



State of Wisconsin
2021 - 2022 LEGISLATURE

LRB-5771/1
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2021 SENATE BILL 1049

March 9, 2022 - Introduced by Senator ROTH, cosponsored by Representatives CABRAL-GUEVARA, ALLEN and SCHRAA. Referred to Committee on Financial Institutions and Revenue.

1 **AN ACT to amend** 71.06 (1q) (a), 71.06 (1q) (b), 71.06 (1q) (c), 71.06 (1q) (d), 71.06
2 (2) (i) 1., 71.06 (2) (i) 2., 71.06 (2) (i) 3., 71.06 (2) (i) 4., 71.06 (2) (j) 1., 71.06 (2)
3 (j) 2., 71.06 (2) (j) 3. and 71.06 (2) (j) 4.; and **to create** 73.03 (77) of the statutes;
4 **relating to:** reducing individual income tax rates on the basis of excess general
5 fund tax collections.

Analysis by the Legislative Reference Bureau

Tax rates for 2022

This bill decreases the individual income tax rates for tax year 2022. Under current law, there are four income tax brackets for single individuals, certain fiduciaries, and heads of households; married persons filing joint returns; and married persons filing separate returns. The brackets are indexed for inflation. The rate of taxation under current law for the four brackets for single individuals, fiduciaries, and heads of households, before indexing for inflation, is as follows:

1. For taxable income not exceeding \$7,500, 4.0 percent.
2. For taxable income exceeding \$7,500, but not \$15,000, 5.21 percent.
3. For taxable income exceeding \$15,000, but not \$225,000, 6.27 percent.
4. For taxable income exceeding \$225,000, 7.65 percent.

Under current law, the tax rates in each bracket for married persons filing jointly and married persons filing separately are the same, but the dollar amounts in each bracket vary. The bill decreases the tax rate for each type of taxpayer as follows:

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1. The rate in the first bracket is decreased to 2.15 percent.
2. The rate in the second bracket is decreased to 2.85 percent.
3. The rate in the third bracket is decreased to 3.20 percent.
4. The rate in the fourth bracket is decreased to 4.50 percent.

Tax rates after 2022

Under the bill, if the amount of taxes submitted to the Department of Revenue and deposited into the general fund in any taxable year after 2022 exceeds the estimated amount of such taxes for the corresponding fiscal year under the biennial budget act, DOR must determine how much the individual income tax rates in each tax bracket will be reduced for the next taxable year in order to decrease individual income tax revenue for that taxable year by the excess amount. The bill requires DOR to reduce the individual income tax rates listed in each bracket in proportion to the share of gross tax attributable to each of the tax brackets. The change in the tax rates must carry forward to subsequent taxable years.

Under the bill, DOR must certify and report the change in the tax rates to the Department of Administration, the governor, the Joint Committee on Finance, and the Legislative Audit Bureau. If LAB arrives at a different calculation of the tax rates than that determined by DOR, JCF decides which tax rates apply for the next taxable year.

Under current law, if the amount of moneys projected to be deposited in the general fund during the fiscal year that are designated as "Taxes" in the summary of the biennial budget act is less than the amount of such moneys actually deposited in the general fund during the fiscal year, the DOA secretary must deposit 50 percent of the excess amount into the budget stabilization fund. However, the secretary is not required to make the transfer if the balance of the budget stabilization fund on June 30 of the fiscal year is at least equal to 5 percent of the estimated expenditures from the general fund during the fiscal year. Under the bill, the DOA secretary does not transfer moneys to the budget stabilization fund in any fiscal year corresponding to the taxable year in which an individual income tax rate reduction takes effect, as provided under the bill. In addition, no tax rate reduction made under the bill may cause the general fund balance on June 30 of the fiscal year corresponding to the taxable year to be less than the general fund balance that is required under current law for that fiscal year.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

For further information see the state fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 71.06 (1q) (a) of the statutes is amended to read:

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1 71.06 (1q) (a) On all taxable income from \$0 to \$7,500, 4.40 percent, except that
2 for taxable years beginning after December 31, 2013, and before January 1, 2022, 4.0
3 percent, and for taxable years beginning after December 31, 2021, 2.15 percent.

4 **SECTION 2.** 71.06 (1q) (b) of the statutes is amended to read:

5 71.06 (1q) (b) On all taxable income exceeding \$7,500 but not exceeding
6 \$15,000, 5.84 percent, except that for taxable years beginning after December 31,
7 2018, and before January 1, 2022, 5.21 percent, and for taxable years beginning after
8 December 31, 2021, 2.85 percent.

9 **SECTION 3.** 71.06 (1q) (c) of the statutes is amended to read:

10 71.06 (1q) (c) On all taxable income exceeding \$15,000 but not exceeding
11 \$225,000, 6.27 percent, except that for taxable years beginning after December 31,
12 2020, and before January 1, 2022, 5.30 percent, and for taxable years beginning after
13 December 31, 2021, 3.20 percent.

