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# Wisconsin Legislative Council

## AMENDMENT MEMO

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**Contact:** Scott Grosz, Principal Attorney

### 2023 Assembly Bill 406

### Assembly Substitute Amendment 1

## 2023 ASSEMBLY BILL 406

2023 Assembly Bill 406 (AB 406) updates state-law references to the Internal Revenue Code (IRC) under the individual income and corporate income and franchise taxes to conform to most federal tax provisions adopted through federal legislation in 2021 and 2022.<sup>1</sup> These updates to state tax law would apply retroactively and for taxable years beginning after 2022.

However, AB 406 would not adopt the provision under the federal ARPA that creates an income tax exclusion for certain forgiven student loans. Also, AB 406 does not include certain provisions relating to tax treatment of high-deductible health plans (HDHPs) contained in CAA22 and CAA23.

In addition, AB 406 would adopt for state tax purposes Section 1202 of the IRC related to excluding the sale of qualified small business stock from taxable income, retroactive to tax year 2019, and including any future changes to that provision.

## ASSEMBLY SUBSTITUTE AMENDMENT 1

Similar to the bill, as introduced, Assembly Substitute Amendment 1 (ASA1) to AB 406:

- Updates state-law references to the IRC under the individual income and corporate income and franchise taxes to conform to most federal tax provisions adopted through federal legislation in 2021 and 2022, applicable retroactively and for taxable years beginning after 2022.
- Would not adopt the provisions relating to student loan forgiveness under ARPA nor tax treatment of HDHPs under CAA22 and CAA23.
- Would adopt the IRC provision related to excluding the sale of qualified small business stock from taxable income, retroactive to tax year 2019, including any future changes to that provision.

However, the provisions in ASA1 to AB 406 are organized and drafted differently, as compared to the bill as introduced, based on feedback from the State Department of Revenue (DOR).

## BILL HISTORY

On September 6, 2023, Representative Katsma introduced AB 406, and on September 14, 2023, Representative Katsma offered ASA1. On October 10, 2023, the Assembly Committee on Ways and

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<sup>1</sup> Federal enactments modifying the IRC during 2021 and 2022 include the American Rescue Plan Act of 2021 (ARPA), the Paycheck Protection Program Extension Act of 2021, the Surface Transportation Extension Act of 2021, the Further Surface Transportation Extension Act of 2021, the Infrastructure Investment and Jobs Act, the Consolidated Appropriations Act of 2022 (CAA22), the Supreme Court Security Funding Act of 2022, the Inflation Reduction Act of 2022, and the Consolidated Appropriations Act of 2023 (CAA23).

Means recommended adoption of ASA1 and passage of AB 406, as amended, on votes of Ayes, 12; Noes, 0.

For a full history of the bill, visit the Legislature's [bill history page](#).

SG:jal