REPORT
STATE OF WISCONSIN
JOINT SURVEY COMMITTEE ON TAX EXEMPTIONS
2025 ASSEMBLY BILL 50

[Introduced by the Joint Committee on Finance, at the request of Governor Tony Evers]

This report concerns 2025 Assembly Bill 50, relating to state finances and appropriations and constituting the executive budget bill under s. 16.47 (1), Stats.

GENERAL NATURE OF PROVISIONS

The tax-exemption-related provisions of the bill are summarized below. Provisions would become effective on the first day of the third month beginning after publication of the legislation, unless otherwise specified below.

Gender-Neutral Statutory References

The bill makes all provisions under current law that apply to married persons of different sexes applicable to married persons of the same sex.[1]

Fiscal Effect: There are no fiscal effects resulting from the application of gender-neutral references to any of the tax exemption provisions under the bill.

Internal Revenue Code (IRC) Update

The bill updates references to the IRC under the individual income and corporate income and franchise taxes to adopt certain provisions of the Tax Cuts and Jobs Act of 2017 (TCJA). The bill adopts the TCJA items related to the following: (1) loss limitation for taxpayers other than corporations; (2) accounting rules for accrual-method taxpayers; (3) limitation on the deduction for business interest; (4) limitation on the deduction for entertainment, amusement, and recreation expenses; (5) limitation on the deduction of Federal Deposit Insurance Corporation (FDIC) premiums; and (6) modification of the limitation on the deduction for highly paid individuals. The changes would apply to tax years beginning after December 31, 2024.[2]

Fiscal Effect: The Department of Administration (DOA) estimates these provisions would increase state income tax revenue by approximately $237.4 million in 2025-26 and $250.4 million in 2026-27, as shown in the chart below (in millions):

TCJA Provision	2025-26	2026-27
Loss limitation for taxpayers other than corporations	$46.6	$48.7
Accounting rules for accrual method taxpayers	1.2	1.2
Limitation on the deduction for business interest	159.4	169.7
Limitation on the deduction for entertainment, etc.	16.5	16.9

[1] 2025 Spill Draft LRB-0912/P2 (gender-neutral statutory references).
[2] 2025 Spill Draft LRB-1023/P1 (IRC update – federal Tax Cuts and Jobs Act).

Limitation on the deduction for FDIC premiums	10.1	10.3
Modification of the limitation for highly paid individuals	3.6	3.6
Total	**$237.4**	**$250.4**

Dividends Received Deduction Limitation

Current law allows corporations to deduct dividends received from related corporations when calculating income for state tax purposes, in certain cases, as specified in the statutes. Current law also allows businesses to carry forward net business losses to future taxable years to offset income in those years. The bill provides that the deduction for dividends received may not be taken into account when determining whether a corporation has a net business loss that may be carried forward. The changes would apply to tax years beginning after December 31, 2024.[3]

Fiscal Effect: DOA estimates that the dividends received deduction limitation would increase revenue from corporate income and franchise tax collections by approximately $3.2 million annually, beginning in 2025-26.

Private School Tuition Deduction Limitation

Current law allows individuals, when computing their income for state tax purposes, to subtract a portion of the tuition paid during the year to send a child who is the individual's dependent to a private school. The maximum deduction is $4,000 for a pupil enrolled in kindergarten through grade eight and $10,000 for a pupil enrolled in grades nine through twelve. The bill provides that the deduction for private school tuition may only be claimed by individuals with federal adjusted gross income (AGI) below $100,000 for single individuals and heads of household; $150,000 for married couples filing jointly; and $75,000 for married couples filing separately. The changes would apply to tax years beginning after December 31, 2024.[4]

Fiscal Effect: DOA estimates that the private school tuition deduction limitation would increase revenue from individual income tax collections by approximately $6.5 million annually, beginning in 2025-26.

Sales Tax Exemption for Diapers and Feminine Hygiene Products

Current law imposes a sales and use tax on retail sales of tangible personal property. The bill creates an exemption from this tax for sales of diapers and feminine hygiene products.[5]

Fiscal Effect: DOA estimates the sales tax exemption for diapers and feminine hygiene products would reduce state tax revenue by approximately $14.9 million in 2025-26 and $20.4 million in 2026-27 and annually thereafter.

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[3] 2025 Spill Draft LRB-1029/P1 (dividends received deduction limitation).
[4] 2025 Spill Draft LRB-1030/P1 (private school tuition deduction limitation).
[5] 2025 Spill Draft LRB-1042/P2 (sales tax exemption for diapers and feminine hygiene products).

Repeal of Sales Tax Exemption for Farm-Raised Deer

Current law includes an exemption from the sales and use tax for sales of farm-raised deer to a person operating a hunting preserve or game farm. The bill repeals the exemption.[6]

Fiscal Effect: DOA estimates the repeal of the sales tax exemption for farm-raised deer would increase state tax revenue by approximately $90,000 in 2025-26 and $120,000 in 2026-27 and annually thereafter.

