

Fiscal Estimate - 2021 Session

Original
 Updated
 Corrected
 Supplemental

| | |
|-----------------------------|------------------------------------|
| LRB Number 21-1944/1 | Introduction Number AB-0078 |
|-----------------------------|------------------------------------|

Description
 individual income tax brackets and rates

Fiscal Effect

State:

| | | |
|---|--|---|
| <input type="checkbox"/> No State Fiscal Effect | <input type="checkbox"/> Increase Existing Revenues | <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget |
| <input type="checkbox"/> Indeterminate | <input checked="" type="checkbox"/> Decrease Existing Revenues | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> Increase Existing Appropriations | | <input type="checkbox"/> Decrease Costs |
| <input type="checkbox"/> Decrease Existing Appropriations | | |
| <input type="checkbox"/> Create New Appropriations | | |

Local:

| | | |
|--|--|--|
| <input type="checkbox"/> No Local Government Costs | 5. Types of Local Government Units Affected | |
| <input type="checkbox"/> Indeterminate | <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others 0 <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts | |
| 1. <input type="checkbox"/> Increase Costs | 3. <input type="checkbox"/> Increase Revenue | |
| <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | |
| 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 | |

| | |
|---|---------------------------------------|
| 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 | |

| | | |
|---|---|--------------------------|
| Agency/Prepared By DOR/ Bradley Caruth (608) 261-8984 | Authorized Signature Michael Oakleaf (608) 261-5173 | Date 2/19/2021 |
|---|---|--------------------------|

Fiscal Estimate Narratives

DOR 2/19/2021

| | | | | | |
|--|-----------|---------------------|---------|---------------|----------|
| LRB Number | 21-1944/1 | Introduction Number | AB-0078 | Estimate Type | Original |
| Description individual income tax brackets and rates | | | | | |

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 2021, taxable income in each bracket is subject to graduated rates as follows:

| Taxable Income | Tax Rate |
|----------------------------|----------|
| less than \$ 12,120 | 3.54% |
| \$12,120 to \$ 24,250 | 4.65% |
| \$24,250 to \$266,930 ... | 6.27% |
| \$266,930 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.

This bill, effective in tax year 2021, reduces the number of rates and brackets from four to three. For single individuals, heads of household, certain fiduciaries, and married individuals filing separately, the current law 4.65% bracket will be reduced to 3.54%, creating a single, wider bracket at the 3.54% rate.

The bill also requires DOR to update its income tax withholding tables within 90 days after enactment of the bill.

Based on the 2018 DOR tax model, inflated to reflect tax year 2021 income levels, DOR expects the rate change to reduce general purpose revenue by \$8.4 million in FY21, \$262 million in FY22, and similar annual amounts thereafter.

The withholding tables are not indexed for inflation, so they reflect the rates and brackets from 2014. Updating the withholding tables affects cashflow, but does not impact net tax liability. As such, it primarily results in a large one-time revenue loss rather than an ongoing revenue loss. A full update of the withholding rate and bracket parameters to reflect the proposed 2021 rates and brackets would result in a revenue loss of approximately \$408 million in FY22 and \$22 million in FY23. Approximately \$62 million of the FY22 revenue loss will shift from FY22 to FY21 for each month the withholding table change goes into effect before the end of FY21.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

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| | | | |
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| Description individual income tax brackets and rates | | | |
| 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 | | | |
| | | <u>State</u> | <u>Local</u> |
| NET CHANGE IN COSTS | | \$ | \$ |
| NET CHANGE IN REVENUE | | \$See Text | \$ |
| Agency/Prepared By | | Authorized Signature | Date |
| DOR/ Bradley Caruth (608) 261-8984 | | Michael Oakleaf (608) 261-5173 | 2/19/2021 |