14 **SECTION 4.** 71.06 (1q) (d) of the statutes is amended to read:

15 71.06 (1q) (d) On all taxable income exceeding \$225,000, 7.65 percent, except
16 that for taxable years beginning after December 31, 2021, 4.50 percent.

17 **SECTION 5.** 71.06 (2) (i) 1. of the statutes is amended to read:

18 71.06 (2) (i) 1. On all taxable income from \$0 to \$10,000, 4.40 percent, except
19 that for taxable years beginning after December 31, 2013, and before January 1,
20 2022, 4.0 percent, and for taxable years beginning after December 31, 2021, 2.15
21 percent.

22 **SECTION 6.** 71.06 (2) (i) 2. of the statutes is amended to read:

23 71.06 (2) (i) 2. On all taxable income exceeding \$10,000 but not exceeding
24 \$20,000, 5.84 percent, except that for taxable years beginning after December 31,

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1 2018, and before January 1, 2022, 5.21 percent, and for taxable years beginning after
2 December 31, 2021, 2.85 percent.

3 **SECTION 7.** 71.06 (2) (i) 3. of the statutes is amended to read:

4 71.06 (2) (i) 3. On all taxable income exceeding \$20,000 but not exceeding
5 \$300,000, 6.27 percent, except that for taxable years beginning after December 31,
6 2020, and before January 1, 2022, 5.30 percent, and for taxable years beginning after
7 December 31, 2021, 3.20 percent.

8 **SECTION 8.** 71.06 (2) (i) 4. of the statutes is amended to read:

9 71.06 (2) (i) 4. On all taxable income exceeding \$300,000, 7.65 percent, except
10 that for taxable years beginning after December 31, 2021, 4.50 percent.

11 **SECTION 9.** 71.06 (2) (j) 1. of the statutes is amended to read:

12 71.06 (2) (j) 1. On all taxable income from \$0 to \$5,000, 4.40 percent, except that
13 for taxable years beginning after December 31, 2013, and before January 1, 2022, 4.0
14 percent, and for taxable years beginning after December 31, 2021, 2.15 percent.

15 **SECTION 10.** 71.06 (2) (j) 2. of the statutes is amended to read:

16 71.06 (2) (j) 2. On all taxable income exceeding \$5,000 but not exceeding
17 \$10,000, 5.84 percent, except that for taxable years beginning after December 31,
18 2018, and before January 1, 2022, 5.21 percent, and for taxable years beginning after
19 December 31, 2021, 2.85 percent.

20 **SECTION 11.** 71.06 (2) (j) 3. of the statutes is amended to read:

21 71.06 (2) (j) 3. On all taxable income exceeding \$10,000 but not exceeding
22 \$150,000, 6.27 percent, except that for taxable years beginning after December 31,
23 2020, and before January 1, 2022, 5.30 percent, and for taxable years beginning after
24 December 31, 2021, 3.20 percent.

25 **SECTION 12.** 71.06 (2) (j) 4. of the statutes is amended to read:

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1 71.06 (2) (j) 4. On all taxable income exceeding \$150,000, 7.65 percent, except
2 that for taxable years beginning after December 31, 2021, 4.50 percent.

3 **SECTION 13.** 73.03 (77) of the statutes is created to read:

4 73.03 (77) (a) To reduce individual income tax rates as provided under this
5 paragraph. If the amount of taxes submitted to the department and deposited into
6 the general fund in any taxable year exceeds the estimated amount of such taxes for
7 the corresponding fiscal year under the applicable biennial budget act, the
8 department shall determine how much the individual income tax rates listed in each
9 bracket under s. 71.06 shall be reduced for the immediately succeeding taxable year
10 in order to decrease individual income tax revenue for that taxable year by the excess
11 amount. The department shall reduce the individual income tax rates listed in each
12 bracket under s. 71.06 in proportion to the share of gross tax attributable to each of
13 the tax brackets. The reduced rates determined under this paragraph shall carry
14 forward to subsequent taxable years.

15 (b) The reduction of the tax rates under par. (a) first applies to the taxable year
16 beginning after December 31, 2022, and before January 1, 2024, if the amount of tax
17 revenue submitted to the department and deposited into the general fund in that
18 taxable year exceeds the estimated amount of such taxes for the corresponding fiscal
19 year under the 2023-25 biennial budget act.

20 (c) No later than October 15 of each year, the secretary of revenue shall certify
21 and report the determinations made under par. (a) to the secretary of the department
22 of administration, the governor, the joint committee on finance, and the legislative
23 audit bureau and specify with that certification and report that the new tax rates
24 take effect for the immediately succeeding taxable year.