Sales Tax Exemption for Gun Safes, Trigger Locks, and Barrel Locks

Current law imposes a sales and use tax on retail sales of tangible personal property. The bill creates an exemption from this tax for sales of gun safes, trigger locks, and gun barrel locks.[7]

Fiscal Effect: DOA estimates the sales tax exemption for gun safes, trigger locks, and barrel locks would reduce state tax revenue by approximately $525,000 in 2025-26 and $720,000 in 2026-27 and annually thereafter.

Sales Tax Exemption for Breastfeeding Equipment

Current law imposes a sales and use tax on retail sales of tangible personal property. The bill creates an exemption from this tax for sales of breast pumps, breast pump kits, and breast pump storage and collection supplies.[8]

Fiscal Effect: DOA estimates the sales tax exemption for breastfeeding equipment would reduce state tax revenue by approximately $562,500 in 2025-26 and $750,000 in 2026-27 and annually thereafter.

Disability Income Subtraction Increase

Current law generally imposes a tax on net income earned in the state. However, individuals under age 65 who are retired and disabled, as specified in the statutes, may subtract certain disability payments from their income (provided that, if the individual is married, they must choose the married-joint filing status). The subtraction equals up to $100 of disability income per week, or $5,200 per year (per disabled spouse if a married-joint filer). The amount that may be subtracted is reduced dollar-for-dollar by the amount that the taxpayer's AGI exceeds $15,000. The subtraction is thus eliminated for AGI above $20,200, or $25,400 for married-joint filers, if both spouses are disabled.

The bill expands the subtraction for disability payments received by individuals under age 65 to equal up to $5,500 (from $5,200) per year (per disabled spouse if a married-joint filer), beginning in the 2025 tax year. The bill also makes the subtraction available to filers who are married, filing separately, who were previously unable to take the deduction, as long as they are otherwise eligible. Finally, the bill increases the AGI amounts used to determine eligibility to: (1) $30,000 for single and head-of-household filers; (2) $60,000 for married-joint filers; and (3) $60,000 combined AGI for both spouses if married-separate filers. For filers with federal AGI above these thresholds, no subtraction would be permitted.[9]

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[6] 2025 Spill Draft LRB-1044/P1 (repeal of sales tax exemption for farm-raised deer).
[7] 2025 Spill Draft LRB-1049/P2 (sales tax exemption for gun safes, trigger locks, and barrel locks).
[8] 2025 Spill Draft LRB-1051/P2 (sales tax exemption for breastfeeding equipment).
[9] 2025 Spill Draft LRB-1053/P1 (disability income subtraction increase).

Fiscal Effect: DOA estimates that the expansion of the disability income subtraction would reduce revenue from individual income tax collections by approximately $260,000 annually, beginning in 2025-26.

Sales Tax Exemption for Prairie and Wetland Counseling Services

Current law imposes a sales and use tax on retail sales of landscaping and lawn maintenance services. The bill creates an exemption from this tax for sales of planning and counseling services for the restoration, reclamation, or revitalization of prairie, savanna, or wetlands to improve biodiversity; the quality of land, soils, or water; or other ecosystem functions ("prairie and wetland counseling services"). In order for the exemption to apply, the prairie and wetland counseling services must be provided for a separate and optional fee distinct from other services, as specified in the bill.[10]

Fiscal Effect: DOA estimates the sales tax exemption for prairie and wetland counseling services would reduce state tax revenue by approximately $450,000 in 2025-26 and $660,000 in 2026-27 and annually thereafter.

Battery Storage Components for Renewable Energy Systems

Current law imposes a sales and use tax on retail sales of tangible personal property. However, an exemption applies to products whose power source is wind energy, direct radiant energy from the sun, or gas generated from anaerobic digestion of animal manure and other agricultural waste, that are capable of producing at least 200 watts of alternating current (AC) or 600 British thermal units (BTUs) per day; except that the exemption does not apply to an uninterruptible power source that is designed primarily for computers. Sales of electricity or energy produced by a product that qualifies for the foregoing exemption is also exempt under current law.

The bill replaces the current exemption for renewable energy systems with two new sales tax exemptions that are generally similar but which together would be broader in scope, as compared to the current exemption. The first exemption created under the bill applies to solar power systems and wind energy systems that produce electrical or heat energy directly from the sun or wind. The second exemption created under the bill applies to waste energy systems that produce usable electrical or heat energy directly from gas generated from anaerobic digestion or animal manure and other agricultural waste.

