



## Legislative Fiscal Bureau

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June 12, 2019

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Distributional Information on Income Tax Rate Reduction Under AB 251

This memorandum provides distributional information for tax years 2019 and 2020 under three tax rate reduction alternatives based on the estimated increase in sales and use tax identified under Assembly Substitute Amendment 1 to Assembly Bill 251 (ASA 1 to AB 251).

State law establishes four tax brackets and assigns a marginal tax rate to each bracket. The brackets vary by filing status, and each tax bracket spans a range of taxable income. Each marginal tax rate applies only to income that falls within the corresponding bracket, and a taxpayer's gross tax is the cumulative total tax from each applicable bracket. The tax brackets are indexed annually for changes in inflation.

Under the provisions of the substitute amendment, the tax rates enumerated in the state statutes would be reduced so that the lower amount of individual income tax collections will be offset by additional amounts of state sales and use taxes realized during two 12-month periods. For tax year 2019, the reduction would be based on the estimated state sales and use tax collected from certain remote sellers during the 12-month period between October 1, 2018, and September 30, 2019. For tax year 2020, the rate reduction would be based on the estimated state sales and use tax collected from certain remote sellers and marketplace providers during the 12-month period between October 1, 2019, and September 30, 2020.

Based on the provisions in the substitute amendment, the reductions in individual income tax collections are estimated at \$61.0 million for tax year 2019 and \$136.1 million for tax year 2020. The two attachments to this memorandum display the estimated distribution of these amounts by Wisconsin adjusted gross income (AGI) under three tax rate reduction alternatives for tax years 2019 (Attachment 1) and 2020 (Attachment 2). Under the first alternative, the income tax rate reduction would be made to the second tax rate, which is currently 5.84%. This is the tax rate targeted for reduction under ASA 1. Under the second alternative, the rate reduction would be made to the bottom tax rate, currently 4.00%. This is the tax rate targeted for reduction by the Governor for tax year 2019

in the biennial budget bill. Under the third alternative, the rate reduction would be made to all four tax rates in proportion to the share of gross tax attributable to each rate. This across-the-board procedure is authorized under current law for the 2019 tax rate reduction. The following table provides a comparison of the tax rates enumerated in the state statutes to the estimated tax rates for tax years 2019 and 2020 under the three rate reduction alternatives.

**Comparison of Individual Income Tax Rates Enumerated in State Law and  
Estimated Tax Rates Under Three Alternatives Based on Reduction Amounts  
in ASA 1 to AB 251, Tax Years 2019 and 2020**

Tax Rates Enumerated in the State Statutes	Tax Year 2019			Tax Year 2020		
	Reduce Second <u>Tax Rate</u>	Reduce Bottom <u>Tax Rate</u>	Across-the- Board Rate <u>Reduction</u>	Reduce Second <u>Tax Rate</u>	Reduce Bottom <u>Tax Rate</u>	Across-the- Board Rate <u>Reduction</u>
4.00%	4.00%	3.78%	3.98%	4.00%	3.52%	3.95%
5.84	5.58	5.84	5.81	5.27	5.84	5.77
6.27	6.27	6.27	6.23	6.27	6.27	6.19
7.65	7.65	7.65	7.61	7.65	7.65	7.56

In the two attachments, the three tax rate reduction amounts for each year differ by less than \$1 million. This difference occurs as a result of tax rate rounding.

