



2023 SENATE BILL 374

August 9, 2023 - Introduced by Senators STAFSHOLT, BALLWEG, BRADLEY and QUINN, cosponsored by Representatives ZIMMERMAN, PETRYK, GREEN, MAGNAFICI, O'CONNOR and WITTKE. Referred to Committee on Universities and Revenue.

1 **AN ACT** *to amend* 71.10 (7) (a) and 71.10 (7) (c); and *to create* 71.10 (7) (d) of the
2 statutes; **relating to:** Wisconsin and Minnesota income tax reciprocity.

Analysis by the Legislative Reference Bureau

This bill requires the Department of Revenue, in conjunction with the Minnesota Department of Revenue, to conduct a study on the effects of instituting income tax reciprocity between Wisconsin and Minnesota. The study must determine the number of residents of each state who earn income in the other state, the total amount of income earned in each state by such taxpayers, and the amount of tax revenue that would be forgone by each state if reciprocity were instituted. Under reciprocity, taxpayers must pay taxes only in their state of residence on income earned in the other state. The study is to be based on income tax data for taxable years 2020 and 2021 and any other information each DOR determines is necessary to complete the study. The results of the study must be submitted to the legislature and governor of each state no later than December 31, 2024.

The bill also requires that any income tax reciprocity agreement between Wisconsin and Minnesota applies to wages, salaries, tips, and commissions received by persons who reside in this state or Minnesota for at least 183 days during their taxable years and return to their state of residence at least once per month; does not have an expiration or termination date; and is approved by both the governor and the Joint Committee on Finance. Under the bill, Wisconsin may not make a payment to Minnesota for any prior taxable years before the reciprocity agreement takes effect, and a reciprocity agreement may not be revised unless approved by JCF.

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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.** 71.10 (7) (a) of the statutes is amended to read:

2 71.10 (7) (a) For purposes of income tax reciprocity reached with the state of
3 Minnesota under s. 71.05 (2), whenever the income taxes on residents of one state
4 which would have been paid to the 2nd state without reciprocity exceed the income
5 taxes on residents of the 2nd state which would have been paid to the first state
6 without reciprocity, the state with the net revenue loss shall receive from the other
7 state the amount of the loss. Interest shall be payable on all delinquent balances
8 relating to taxable years beginning after the first December 31, ~~1977~~ after the date
9 identified in the notice under 2023 Wisconsin Act ... (this act), section 4 (2). The
10 secretary of revenue may enter into agreements with the state of Minnesota
11 specifying the reciprocity payment due date, conditions constituting delinquency,
12 interest rates and the method of computing interest due on any delinquent amounts.

13 **SECTION 2.** 71.10 (7) (c) of the statutes is amended to read:

14 71.10 (7) (c) For taxable years beginning after the first December 31, ~~2000~~ after
15 the date identified in the notice under 2023 Wisconsin Act ... (this act), section 4 (2),
16 this state shall pay Minnesota interest on any reciprocity payment that is due under
17 this subsection. Interest shall be calculated according to the Laws of Minnesota 2002
18 Chapter 377, or at another rate and under another method of calculation that is
19 agreed to by Minnesota and Wisconsin.

20 **SECTION 3.** 71.10 (7) (d) of the statutes is created to read:

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1 71.10 (7) (d) 1. No agreement that is entered into under this subsection on or
2 after the effective date of this subdivision ... [LRB inserts date], may take effect
3 unless all of the following apply:

4 a. The agreement applies to wages, salaries, tips, and commissions received as
5 an employee by persons who reside in this state or Minnesota for at least 183 days
6 during their taxable years and who return to their state of residence at least once per
7 month.

8 b. The agreement contains no expiration or termination date.

9 c. The agreement is approved by the governor and by the joint committee on
10 finance under s. 13.10.

11 2. a. This state may not make a payment under an agreement entered into
12 under this subsection for any taxable year ending before the effective date of this
13 subd. 2. a. ... [LRB inserts date].

14 b. An agreement entered into under this subsection may provide for making
15 estimated payments during a year and for a final payment for the year to be made
16 after computing the amount of the loss for the year as described in par. (b).

17 3. An agreement entered into under this subsection that takes effect on or after
18 the effective date of this subdivision ... [LRB inserts date], may not be revised unless
19 approved by the joint committee on finance under s. 13.10.

20 4. An agreement entered into under this subsection may require that a study
21 be conducted no more than once every 5 years to obtain information necessary to
22 determine payments under this subsection.

SECTION 4. Nonstatutory provisions.

23 (1) DEPARTMENT OF REVENUE STUDY.
24

SENATE BILL 374**SECTION 4**

1 (a) In this subsection, “income from personal services” means wages, salaries,
2 tips, and commissions received as an employee.

3 (b) The department of revenue, in conjunction with the Minnesota department
4 of revenue, shall conduct a study to determine at least all of the following:

5 1. The number of residents of each state who earn income from personal
6 services in the other state, including an assessment of population trends in the
7 counties along the border between the 2 states.

8 2. The total amount of income from personal services earned in each state by
9 the taxpayers described in subd. 1.

10 3. The amount of tax revenue that would be foregone by each state if an income
11 tax reciprocity agreement were instituted between the 2 states under which the
12 taxpayers were required to pay income taxes on such income only in their state of
13 residence.

14 (c) The study under par. (b) shall be conducted as soon as practicable, using
15 information obtained from each state’s income tax returns for taxable years 2020 and
16 2021 and from any other source of information the departments determine is
17 necessary to complete the study.

18 (d) No later than December 31, 2024, the department of revenue shall submit
19 a report containing the results of the study under par. (b) to the legislature under s.
20 13.172 (2), the joint committee on finance, the governor, and the governor and
21 legislature of Minnesota.

22 (2) NOTICE OF APPROVED RECIPROCITY AGREEMENT. As soon as practicable after a
23 reciprocity agreement under s. 71.10 (7) is approved by the governor and the joint
24 committee on finance, the department of revenue shall send a notice to the legislative

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1 reference bureau for publication in the Wisconsin Administrative Register that
2 states the date on which the agreement was approved.

3 (END)