



Legislative Fiscal Bureau

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TO: Members
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: Individual Income Tax Rate Reductions under Enrolled 2023 SB 70 and 2023 Act 19

This memorandum provides information regarding the individual income tax reduction under enrolled 2023 SB 70 (the 2023-25 budget as passed by the Legislature) and 2023 Act 19 (the 2023-25 biennial budget act). Table 1 shows the income tax rate and bracket schedule that would have applied for tax year 2023 prior to enactment of Act 19.

TABLE 1

Individual Income Tax Rate and Bracket Schedule under Prior Law, Tax Year 2023

<u>Tax Rate</u>	<u>Income Tax Brackets by Filing Status</u>		
	<u>Single and Head-of-Household</u>	<u>Married-Joint</u>	<u>Married-Separate</u>
3.54%	\$0 to \$13,810	\$0 to \$18,420	\$0 to \$9,210
4.65%	13,810 to 27,630	18,420 to 36,840	9,210 to 18,420
5.30%	27,630 to 304,170	36,840 to 405,550	18,420 to 202,780
7.65%	304,170 and over	405,550 and over	202,780 and over

Table 2 displays the rate and bracket schedule for tax year 2023 under enrolled SB 70. The bill would have reduced the top marginal rate from 7.65% to 6.50%, collapsed the third bracket (5.30%) into the second bracket (4.65%) and reduced the corresponding rate to 4.40%, and reduced the 3.54% rate to 3.50%. This provision was estimated to reduce individual income tax collections by \$1,489.3 million in 2023-24 and \$1,421.4 million in 2024-25.

TABLE 2**Tax Rate and Bracket Schedule under Enrolled Senate Bill 70, Tax Year 2023**

<u>Tax Rate</u>	<u>Income Tax Brackets by Filing Status</u>		
	<u>Single and Head-of-Household</u>	<u>Married-Joint</u>	<u>Married-Separate</u>
3.50%	\$0 to \$13,810	\$0 to \$18,420	\$0 to \$9,210
4.40%	13,810 to 304,170	18,420 to 405,550	9,210 to 202,780
6.50%	304,170 and over	405,550 and over	202,780 and over

Attachment 1 displays a distributional table of the income tax rate reductions that would have applied for tax year 2023 under enrolled SB 70. Attachment 1 demonstrates that 2.3 million filers would have received total tax decreases of \$1,326.9 million in tax year 2023, for an average decrease of \$573. The tax year reduction is smaller than the estimated reduction for 2023-24 due to: (a) the timing difference between the tax year and fiscal year; (b) anticipated changes by individuals who make estimated payments; and (c) reduced pass-through withholding revenues from nonresident owners of pass-through entities.

Table 3 displays the rate and bracket schedule applicable for tax year 2023, pursuant to Act 19. The rate reductions included in enrolled SB 70 for the bottom two brackets were enacted, while the 5.30% and 7.65% rates were vetoed by the Governor and remain as under prior law. This provision is estimated to reduce individual income tax collections relative to prior law by \$86.8 million in 2023-24 and \$87.8 million in 2024-25.

TABLE 3**Tax Rate and Bracket Schedule under Act 19, Tax Year 2023**

<u>Tax Rate</u>	<u>Income Tax Brackets by Filing Status</u>		
	<u>Single and Head-of-Household</u>	<u>Married-Joint</u>	<u>Married-Separate</u>
3.50%	\$0 to \$13,810	\$0 to \$18,420	\$0 to \$9,210
4.40%	13,810 to 27,630	18,420 to 36,840	9,210 to 18,420
5.30%	27,630 to 304,170	36,840 to 405,550	18,420 to 202,780
7.65%	304,170 and over	405,550 and over	202,780 and over

Attachment 2 displays a distributional table of the Act 19 reductions. As shown, it is estimated that 2.3 million filers will receive total tax decreases of \$82.9 million, for an average decrease of \$36 in tax year 2023.