RO/lb  
Attachments

## ATTACHMENT 1

### Estimated Distribution of Taxpayers with a Tax Decrease Under Three Tax Rate Reduction Alternatives Tax Year 2019

Wisconsin Adjusted Gross Income	Reduction to the Second Tax Rate					Count of All Returns	% of All Returns in AGI Class	Reduction to the Bottom Tax Rate					Count of All Returns	% of All Returns in AGI Class
	Count	Percent of Count	Amount of Tax Decrease	Percent of Decrease	Average Decrease			Count	Percent of Count	Amount of Tax Decrease	Percent of Decrease	Average Decrease		
Under \$5,000	12,507	0.6%	-\$19,447	<0.1%	-\$2	472,394	2.6%	30,167	1.3%	-\$82,659	0.1%	-\$3	472,394	6.4%
5,000 to 10,000	12,018	0.6	-39,017	0.1	-3	220,080	5.5	25,318	1.1	-147,286	0.2	-6	220,080	11.5
10,000 to 15,000	11,433	0.6	-62,827	0.1	-5	188,594	6.1	73,578	3.2	-412,999	0.7	-6	188,594	39.0
15,000 to 20,000	11,657	0.6	-100,840	0.2	-9	173,681	6.7	115,049	5.1	-1,522,583	2.5	-13	173,681	66.2
20,000 to 25,000	57,738	3.0	-333,606	0.6	-6	171,290	33.7	142,701	6.3	-3,161,976	5.2	-22	171,290	83.3
25,000 to 30,000	132,754	6.9	-1,778,197	2.9	-13	169,642	78.3	152,200	6.7	-3,659,486	6.0	-24	169,642	89.7
30,000 to 40,000	274,645	14.2	-6,997,064	11.6	-25	316,192	86.9	309,593	13.6	-8,191,176	13.4	-26	316,192	97.9
40,000 to 50,000	254,186	13.1	-7,584,958	12.6	-30	255,796	99.4	254,169	11.2	-7,096,364	11.6	-28	255,796	99.4
50,000 to 60,000	196,202	10.1	-6,663,027	11.0	-34	197,046	99.6	196,184	8.6	-5,636,782	9.2	-29	197,046	99.6
60,000 to 70,000	155,829	8.0	-5,475,801	9.1	-35	156,367	99.7	155,819	6.9	-4,633,924	7.6	-30	156,367	99.6
70,000 to 80,000	125,710	6.5	-4,564,979	7.6	-36	126,060	99.7	125,700	5.5	-3,862,621	6.3	-31	126,060	99.7
80,000 to 90,000	107,499	5.5	-4,006,562	6.6	-37	107,750	99.8	107,496	4.7	-3,390,131	5.6	-32	107,750	99.8
90,000 to 100,000	91,935	4.7	-3,495,696	5.8	-38	92,086	99.8	91,932	4.0	-2,957,754	4.8	-32	92,086	99.8
100,000 to 125,000	172,349	8.9	-6,682,759	11.1	-39	172,629	99.8	172,336	7.6	-5,655,028	9.3	-33	172,629	99.8
125,000 to 150,000	104,721	5.4	-4,110,741	6.8	-39	104,864	99.9	104,711	4.6	-3,478,267	5.7	-33	104,864	99.9
150,000 to 200,000	100,761	5.2	-3,962,720	6.6	-39	100,945	99.8	100,753	4.4	-3,353,133	5.5	-33	100,945	99.8
200,000 to 250,000	41,811	2.2	-1,639,277	2.7	-39	41,959	99.6	41,806	1.8	-1,387,142	2.3	-33	41,959	99.6
250,000 to 300,000	20,972	1.1	-819,532	1.4	-39	21,077	99.5	20,968	0.9	-693,546	1.1	-33	21,077	99.5
300,000 to 500,000	29,793	1.5	-1,155,732	1.9	-39	30,223	98.6	29,786	1.3	-978,081	1.6	-33	30,223	98.6
500,000 to 1,000,000	15,498	0.8	-595,683	1.0	-38	15,660	99.0	15,494	0.7	-504,097	0.8	-33	15,660	98.9
1,000,000 and over	<u>7,448</u>	<u>0.4</u>	<u>-279,190</u>	<u>0.5</u>	<u>-37</u>	<u>7,641</u>	<u>97.5</u>	<u>7,444</u>	<u>0.3</u>	<u>-236,247</u>	<u>0.4</u>	<u>-32</u>	<u>7,641</u>	<u>97.4</u>
Total	1,937,466	100.0%	-\$60,367,655	100.0%	-\$31	3,141,976	61.7%	2,273,204	100.0%	-\$61,041,282	100.0%	-\$27	3,141,976	72.3%

