

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-1049/1	Introduction Number SB-0001
Description establishing a flat individual income tax rate	
Fiscal Effect	
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs	
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 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 5. Types of Local Government Units Affected <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	
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 2/3/2023	

Fiscal Estimate Narratives
DOR 2/3/2023

LRB Number	23-1049/1	Introduction Number	SB-0001	Estimate Type	Original
Description establishing a flat individual income tax rate					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, Wisconsin imposes four graduated individual income tax rates. After accounting for a standard deduction and personal exemptions, the tax rates are applied to remaining taxable income. For single taxpayers in 2023, the bottom rate of 3.54% applies to taxable income below \$13,810; the second rate of 4.65% applies to taxable income between \$13,810 and \$27,630; the third rate of 5.3% applies to taxable income between \$27,630 and \$304,170; the top rate of 7.65% applies to taxable income exceeding \$304,170. Married taxpayers filing joint returns use the same rates, but the tax bracket thresholds are approximately 33% higher. Married taxpayers filing separate returns also use the same rates, but the tax bracket thresholds are approximately 33% lower. The tax bracket thresholds are indexed for inflation on an annual basis.

This bill reduces the individual income tax rates for tax year 2023 to 3.47%, 4.3%, 4.79%, and 6.55%, respectively. In tax year 2024, the bill further reduces rates to 3.4%, 3.95%, 4.28%, and 5.45%, respectively. In tax year 2025, the bill reduces rates to 3.32%, 3.6%, 3.76%, and 4.35%, respectively. In tax year 2026 and thereafter the rate of taxation is 3.25% for all taxable income under the bill.

The bill also requires that the department of revenue adjust income tax withholding tables by October 1 each year from 2023 to 2025. Based on a simulation of the proposed tax rates, DOR expects the bill to reduce individual income tax collections by \$2.11 billion in fiscal year 2024, \$2.85 billion in fiscal year 2025, \$4.31 billion in fiscal year 2026, and approximately \$5.06 billion annually thereafter.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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LRB Number 23-1049/1	Introduction Number SB-0001	
Description establishing a flat individual income tax rate		
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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		2/3/2023