

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-3973/1	Introduction Number AB-0969	
Description increasing certain individual income tax rates and expanding the number of brackets, a one-time increase in the general program operations appropriation of the University of Wisconsin System, and making an appropriation		
Fiscal Effect		
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input checked="" type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
Fund Sources Affected Affected Ch. 20 Appropriations <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.285 (1) (a)		
Agency/Prepared By DOR/ Bradley Caruth (608) 261-8984	Authorized Signature Michael Oakleaf (608) 261-5173	Date 3/6/2020

Fiscal Estimate Narratives
DOR 3/6/2020

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Description increasing certain individual income tax rates and expanding the number of brackets, a one-time increase in the general program operations appropriation of the University of Wisconsin System, and making an appropriation		

Assumptions Used in Arriving at Fiscal Estimate

Under current law Wisconsin has four individual income tax rates and brackets. For single individuals, heads of household, and certain fiduciaries in 2020, taxable income in each bracket is subject to graduated rates as follows:

Taxable Income	Tax Rate
less than \$ 11,970	3.79%
\$11,970 to \$ 23,930	4.96%
\$23,930 to \$263,480 ...	6.27%
\$263,480 or more	7.65%

For married individuals filing jointly, the rates are the same, but the bracket boundaries are approximately 33% higher. For married individuals filing separately, the bracket boundaries are approximately 33% lower.

Note that, though, they are not affected by this bill, the lowest two rates are not finalized for tax year 2020. Under 2019 Wisconsin Act 10, DOR is required to estimate the increase in sales tax revenue collected from marketplace providers (as defined in s. 77.51 (7i)) and to reduce the lowest two income tax rates to offset that sales tax revenue increase.

This bill, effective in tax year 2020, creates a fifth income tax rate and bracket. For single individuals, heads of household, certain fiduciaries, and married individuals filing separately, the 7.65% bracket will extend to \$500,000 and a new 8.25% bracket will apply to income above \$500,000. The rate is the same for married individuals filing jointly, but the bracket begins at \$1,000,000 instead of \$500,000.

The bill also requires DOR to estimate the increase in revenue that results from the bill and certify that amount to the secretary of administration. The additional revenue is then applied to the general program operations appropriation for the University of Wisconsin System.

Based on the 2017 DOR tax model, inflated to reflect tax year 2020 income levels, DOR expects the new bracket to increase general purpose revenue by \$142.5 million in fiscal year 2021, \$125.9 million in fiscal year 2022, and \$134.1 million in fiscal year 2023, with similar annual amounts thereafter. Assuming DOR certifies the fiscal year 2021 revenue increase attributable to tax year 2020, the certification amount would be approximately \$117.6 million.

Costs to administer this bill are minimal and can be absorbed by the Department.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
II. Annualized Costs:		
	Annualized Fiscal Impact on funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	State	Local
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$See Text	\$

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Date

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