Wisconsin Adjusted Gross Income	Across-the-Board Tax Rate Reduction					Count of All Returns	% of All Returns in AGI Class
	Count	Percent of Count	Amount of Tax Decrease	Percent of Decrease	Average Decrease		
Under \$5,000	18,157	0.8%	-\$20,371	<0.1%	-\$1	472,394	3.8%
5,000 to 10,000	20,749	0.9	-37,155	0.1	-2	220,080	9.4
10,000 to 15,000	35,770	1.6	-66,047	0.1	-2	188,594	19.0
15,000 to 20,000	111,420	5.0	-182,208	0.3	-2	173,681	64.2
20,000 to 25,000	141,341	6.4	-351,593	0.6	-2	171,290	82.5
25,000 to 30,000	152,220	6.9	-579,574	0.9	-4	169,642	89.7
30,000 to 40,000	309,857	14.0	-1,868,478	3.1	-6	316,192	98.0
40,000 to 50,000	254,341	11.5	-2,522,036	4.1	-10	255,796	99.4
50,000 to 60,000	196,289	8.9	-2,742,409	4.5	-14	197,046	99.6
60,000 to 70,000	155,914	7.0	-2,817,740	4.6	-18	156,367	99.7
70,000 to 80,000	125,758	5.7	-2,798,916	4.6	-22	126,060	99.8
80,000 to 90,000	107,546	4.9	-2,858,251	4.7	-27	107,750	99.8
90,000 to 100,000	91,966	4.2	-2,852,048	4.7	-31	92,086	99.9
100,000 to 125,000	172,415	7.8	-6,660,030	10.9	-39	172,629	99.9
125,000 to 150,000	104,766	4.7	-5,151,919	8.4	-49	104,864	99.9
150,000 to 200,000	100,814	4.6	-6,363,207	10.4	-63	100,945	99.9
200,000 to 250,000	41,847	1.9	-3,484,448	5.7	-83	41,959	99.7
250,000 to 300,000	21,004	0.9	-2,175,994	3.6	-104	21,077	99.7
300,000 to 500,000	29,836	1.3	-4,334,954	7.1	-145	30,223	98.7
500,000 to 1,000,000	15,520	0.7	-4,121,442	6.8	-266	15,660	99.1
1,000,000 and over	<u>7,469</u>	<u>0.3</u>	<u>-9,059,417</u>	<u>14.8</u>	<u>-1,213</u>	<u>7,641</u>	<u>97.7</u>
Total	2,214,999	100.0%	-\$61,048,237	100.0%	-\$28	3,141,976	70.5%

- Under the alternative that would reduce the second tax rate, an estimated 1,937,466 taxpayers would receive a tax decrease in tax year 2019. They represent 61.7% of all tax filers. The tax decrease would total an estimated \$60.4 million and would average \$31 for taxpayers with a tax decrease.

- Under the alternative that would reduce the bottom tax rate, an estimated 2,273,204 taxpayers would receive a tax decrease in tax year 2019. They represent 72.3% of all tax filers. The tax decrease would total an estimated \$61.0 million and would average \$27 for taxpayers with a tax decrease.

- Under the alternative that would reduce each of the four tax rates on an across-the-board basis, an estimated 2,214,999 taxpayers would receive a tax decrease in tax year 2019. They represent 70.5% of all tax filers. The tax decrease would total an estimated \$61.0 million and would average \$28 for taxpayers with a tax decrease.

Based on a simulation of tax year 2019 by the Wisconsin Department of Revenue.