In both cases, the exemption applies only if the system is capable of continuously producing at least 20 watts of AC or 600 BTUs. Both exemptions may be applied to the sale of electricity or energy produced by a product that qualifies for the exemption. Also, both exemptions may be applied to tangible personal property, such as batteries, that is sold with the system and used to store or facilitate the storage of the energy, except this may not include an uninterruptible power source designed primarily for computers, as specified in the bill.[11]

Fiscal Effect: DOA estimates that the expansion of the sales tax exemption for renewable energy systems would reduce state tax revenue by approximately $3.2 million in 2025-26 and $4.5 million in 2026-27 and annually thereafter.

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[10] 2025 Spill Draft LRB-1067/P1 (sales tax exemption prairie and wetland counseling services).
[11] 2025 Spill Draft LRB-1070/P1 (battery storage components for renewable energy systems).

Marijuana Legalization

Current law prohibits a person from manufacturing, distributing, delivering, or possessing marijuana. The bill legalizes the possession of marijuana; regulates the production, processing, and selling of marijuana; creates a process for the review of previous marijuana convictions; creates a registration requirement for Tetrahydrocannabinol (THC) testing labs, prohibits discrimination based on marijuana use; and exempts THC screening from drug testing for certain public assistance programs; among other changes.

Current law imposes a sales and use tax on retail sales of tangible personal property. The bill makes sales of recreational marijuana subject to the sales and use tax. Additionally, the bill creates an excise tax on the sale of marijuana, which is imposed at a rate of 10 percent of the sales price on each retail marijuana sale, as specified in the bill.

An individual meeting the definition of a "qualifying patient" may also possess marijuana for medical purposes, and is exempt from any sales or use tax and from the imposition of the 10 percent excise tax for such purchases, as specified in the bill. The Department of Revenue (DOR) must create and maintain a medical marijuana registry program so individuals may obtain registry identification cards and tax-exemption certificates, as specified in the bill.

The bill defines a "qualifying patient" as a person 18 years or older that has been diagnosed by a physician as having a "debilitating medical condition or treatment," which includes certain specified conditions such as cancer, glaucoma, Alzheimer's disease, post-traumatic stress disorder, and others, as well as any "chronic or debilitating disease or medical condition" that causes certain symptoms including cachexia, severe pain, severe nausea, or seizures, among others.[12]

Fiscal Effect: DOA estimates that the imposition of the excise tax on marijuana would generate approximately $56.7 million in 2026-27, $110.7 million in 2027-28, and $143.4 million in 2028-29. Also, DOA estimates that sales tax revenue would increase by approximately $13.3 million in 2026-27, $28 million in 2027-28, and $37 million in 2028-29, as a result of marijuana legalization. For a summary of the expenses of marijuana legalization, see "Marijuana-Related Provisions," pages 423 to 441, in *Legislative Fiscal Bureau's Summary of Governor's Budget Recommendations - March 2025*.

Property Tax Exemption for Telecom and Communication Towers

Under current law, telephone companies must pay the telecommunications property tax, which is a state levy on the property of a telephone company used in the operation of the company. Any property of a telephone company that is subject to the telecommunications property tax must be assessed by DOR and is exempt from general property taxes imposed at the local level.

The bill creates an exemption from the general property tax for radio, cellular, and telecommunication towers used exclusively to support equipment that provides telecommunications services or that is used as digital broadcasting equipment, as specified in the statutes. The bill also exempts radio, cellular, and telecommunication towers that are classified as real property from the telecommunications property tax. The changes under the bill would first apply to property tax assessments as of January 1, 2026.[13]

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[12] 2025 Spill Draft LRB-1186/P5 (marijuana legalization).
[13] 2025 Spill Draft LRB-1407/P1 (telecom and communication tower property tax exemption).

Fiscal Effect: DOA estimates that the telecom and communication towers property tax exemption would reduce state tax revenue by approximately $1.5 million in 2026-27.

Increased Personal Exemption

Under current law, the state income tax is subject to a $700 personal exemption for taxpayers, their spouses, and their dependents. The bill increases the income tax personal exemption from $700 to $1,200 per applicable individual, for taxable years that begin after December 31, 2024.[14]

Fiscal Effect: DOA estimates that the increased personal exemption would reduce revenue from individual income tax collections by approximately $112.4 million in 2025-26 and $113.5 million in 2026-27.

Income Tax Deduction for Labor Union Dues and Expenses

Under current law, an individual may not subtract expenses paid to a labor organization when computing their income for state tax purposes. The bill creates an individual state income tax subtraction for the amount of membership dues and expenses paid by a person to a labor organization, for taxable years beginning after December 31, 2026.[15]

Fiscal Effect: DOA estimates that the income tax subtraction for membership dues and expenses paid to a labor organization would reduce revenue from individual income tax collections by approximately $4 million beginning in 2027-28 and annually thereafter.

