

Fiscal Estimate - 2021 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 21-1904/1	Introduction Number SB-058
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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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Decrease Existing Revenues	<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		
<input type="checkbox"/> Indeterminate	5. Types of Local Government Units Affected	
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Counties <input type="checkbox"/> Others
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<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	Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984	Ann DeGarmo (608) 266-7179	2/3/2021

Fiscal Estimate Narratives

DOR 2/3/2021

LRB Number	21-1904/1	Introduction Number	SB-058	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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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
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