

Fiscal Estimate Narratives

DOR 1/16/2024

LRB Number	23-5361/1	Introduction Number	SB-0869	Estimate Type	Original
Description an income tax subtraction for overtime wages and certain bonuses					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates an individual income tax exemption for hourly wages received by an employee for work performed in excess of 40 hours for a single employer in any week during the taxable year. The bill also creates an individual income tax exemption of up to \$2,500 for each taxable year for bonuses received by an employee for work performed for an employer.

DOR does not receive any data to independently determine overtime hours/pay or to distinguish bonuses from other earnings. This limits the ability of the department to determine the fiscal effect of the proposal or to adequately administer the provisions.

Based on data from the Census Bureau, about 12 percent of hourly workers reported working overtime each month in 2021, accounting for about \$6.2 billion of overtime pay. Adjusting to 2024, this suggests the exemption for overtime pay would reduce revenue by approximately \$400 million annually.

According to the Bureau of Labor Statistics, about 40 percent of private industry employees had access to employer-provided bonuses in 2020, accounting for about 2.3 percent of total employee compensation. If the average bonus claim for these Wisconsin workers was \$1,290 (corresponding to an average wage of \$56,120), the bill's bonus provision would reduce revenue by approximately \$83 million annually.

According to the American Rescue Plan Act (ARPA) Net Tax Reduction Calculation Update memo released by the Department of Administration on 8/28/2023, the remaining margin for tax reductions before triggering potential SLFRF recoupment at \$113 million for fiscal year 2024 and \$319 million for fiscal year 2025. This bill exceeds those margins.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description an income tax subtraction for overtime wages and certain bonuses		
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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