NonFarm Real Est	1.0%	99.0%	14.0%
Depreciable Personal Property	2.4%	97.6%	40.7%
Timber, coal, standing crop, etc	0.0%	100.0%	4.1%
Partnership Interest	0.2%	99.8%	0.0%
Unknown	0.3%	99.7%	0.8%
Total Business Assets	0.8%	99.2%	10.6%

Asset type	1 year or less	> 1year	>20 years
Capital Assets			
Stocks	43.4%	56.6%	2.6%
Bonds and Notes	42.9%	57.1%	0.0%
Mutual Funds	36.0%	64.0%	0.0%
NonBusiness Real Estate	15.6%	84.4%	10.4%
Tangible Personal Prop.	2.5%	97.5%	0.0%
Commodities	49.4%	50.6%	0.0%
Qualified Small Business Stock	-	-	-
Other	14.0%	86.0%	12.5%
Unknown	66.8%	33.2%	0.0%
Total Personal Assets	41.2%	58.8%	2.7%
Business Assets			
Livestock	20.6%	79.4%	0.0%
Farmland	0.0%	100.0%	0.0%
Depreciable Farm Real Est.	0.0%	100.0%	33.0%
Farm Implement	6.8%	93.2%	16.2%
Nonfarm Land	5.8%	94.2%	0.0%
Depreciable NonFarm Real Est	1.4%	98.6%	0.0%
Depreciable Personal Property	28.2%	71.8%	0.0%
Timber, coal, standing crop, etc	0.0%	100.0%	0.0%
Partnership Interest	0.5%	99.5%	0.0%
Unknown	0.1%	99.9%	0.0%
Total Business Assets	6.3%	93.7%	1.3%

DISTRIBUTION OF CAPITAL LOSSES, BY ASSET TYPE & HOLDING PERIOD, 1999

			<u> </u>			
Asset Type	1989	1991	Gair 1993	ns 1995	1997	1999
isser Type	1000	1001	1000	1000	1001	1000
Capital Assets	10.7	12.1	8.2	8.4	10.0	10.0
Stocks	9.5	11.1	6.5	6.3	9.4	8.6
Bonds & Notes	7.3	4.2	7.4	6.0	7.6	12.6
Mutual Funds	3.9	3.4	7.6	6.2	9.1	5.3
Nonfarm Real Estate	15.2	17.6	16.5	16.1	14.7	16.6
Personal Property	13.4	19.5	6.0	18.2	2.4	1.8
Commoditites	1.9	3.0	5.0	4.6	6.9	6.2
Partnership Interest, Other	8.4	14.3	8.0	7.2	6.6	15.7
Unknown	4.4	9.1	9.7	2.5	20.0	4.4
Business Assets	9.4	10.6	11.0	11.5	11.4	13.3
Livestock	4.4	3.9	4.2	4.7	3.9	4.6
Farmland	23.7	21.0	20.8	22.2	20.2	17.3
Depreciable Farm Real Est.	15.1	11.5	5.5	8.9	9.1	18.5
Farm Implements	7.3	9.9	7.3	10.3	7.8	8.5
Non-Farm Land	12.6	22.0	19.0	13.6	15.8	9.2
Depreciable Real Estate	10.6	11.2	12.5	11.4	12.3	14.0
Depreciable Personal Prop.	7.2	7.0	8.3	9.0	7.7	15.0
Timber, Coal, Standing crop	11.4	19.9	12.0	16.2	15.3	11.7
Partnerships, Sub-S	7.1	8.5	8.2	5.1	10.0	8.4

X. TAX BENEFIT OF CAPITAL GAINS EXCLUSION

All Taxfilers

	ALL	TAXFILERS						TAX BEN	EFIT OF
	TAXFILERS	WITH N	ET CAPITAL	GAINS*	AMOUNT O	F NET CA	PITAL GAI	60% EXC	LUSION
			% of total	% of	Total An	nount			
WAGI CLASS	Count		filers	all	of Gai	ins	Aver.Gain	Total Tax	Benefit
(\$)	of Filers	Count	with gains	filers	(\$ million)	%	(\$)	(\$ m)	%
30,000 and less	1,392,040	204,528	40.0%	14.7%	840.1	13.1%	4,108	29.27	11.4%
>30,000 - 50,000	486,254	94,500	18.5%	19.4%	660.8	10.3%	6,993	28.62	11.19
>50,000 - 100,000	528,175	146,849	28.7%	27.8%	1,189.2	18.5%	8,098	48.27	18.8%
>100,000 - 300,000	114,925	55,484	10.9%	48.3%	1,360.6	21.2%	24,522	54.70	21.3%
>300,000	14,167	9,420	1.8%	66.5%	2,373.7	36.9%	251,985	96.30	37.4%
TOTAL	2,535,561	510,781	100.0%	20.1%	6,424.5	100.0%	12,578	257.16	100.0%

* "Net Capital Gains" refers to the excess of net long-term capital gains over net short-term capital losses.

X. TAX BENEFIT OF CAPITAL GAINS EXCLUSION

TAX BENEFITS OF 60% NET CAPITAL GAINS EXCLUSION, TAX YEAR 1999

		Filers with Net Capital Gains		Amo	unt of	Amount	Tax
	No. of			Net Capital Gains		of 60%	benefit of
	Taxfilers	Count	as % of filers	Total	Aver.Amt.	exclusion	exclusion
				\$m	\$	\$m	\$m
All filers	2,535,561	510,781	20.1%	6,424.5	12,578	3,854.7	257.2
Elderly	328,679	118,654	36.1%	2,051.1	17,286	1,230.7	82.4
Non-Elderly	2,206,882	392,128	17.8%	4,373.4	11,153	2,624.0	174.8
Sched. F(\$6000) filers **	39,903	23,245	58.3%	322.9	13,891	193.7	12.7
Sched. C filers	282,208	76,065	27.0%	1,489.4	19,581	893.6	60.1

** Schedule F filers with at least \$6,000 of gross farm receipts.



- Relative importance of capital gains to total WI individual income tax is limited by the 60% exclusion and the \$500 capital loss limit.
- Taxable capital gains accounted for 3.1% of total gross income in 1999. Prior to 1997, it had been below 2%.
- In contrast, wages and salaries accounted for 77%, rents and partnerships 4.6%, and taxable pensions 4.2%.