## ATTACHMENT 2

### Estimated Distribution of Taxpayers with a Tax Decrease Under Three Tax Reduction Alternatives Tax Year 2020

Wisconsin Adjusted Gross Income	Reduction to the Second Tax Rate					Count of All Returns	% of All Returns in AGI Class	Reduction to the Bottom Tax Rate					Count of All Returns	% of All Returns in AGI Class
	Count	Percent of Count	Amount of Tax Decrease	Percent of Decrease	Average Decrease			Count	Percent of Count	Amount of Tax Decrease	Percent of Decrease	Average Decrease		
Under \$5,000	15,770	0.8%	-\$42,281	<0.1%	-\$3	470,540	3.4%	34,800	1.5%	-\$179,918	0.1%	-\$5	470,540	7.4%
5,000 to 10,000	12,469	0.6	-82,164	0.1	-7	212,390	5.9	26,002	1.1	-312,064	0.2	-12	212,390	12.2
10,000 to 15,000	11,625	0.6	-133,721	0.1	-12	184,210	6.3	70,440	3.0	-812,318	0.6	-12	184,210	38.2
15,000 to 20,000	11,626	0.6	-213,968	0.2	-18	166,810	7.0	108,167	4.7	-2,938,050	2.1	-27	166,810	64.8
20,000 to 25,000	50,150	2.5	-573,069	0.4	-11	167,290	30.0	139,055	6.0	-6,636,399	4.8	-48	167,290	83.1
25,000 to 30,000	129,341	6.5	-3,454,108	2.5	-27	165,390	78.2	147,398	6.4	-7,855,551	5.7	-53	165,390	89.1
30,000 to 40,000	270,607	13.7	-15,134,126	11.0	-56	315,400	85.8	308,936	13.4	-17,970,362	13.1	-58	315,400	98.0
40,000 to 50,000	258,789	13.1	-16,831,258	12.3	-65	260,350	99.4	258,779	11.2	-16,012,081	11.6	-62	260,350	99.4
50,000 to 60,000	200,443	10.1	-15,103,138	11.0	-75	201,340	99.6	200,429	8.7	-12,731,121	9.3	-64	201,340	99.5
60,000 to 70,000	161,175	8.1	-12,543,343	9.1	-78	161,740	99.7	161,166	7.0	-10,571,447	7.7	-66	161,740	99.6
70,000 to 80,000	126,569	6.4	-10,180,756	7.4	-80	126,930	99.7	126,560	5.5	-8,579,876	6.2	-68	126,930	99.7
80,000 to 90,000	108,125	5.5	-8,930,950	6.5	-83	108,430	99.7	108,119	4.7	-7,526,079	5.5	-70	108,430	99.7
90,000 to 100,000	93,302	4.7	-7,872,309	5.7	-84	93,510	99.8	93,299	4.0	-6,634,325	4.8	-71	93,510	99.8
100,000 to 125,000	177,904	9.0	-15,350,799	11.2	-86	178,310	99.8	177,897	7.7	-12,935,792	9.4	-73	178,310	99.8
125,000 to 150,000	113,115	5.7	-9,907,228	7.2	-88	113,470	99.7	113,110	4.9	-8,348,662	6.1	-74	113,470	99.7
150,000 to 200,000	110,091	5.6	-9,670,710	7.0	-88	110,470	99.7	110,075	4.8	-8,149,020	5.9	-74	110,470	99.6
200,000 to 250,000	47,213	2.4	-4,141,349	3.0	-88	47,440	99.5	47,212	2.0	-3,489,822	2.5	-74	47,440	99.5
250,000 to 300,000	23,436	1.2	-2,046,617	1.5	-87	23,600	99.3	23,432	1.0	-1,724,583	1.3	-74	23,600	99.3
300,000 to 500,000	32,908	1.7	-2,853,666	2.1	-87	33,310	98.8	32,904	1.4	-2,404,660	1.7	-73	33,310	98.8
500,000 to 1,000,000	17,039	0.9	-1,464,652	1.1	-86	17,250	98.8	17,033	0.7	-1,234,357	0.9	-72	17,250	98.7
1,000,000 and over	<u>8,241</u>	<u>0.4</u>	<u>-690,051</u>	<u>0.5</u>	<u>-84</u>	<u>8,430</u>	<u>97.8</u>	<u>8,237</u>	<u>0.4</u>	<u>-581,443</u>	<u>0.4</u>	<u>-71</u>	<u>8,430</u>	<u>97.7</u>
<b>Total</b>	<b>1,979,938</b>	<b>100.0%</b>	<b>-\$137,220,263</b>	<b>100.0%</b>	<b>-\$69</b>	<b>3,166,610</b>	<b>62.5%</b>	<b>2,313,050</b>	<b>100.0%</b>	<b>-\$137,627,930</b>	<b>100.0%</b>	<b>-\$60</b>	<b>3,166,610</b>	<b>73.0%</b>

