



HOWARD MARKLEIN

STATE SENATOR • 17TH SENATE DISTRICT

February 14, 2024 Assembly Committee on State Affairs Testimony on Assembly Bill 1089

Good Morning!

Thank you Chair Swearingen and committee members for hearing Assembly Bill (AB) 1089 that will modify the interest rate for various late, nondelinquent taxes and fees owed to the Department of Revenue (DOR) and to overpayments for those taxes and fees that are refunded by DOR.

AB 1089 would set the over/underpayment interest rate at 6%. Currently DOR pays 3% for overpayments and collects 12% for underpayments. The Internal Revenue Service (IRS) changes the rate frequently, but it is the same for over/underpayments. All of our neighboring states have the same rate for over/under payments.

- Iowa – 6%
- Illinois – 3% (adjusted biannually)
- Indiana – 4%
- Michigan – 4.25% (adjusted biannually)
- Minnesota – 3%

Wisconsin's overpayment rate of 3% was set on July 2, 2013. The underpayment rate of 12% has remained unchanged since August 1, 1981. Prior to November 1, 1975, Wisconsin's over/underpayment rate was 6%.

Passing AB 1089 would equalize our rates, so Wisconsin is not an outlier on this issue. Also, our tax policy should encourage compliance with our tax laws, but not be punitive. The underpayment interest rate owed by the taxpayer is only for past due taxes. The delinquent tax interest rate would still remain at 18%, unless the Secretary of DOR determines that a reduction is fair and equitable.

The Wisconsin Institute of Certified Public Accountants (WICPA) offered input on the drafting of the bill, and supports these changes.

Thank you again for hearing AB 1089, and your timely action on this proposal.