



PATRICK TESTIN

STATE SENATOR

DATE: January 17, 2024

RE: **Testimony on Senate Bill 869**

TO: The Senate Committee on Universities and Revenue

FROM: Senator Patrick Testin

I would like to thank Chairman Hutton and the committee for accepting my testimony on Senate Bill 869 (SB 869).

The function of SB 869 is very simple: it would exempt from income tax any wages earned for working over 40 hours. It also creates an exemption of up to \$2,500 a year for any bonuses earned by an employee.

This is a tax break targeted for middle class families. As the state facing a labor shortage, many workers are being asked to take up extra hours. With the rising costs of food, gas and energy due to inflation, most workers are willing to take on those extra hours to help make ends meet. This bill will help to ensure that extra labor is rewarded and not punished.

I, and a majority of my colleagues, have voted for numerous tax cuts this session, only to be rejected again and again. Let's stop that troubling trend and reward the dedicated taxpaying workers who are working overtime.

Thank you again for listening to my testimony and I hope that you will join me in supporting SB 869. Thank you.



NATE GUSTAFSON

STATE REPRESENTATIVE • 55TH ASSEMBLY DISTRICT

Testimony in Support of Senate Bill 869

Senate Committee on Universities and Revenue

Wednesday, January 17, 2024

Thank you, Chairman Hutton, and esteemed members of the Senate Committee on Universities and Revenue, for scheduling this public hearing and providing me with the opportunity to testify in favor of Senate Bill 869. I also want to express my appreciation to my colleague, Senator Testin, for his leadership on this bill in the Senate.

It's long overdue that hardworking Wisconsinites, such as our truckers, grocery store clerks, factory workers, and nurses, get to keep more of their hard-earned money.

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 establishes 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.

This year, Alabama enacted similar legislation into law that eliminated income tax on overtime wages. This bipartisan legislation passed the Alabama Senate 30-0 and the Alabama House of Representatives 103-0.

I urge you to vote for Senate Bill 869. Your careful attention to this matter is greatly appreciated, and I trust that you will recognize the positive impact Senate Bill 869 can have on our constituents and our state as a whole.

Thank you for your time and consideration.



MEMO

DATE: January 17, 2024
TO: Senate Committee on Universities and Revenue
FROM: Alex Ignatowski, Director of State Budget and Government Reform
RE: Support of Senate Bill 869, exempting taxes on overtime pay

Chairman Hutton and committee members, thank you for this opportunity to testify before you on Senate Bill 869.

This legislation reduces the tax burden on Wisconsin workers and middle class families by exempting income taxes on overtime wages and bonuses up to \$2,500. Specifically, SB 869 would exempt income taxes on hourly wages earned in excess of 40 hours in a given week. The bill would also exempt income taxes from bonuses up to \$2,500. This is a tax targeted at a group that needs help right now - working middle class families. Average Wisconsinites are struggling with the inflated cost of food, gas, and energy. This bill would help the hardest working people in our state keep the fruits of their labor and better weather the current economy.

In November of last year, the Institute for Reforming Government released an [issue brief](#) on this topic. Based on data from the Bureau of Labor Statistics, IRG's work indicated that the average manufacturing employee in Wisconsin would save over \$300 annually if income taxes were eliminated on overtime wages. These savings would only increase if an hourly worker decided to take advantage of more overtime.

[Alabama recently passed](#) similar legislation last year on a [unanimous vote](#). Taking effect at the beginning of this month, workers in Alabama will not need to pay the state's 5% income tax on any wages earned in excess of 40 hours in a given week. [North Carolina](#) is also considering similar legislation.

This legislation could also encourage those in the state's workforce to take on more work, helping to ease the burden of the labor shortage. Polling from Morning Consult showed that 64% of Wisconsinites thought that eliminating income taxes on overtime pay would do just that. As Wisconsin continues to see low-unemployment but lower labor participation, we need to find ways to incentivize work.

Average Wisconsin families are dealing with the soaring costs of everyday goods and employers are finding it harder than ever to find employees to fill vacant positions. Across Wisconsin, workers have had to shoulder the burden of working overtime hours to fill the labor shortage while also trying to keep up with rising prices. Although IRG continues to believe that the elimination of the income tax remains the gold standard for tax reform, we recognize the need for incremental targeted tax relief along the way.

Thank you for the opportunity to testify today and I would be happy to take any questions you may have.