Fiscal Estimate - 2023 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 23-3825/1	Introduction Number AB-0375

Description
Wisconsin and Minnesota income tax reciprocity

Fiscal Effect

State:

☐ No State Fiscal Effect
☐ Indeterminate
- ☐ Increase Existing Appropriations
- ☐ Decrease Existing Appropriations
- ☐ Create New Appropriations
- ☐ Increase Existing Revenues
- ☐ Decrease Existing Revenues
- ☒ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☒ No
- ☐ Decrease Costs

Local:

☐ No Local Government Costs
☐ Indeterminate
1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
   ☐ Towns ☐ Village ☐ Cities
   ☐ Counties ☐ Others
   ☐ School Districts ☐ WTCS Districts

Fund Sources Affected

☒ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984	Michael Oakleaf (608) 261-5173	8/22/2023

Fiscal Estimate Narratives

DOR 8/22/2023

LRB Number **23-3825/1**	Introduction Number **AB-0375**	Estimate Type **Original**
Description Wisconsin and Minnesota income tax reciprocity		

Assumptions Used in Arriving at Fiscal Estimate

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.

The bill does not reinstate a reciprocity agreement with Minnesota, so it does not directly impact existing revenue. The bill will increase administrative costs associated with conducting a study. However, in order to reinstate an income tax reciprocity agreement, DOR would need participation from the Minnesota DOR in such a study.

Long-Range Fiscal Implications

Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **23-3825/1**	Introduction Number **AB-0375**
Description Wisconsin and Minnesota income tax reciprocity	
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, ets.)		
	Increased Rev	Decreased Rev
GPR Taxes	$	$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	$	$
NET ANNUALIZED FISCAL IMPACT		
	State	Local
NET CHANGE IN COSTS	$See Text	$
NET CHANGE IN REVENUE	$	$

Agency/Prepared By	**Authorized Signature**	**Date**
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