Sales Tax Exemption for Electricity and Natural Gas Sales

Under current law, electricity and natural gas sold during November, December, January, February, March, and April for residential use is exempt from the sales and use tax. The bill expands this exemption to apply throughout the year, so that electricity and natural gas sold for residential use would be exempt from the tax, regardless of when it was sold.[16]

Fiscal Effect: DOA estimates that the expansion of the sales tax exemption for electricity and natural gas sales would reduce state tax revenue by approximately $49.7 million in 2025-26 and $105.9 million in 2026-27 and annually thereafter.

Catastrophe Savings Accounts

Under the bill, a person may establish an account at a financial institution and designate the account as a catastrophe savings account for the purpose of holding savings to prepare for a catastrophic event. The account may be a joint account or marital account, as specified in the statutes, but no individual may be an account owner of more than one catastrophe savings account. The bill defines a "catastrophic event" as a tornado, hurricane, or severe storm resulting in flooding, damaging hail, extreme wind, or extremely cold temperatures.

If an owner of a catastrophe savings account maintains a property insurance policy covering catastrophic events, then annual deposits in the account are limited based on the amount of the policy deductible. If the policy deductible is not more than $1,000, then annual deposits in the account may not exceed $2,000. If the policy deductible exceeds $1,000, then annual deposits may not exceed $15,000 or twice the amount of the deductible, whichever is less.

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[14] 2025 Spill Draft LRB-1474/P1 (increase the personal exemption).
[15] 2025 Spill Draft LRB-1614/P2 (Wisconsin income tax deductibility for labor union dues).
[16] 2025 Spill Draft LRB-1650/P2 (sales tax exemption – electricity and natural gas sales).

Under the bill, for taxable years beginning after December 31, 2024, the account owner of an account, described above, may subtract from their income an amount corresponding to any deposit made to the account during the taxable year, as well as any increase in the value of the account other than from a deposit into the account. An amount for which a subtraction is taken may be withdrawn, without triggering any state income tax, if it is used to pay for property damage caused by a catastrophic event, or if it is used to pay for a deductible of an insurance policy covering loss or damage from a catastrophic event, as specified in the bill. Amounts withdrawn from an account and not used for either purpose must be added to the account owner's state income in the taxable year of the withdrawal.[17]

Fiscal Effect: DOA estimates that as a result of the subtractions for deposits by account owners and other increases in value of catastrophe savings accounts, individual income tax collections would decrease by a minimal amount annually.

Sales Tax Exemption for Over-the-Counter (OTC) Medications

Current law imposes a sales and use tax on retail sales of tangible personal property. The bill creates an exemption from this tax for OTC medications, as specified in the bill.[18]

Fiscal Effect: DOA estimates that the sales tax exemption for over-the-counter medications would reduce state tax revenue by approximately $29.8 million in 2025-26 and $40.8 million in 2026-27 and annually thereafter.

Adoption Deduction Expansion

Under current law, a full-year resident of the state who is an adoptive parent may subtract from their state taxable income up to $5,000 of certain expenses relating to the adoption of a child during the year in which the adoption is finalized, as specified in the statutes. The expenses must be made during the period that consists of the year to which the claim relates and the prior two taxable years. The bill increases the maximum subtraction from income for adoption expenses to $15,000, instead of $5,000, for taxable years beginning after December 31, 2024.[19]

Fiscal Effect: DOA estimates that the adoption deduction expansion would reduce revenue from individual income tax collections by approximately $90,000 in 2025-26 and annually thereafter.

Individual Income Tax Exemption for Tips

Under current law, cash tips received by an employee from the customers of an employee's employer must be included in the employee's income for state income tax purposes. The bill allows employees to exempt from their state income the amounts received as cash tips from the customers of their employer, for taxable years beginning after December 31, 2024.[20]

Fiscal Effect: DOA estimates that the exemption for cash tips would reduce revenue from individual income tax collections by approximately $6.7 million in 2025-26 and $6.9 million in 2026-27.

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[17] 2025 Spill Draft LRB-1668/P1 (catastrophe savings accounts).
[18] 2025 Spill Draft LRB-1766/P2 (exempt OTC medications from sales tax).
[19] 2025 Spill Draft LRB-1870/P1 (adoption deduction expansion).
[20] 2025 Spill Draft LRB-1873/P1 (exempt tips from individual income tax).

LEGALITY INVOLVED

There are no issues of legality impacting any of the tax-exemption-related provisions in the bill.

FISCAL EFFECT

The fiscal effect of each tax-exemption provision is summarized within the general nature of the provision section, above.

PUBLIC POLICY INVOLVED

The Joint Survey Committee on Tax Exemptions finds that the tax-exemption provisions described above are good public policy, on a vote of Ayes, 5; Noes, 4.

6/30/25 **JOINT SURVEY COMMITTEE ON TAX EXEMPTIONS**