

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 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 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 <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 N/A	

Agency/Prepared By LFB/ Dan Spika (608) 266-3847	Authorized Signature Bob Lang (608) 266-3847	Date 2/3/2021
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Fiscal Estimate Narratives

LFB 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, taxable income (the amount of income actually subject to tax) is arrived at by subtracting the state's sliding scale standard deduction and personal exemptions from Wisconsin adjusted gross income (AGI). To arrive at Wisconsin AGI, several modifications to federal AGI are made.

For tax year 2021, taxable income is subject to the tax rate and bracket schedule shown in Table 1. In general, the brackets are indexed each year based on the annual change in the consumer price index (CPI).

TABLE 1

State Individual Income Tax Rates and Brackets under Current Law, Tax Year 2021

Tax Rate - Single and Head-of-Household

- 3.54% - Less than \$12,120
- 4.65% - 12,120 to 24,250
- 6.27% - 24,250 to 266,930
- 7.65% - 266,930 and over

Tax Rate - Married-Joint

- 3.54% - Less than \$16,160
- 4.65% - 16,160 to 32,330
- 6.27% - 32,330 to 355,910
- 7.65% - 355,910 and over

Tax Rate - Married-Separate

- 3.54% - Less than \$8,080
- 4.65% - 8,080 to 16,160
- 6.27% - 16,160 to 177,960
- 7.65% - 177,960 and over

The bill would repeal the tax rate and bracket structure under current law (Table 1), and would replace it with the rate and bracket structure displayed in Table 2, beginning in tax year 2021. The new rate and bracket structure would effectively delete the tax rate associated with the second bracket and, instead, would subject all income currently taxed at 4.65% to the 3.54% tax rate. The brackets would continue to be indexed to the annual change in CPI in a similar manner as under current law.

TABLE 2

State Individual Income Tax Rates and Brackets under SB 58, Tax Year 2021

Tax Rate - Single and Head-of-Household

- 3.54% - Less than \$24,250
- 6.27% - 24,250 to 266,930
- 7.65% - 266,930 and over

Tax Rate - Married-Joint

- 3.54% - Less than \$32,330
- 6.27% - 32,330 to 355,910
- 7.65% - 355,910 and over

Tax Rate - Married-Separate

- 3.54% - Less than \$16,160
- 6.27% - 16,160 to 177,960
- 7.65% - 177,960 and over

The bill would also direct the Department of Revenue to update the income tax withholding tables to reflect the changes made in SB 58 no later than 90 days after the bill's effective date. Finally, the bill would update individual income tax provisions relating to bracket indexing and the calculation of tax liability for nonresident and part-year resident filers to conform to the new rate and bracket structure.

It is estimated that the bill would reduce individual income tax revenues on a tax year basis by \$260.0 million in tax year 2021, \$268.3 million in tax year 2022, and \$279.1 million in tax year 2023. In addition, the bill would create a one-time estimated reduction in individual income tax revenues of \$117 million to reflect the withholding table change required under SB 58. Due to differences in timing between state fiscal years and tax years, it is estimated that individual income tax revenue would be reduced on a fiscal year basis by \$39.0 million in 2020-21, \$341.7 million in 2021-22, and \$273.2 million in 2022-23 and annually thereafter. This estimate assumes that the withholding table change required under the bill would take effect on May 1, 2021, and that this one-time effect would be spread between 2020-21 (-\$39.0 million) and 2021-22 (-\$78.0 million).

Long-Range Fiscal Implications

See text under "Assumptions used in arriving at fiscal estimate"