The estimated number of taxpayers receiving a tax decrease is lower under Act 19 than under enrolled SB 70 primarily due to nonresident/part-year resident filers. Wisconsin income tax owed

by these individuals is prorated based on the ratio of their Wisconsin income to their federal income, which could be a considerably small percentage. As a result, the total Wisconsin income tax reduction under Act 19 for some of these nonresident/part-year resident filers is negligible. Similarly, the average tax decrease for individuals with Wisconsin adjusted gross income (AGI) below \$25,000 is smaller under Act 19 than under enrolled SB 70 primarily because some nonresident/part-year residents have a considerably smaller amount of Wisconsin AGI than federal AGI. For these nonresident/part-year resident filers, their tax reduction under enrolled SB 70 would have been larger than their comparatively low Wisconsin AGI would otherwise suggest.

BL/lb
Attachments

ATTACHMENT 1

Estimated Distribution of Taxpayers with a Tax Decrease under Enrolled SB 70: Reduce 3.54% Rate to 3.50%, Reduce 5.30% and 4.65% Rates to 4.40%, and Reduce 7.65% Rate to 6.50%, Tax Year 2023*

Wisconsin Adjusted Gross Income	Taxpayers with a Tax Decrease					Tax Decrease as % of Net Tax	Count of All Returns	% of All Returns in AGI Class
	Count	% of Count	Amount of Tax Decrease	% of Decrease	Average Decrease			
Under \$5,000	32,459	1.4%	\$329,250	<0.1%	\$10	9.6%	471,849	6.9%
5,000 to 10,000	23,642	1.0	520,647	<0.1	22	9.2	209,515	11.3
10,000 to 15,000	29,292	1.3	627,876	<0.1	21	8.1	170,884	17.1
15,000 to 20,000	74,712	3.2	782,901	0.1	10	5.0	150,071	49.8
20,000 to 25,000	108,807	4.7	1,195,286	0.1	11	3.8	149,469	72.8
25,000 to 30,000	127,467	5.5	1,925,345	0.1	15	3.5	154,594	82.5
30,000 to 40,000	283,002	12.2	9,087,431	0.7	32	4.6	303,992	93.1
40,000 to 50,000	268,510	11.6	23,633,241	1.8	88	7.6	274,020	98.0
50,000 to 60,000	220,759	9.5	36,326,183	2.7	165	9.9	224,456	98.4
60,000 to 70,000	171,855	7.4	42,792,445	3.2	249	11.6	174,677	98.4
70,000 to 80,000	138,870	6.0	46,550,773	3.5	335	12.9	141,022	98.5
80,000 to 90,000	112,671	4.9	47,754,379	3.6	424	13.8	114,228	98.6
90,000 to 100,000	96,304	4.2	49,552,124	3.7	515	14.5	97,605	98.7
100,000 to 125,000	192,207	8.3	130,339,067	9.8	678	15.4	194,584	98.8
125,000 to 150,000	133,623	5.8	124,221,583	9.4	930	16.5	135,489	98.6
150,000 to 200,000	143,065	6.2	178,979,069	13.5	1,251	17.1	145,579	98.3
200,000 to 250,000	60,795	2.6	103,461,797	7.8	1,702	17.3	62,063	98.0
250,000 to 300,000	29,848	1.3	64,389,735	4.9	2,157	17.4	30,590	97.6
300,000 to 500,000	43,179	1.9	133,970,838	10.1	3,103	17.3	44,208	97.7
500,000 to 1,000,000	17,795	0.8	109,670,590	8.3	6,163	16.6	18,294	97.3
1,000,000 and over	<u>7,291</u>	<u>0.3</u>	<u>220,811,891</u>	<u>16.6</u>	30,286	16.7	<u>7,620</u>	95.7
Total	2,316,153	100.0%	\$1,326,922,451	100.0%	\$573	15.1%	3,274,809	70.7%

--In tax year 2023, it is estimated that 2,316,153 filers (70.7% of all filers) would receive tax decreases totaling \$1,326.9 million, for an average decrease of \$573. Taxpayers not receiving a decrease would generally be those with no net tax liability under current law.

--Filers with Wisconsin AGI under \$100,000 would represent 72.9% of all filers with a tax decrease, and would receive 19.7% of the estimated decrease. Their estimated average tax decrease would be \$155 in tax year 2023.

--Filers with Wisconsin AGI of \$100,000 or more would represent 27.1% of all filers with a tax decrease, and would receive 80.3% of the estimated decrease. Their estimated average tax decrease would be \$1,698 in tax year 2023.

