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Testimony before the Senate Committee on Agriculture and Revenue

Senator André Jacque

May 21, 2025

Chairman Testin and Colleagues on the Senate Committee on Agriculture and Revenue:

Thank you for the opportunity to testify in support of SB 36 to support tipped employees by exempting income received in exchange for excellent service. In Wisconsin, tipped employees make up a large amount of the workforce in various service industries throughout the state, particularly in the hospitality and tourism sectors. Many of these employees are high school students, young adults working their way through college, and parents from single-income homes.

This legislation would allow for a state income exemption on cash tips earned by an employee. This change would give a raise to Wisconsin workers by letting them keep more of their hard-earned money in their pocket. It would especially benefit hard working folks across Wisconsin's robust tourism, restaurant, and tavern industries, while providing businesses that use a tip structure as a hiring incentive to recruit employees on the basis that they get to keep more of their own earned income.

In addition, this bill would not affect the day-to-day operation of businesses utilizing current federal tip tax credits, as the proposal only adjusts how individual employees would file their state taxes. If passed, Wisconsin would be the first state in the country to create a state income tax exemption for cash tips paid to employees.

This bill, a reintroduction of 2019's Senate Bill 213/Assembly Bill 231 that I authored with former Rep. Cody Horlacher, positions Wisconsin to promptly conform its tax code to a potential federal tax exemption for tips, which was proposed by President Donald Trump and publicly supported by both major party presidential candidates during the campaign. I am pleased that Gov. Evers included it within his current budget proposal as well. I have an amendment drafted to mirror the proposal working its way through Congress at the national that I will introduce once final wording and enactment is imminent, and am pleased to have joined efforts with the Wisconsin Restaurant Association in support this initiative.

Thank you for your consideration of Senate Bill 36. I'm happy to answer any questions committee members may have.



RON TUSLER

STATE REPRESENTATIVE • 3rd ASSEMBLY DISTRICT

**Testimony in Support of Senate Bill 36
May 21, 2025
Senate Committee on Agriculture & Revenue**

Chairman Testin and members of the Senate Committee on Agriculture & Revenue,

Thank you for the opportunity to testify in support of Senate Bill 36, a common-sense, pro-worker proposal to exempt cash tips from state income tax in Wisconsin.

Tipped workers are a vital part of Wisconsin's economy, especially in the hospitality, restaurant, and tourism industries that help define our state's culture and support our communities. These employees include high school students getting their first work experience, college students working their way through school, and single parents stretching every dollar to support their families.

This legislation gives those workers a raise, not by increasing costs for businesses or expanding government, but by simply letting workers keep more of the money they already earned. That means more money in their pockets for groceries, rent, or gas.

Importantly, this bill doesn't impact employers or interfere with existing federal tip tax credits. It only changes how individual workers file their state taxes. Businesses can continue to operate as they do now, while gaining an edge in hiring by offering prospective employees the chance to take home more of their tips.

If passed, Wisconsin would become the first state in the nation to create a state income tax exemption for cash tips, leading the way on a policy that's gaining bipartisan national momentum. In fact, this very idea was endorsed by President Trump and supported by both major-party candidates in the last election. It's not just popular, it's smart policy.

This bill is about fairness, economic opportunity, and rewarding hard work. I urge the committee to advance this legislation and help thousands of Wisconsin workers keep more of what they earn.

Thank you for hearing Senate Bill 36, I ask for your support on this common-sense legislation.



2801 Fish Hatchery Road | Madison, WI 53713 | 608.270.9950 | wirerestaurant.org

May 21, 2025

TO: Senate Committee on Agriculture and Revenue
Senator Patrick Testin, Chair

FR: Susan Quam, Executive Vice President

RE: Testimony on SB 36 - an income tax exemption for cash tips paid to an employee

Thank you, Chair Testin and committee members, for hearing our testimony today on SB 36, income tax exemption for cash tips paid to an employee.

The Wisconsin Restaurant Association (WRA) represents over 7,000 restaurant locations statewide and represents all segments of the restaurant and hospitality industry. Our membership includes food establishments of all types and sizes, such as seasonal drive-ins, supper clubs, diners, bars, locally owned franchisees, fine-dining, and hotels/resorts. The majority of our members have alcohol licenses. Over 75 percent of our membership are independent restaurants or restaurant groups. Regardless of ownership type, all restaurants are the cornerstones of their neighborhoods and communities. Restaurants not only provide great food, drink, and hospitality, they support schools, teams, charities and churches with fundraising and donations. They provide meeting places to celebrate, mourn and organize, or just provide a safe, tasty meal for a busy family.

Wisconsin eating and drinking establishments employ 216,800 team members, of which 90,240 work in full service restaurants, where the majority of tips are earned. Nationally, tipped employees earn an average of \$27 per hour and we have had operators report to us that their servers are the highest paid employees, many times earning over \$100/hour on busy evenings. While the majority of tipped team members in our industry are part time or seasonal, 31 percent of servers and 45 percent of bartenders are full-year, full-time employees.

The WRA supports this bill and thanks Senator Jacque for bringing it back this session. We also want to bring to the committee's attention what is happening at the federal level regarding no income tax on tips and the need for possible amendments to what is currently in SB 36.

Eliminating income taxes on tips would put cash back in the pocket of a significant number of workers in the restaurant and hospitality industry and could help restaurant operators recruit the industry workforce. A no tax on tips bill is sensible legislation that will support our employees.

As I mentioned earlier, there are efforts at the federal level to eliminate income taxes on tips. Yesterday, the US Senate unanimously passed a bipartisan federal No Tax on Tips bill, that includes protections for

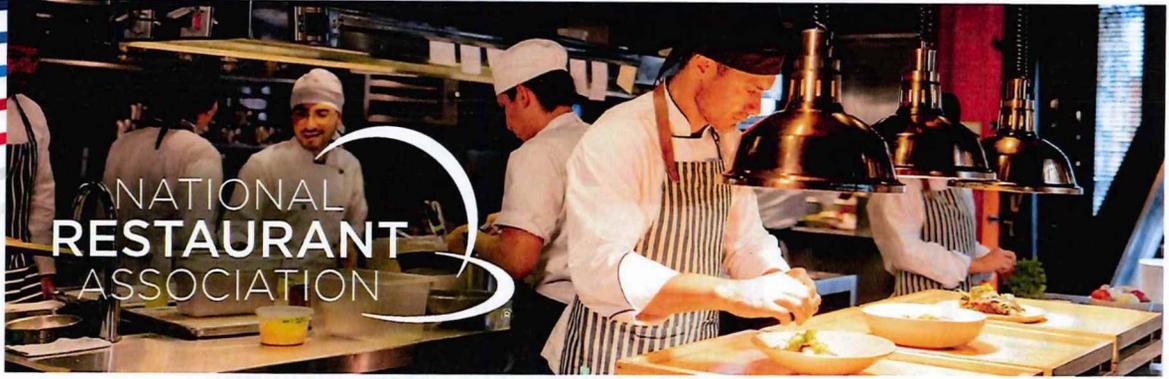
both restaurants and employees relating to the FICA tip tax credit, as well as still requiring employee contributions to Social Security and Medicare. All tips would need to be reported, even though income tax would not be deducted. This is a very important component for our industry. It is critical for employees to demonstrate income to build credit and pay into Social Security and unemployment benefits through FICA contributions. The Senate passed bill's "no tax" provision applies to the first \$25,000 earned in tips and restaurant operators will continue working with the Internal Revenue Service (IRS) to accurately report tips through current compliance efforts. The FICA tip credit (Sec. 45B of the federal tax code) and federal tip pooling requirements do not change.

The current House reconciliation bill also has a "no tax on tips" provision, but it sunsets in 2028 and there is no income limit until a person earns more than \$151,000.

Two key components of both federal bills relate to how tips are defined and what occupations can take advantage of exemption. The US Treasury Department will determine the traditionally tipped industries, which will include restaurants and hospitality. Cash tips are defined to include all voluntary tips received from customers, including charged tips (for example, credit and debit card charges) and tips received from other employees under any tip-sharing arrangement. Service charges, which are not voluntary payments by customers, are currently not counted as tips and that will continue under both bills.

We hope that as this issue is ultimately sussed out at the federal level, that the committee will consider amendments to SB 36 to mirror the federal tax treatment here in Wisconsin. Having two different tax treatments would overcomplicate payroll calculations and create problems for restaurant operators, especially our smaller independents.

Thank you again for the opportunity to provide input on SB 36 and I can take any questions you may have.



NATIONAL
RESTAURANT
ASSOCIATION



WISCONSIN RESTAURANT INDUSTRY IMPACT

INDUSTRY AT A GLANCE IN WISCONSIN



13,154
restaurant locations



\$19.3B
restaurant &
foodservice sales



4th
largest private
employer in the state



Every dollar spent in WI
restaurants contributes
\$1.81
to the state economy



282,600
restaurant &
foodservice jobs



\$3.2B
total taxes paid
by restaurants
in the state

WE ARE RESTAURANTS IN AMERICA



2nd largest
private sector
employer



Nation's **most
diverse
industry**



\$1.4T
restaurant &
foodservice sales



9 in 10
restaurants are
**small
businesses**

JOBS & ENTREPRENEURIAL
OPPORTUNITIES IN EVERY COMMUNITY
WISCONSIN RESTAURANTS



WISCONSIN
RESTAURANT
INDUSTRY
IMPACT

EATING & DRINKING PLACES

U.S. SENATORS

Establishments

Employees*

Tammy Baldwin (D)
Ron Johnson (R)

13,154

216,800

EATING & DRINKING PLACES

U.S. REPRESENTATIVES

Establishments

Employees*

1	Bryan Steil (R)	1,520	27,478
2	Mark Pocan (D)	1,662	33,475
3	Derrick Van Orden (R)	1,727	24,877
4	Gwen Moore (D)	1,496	29,650
5	Scott Fitzgerald (R)	1,356	25,937
6	Glenn Grothman (R)	1,546	25,300
7	Thomas P. Tiffany (R)	2,122	23,255
8	Tony Wied (R)	1,725	26,828

TOTAL

13,154

216,800

*Wisconsin's 216,800 eating and drinking place jobs represent the majority of the state's total restaurant and foodservice workforce of 282,600 jobs, with the remainder being non-restaurant foodservice positions.



For more information: Restaurant.org | WIRestaurant.org