--On average, filers receiving a tax decrease would experience a 15.1% estimated reduction in their net tax liability relative to current law. In general, this percentage, and the average tax decrease, rise with income.

Based on a simulation of tax year 2023 by the Department of Revenue.

*This distribution does not include the estimated reduction in amounts withheld from nonresident owners of pass-through entities (\$22.3 million).

ATTACHMENT 2

Estimated Distribution of Taxpayers with a Tax Decrease under 2023 Act 19: Reduce 3.54% Rate to 3.50% and Reduce 4.65% Rate to 4.40%, Tax Year 2023

Wisconsin Adjusted Gross Income	Taxpayers with a Tax Decrease					Tax Decrease as % of Net Tax	Count of All Returns	% of All Returns in AGI Class
	Count	% of Count	Amount of Tax Decrease	% of Decrease	Average Decrease			
Under \$5,000	24,211	1.1%	\$36,182	<0.1%	\$1	1.1%	471,849	5.1%
5,000 to 10,000	22,446	1.0	65,689	0.1	3	1.2	209,515	10.7
10,000 to 15,000	28,746	1.2	94,705	0.1	3	1.2	170,884	16.8
15,000 to 20,000	74,409	3.2	214,453	0.3	3	1.4	150,071	49.6
20,000 to 25,000	108,607	4.7	511,740	0.6	5	1.6	149,469	72.7
25,000 to 30,000	127,300	5.5	1,145,957	1.4	9	2.1	154,594	82.3
30,000 to 40,000	282,800	12.3	6,789,452	8.2	24	3.4	303,992	93.0
40,000 to 50,000	268,371	11.6	9,313,892	11.2	35	3.0	274,020	97.9
50,000 to 60,000	220,666	9.6	9,106,986	11.0	41	2.5	224,456	98.3
60,000 to 70,000	171,778	7.5	7,604,149	9.2	44	2.1	174,677	98.3
70,000 to 80,000	138,813	6.0	6,343,287	7.6	46	1.8	141,022	98.4
80,000 to 90,000	112,634	4.9	5,307,681	6.4	47	1.5	114,228	98.6
90,000 to 100,000	96,263	4.2	4,662,975	5.6	48	1.4	97,605	98.6
100,000 to 125,000	192,129	8.3	9,592,633	11.6	50	1.1	194,584	98.7
125,000 to 150,000	133,570	5.8	6,815,999	8.2	51	0.9	135,489	98.6
150,000 to 200,000	143,002	6.2	7,348,493	8.9	51	0.7	145,579	98.2
200,000 to 250,000	60,758	2.6	3,119,780	3.8	51	0.5	62,063	97.9
250,000 to 300,000	29,821	1.3	1,523,045	1.8	51	0.4	30,590	97.5
300,000 to 500,000	43,138	1.9	2,170,156	2.6	50	0.3	44,208	97.6
500,000 to 1,000,000	17,764	0.8	860,501	1.0	48	0.1	18,294	97.1
1,000,000 and over	<u>7,272</u>	<u>0.3</u>	<u>319,361</u>	<u>0.4</u>	44	<0.1	<u>7,620</u>	95.4
Total	2,304,498	100.0%	\$82,947,116	100.0%	\$36	0.9%	3,274,809	70.4%

--In tax year 2023, it is estimated that 2,304,498 filers (70.4% of all filers) will receive tax decreases totaling \$82.9 million, for an average decrease of \$36. Taxpayers not receiving a decrease are generally those with no net tax liability under current law.

--Filers with Wisconsin AGI under \$100,000 represent 72.8% of all filers with a tax decrease, and receive 61.7% of the estimated decrease. Their estimated average tax decrease is \$31 in tax year 2023.

--Filers with Wisconsin AGI of \$100,000 or more represent 27.2% of all filers with a tax decrease, and receive 38.3% of the estimated decrease. Their estimated average tax decrease is \$51 in tax year 2023.

--On average, filers receiving a tax decrease experience a 0.9% estimated reduction in their net tax liability relative to current law. This percentage increases until Wisconsin AGI reaches \$40,000, and declines thereafter.

Based on a simulation of tax year 2023 by the Department of Revenue.