  

Wisconsin Adjusted Gross Income	Across-the-Board Tax Rate Reduction					Count of All Returns	% of All Returns in AGI Class
	Count	Percent of Count	Amount of Tax Decrease	Percent of Decrease	Average Decrease		
Under \$5,000	28,493	1.2%	-\$47,020	<0.1%	-\$2	470,540	6.1%
5,000 to 10,000	23,642	1.0	-81,573	0.1	-3	212,390	11.1
10,000 to 15,000	55,167	2.4	-149,708	0.1	-3	184,210	29.9
15,000 to 20,000	107,053	4.7	-395,315	0.3	-4	166,810	64.2
20,000 to 25,000	138,554	6.1	-832,342	0.6	-6	167,290	82.8
25,000 to 30,000	147,467	6.4	-1,328,050	1.0	-9	165,390	89.2
30,000 to 40,000	309,052	13.5	-4,292,768	3.1	-14	315,400	98.0
40,000 to 50,000	258,874	11.3	-5,690,830	4.1	-22	260,350	99.4
50,000 to 60,000	200,480	8.8	-6,068,067	4.4	-30	201,340	99.6
60,000 to 70,000	161,214	7.0	-6,225,031	4.5	-39	161,740	99.7
70,000 to 80,000	126,588	5.5	-5,950,452	4.3	-47	126,930	99.7
80,000 to 90,000	108,149	4.7	-6,022,722	4.4	-56	108,430	99.7
90,000 to 100,000	93,318	4.1	-6,025,032	4.4	-65	93,510	99.8
100,000 to 125,000	177,931	7.8	-14,200,419	10.3	-80	178,310	99.8
125,000 to 150,000	113,138	4.9	-11,462,756	8.3	-101	113,470	99.7
150,000 to 200,000	110,110	4.8	-14,238,192	10.4	-129	110,470	99.7
200,000 to 250,000	47,228	2.1	-8,006,498	5.8	-170	47,440	99.6
250,000 to 300,000	23,444	1.0	-4,935,614	3.6	-211	23,600	99.3
300,000 to 500,000	32,926	1.4	-9,802,357	7.1	-298	33,310	98.8
500,000 to 1,000,000	17,051	0.7	-9,685,646	7.0	-568	17,250	98.8
1,000,000 and over	<u>8,248</u>	<u>0.4</u>	<u>-22,078,317</u>	<u>16.1</u>	<u>-2,677</u>	<u>8,430</u>	<u>97.8</u>
<b>Total</b>	<b>2,288,127</b>	<b>100.0%</b>	<b>-\$137,518,709</b>	<b>100.0%</b>	<b>-\$60</b>	<b>3,166,610</b>	<b>72.3%</b>

- Under the alternative that would reduce the second tax rate, an estimated 1,979,938 taxpayers would receive a tax decrease in tax year 2020. They represent 62.5% of all tax filers. The tax decrease would total an estimated \$137.2 million and would average \$69 for taxpayers with a tax decrease.

- Under the alternative that would reduce the bottom tax rate, an estimated 2,313,050 taxpayers would receive a tax decrease in tax year 2020. They represent 73.0% of all tax filers. The tax decrease would total an estimated \$137.6 million and would average \$60 for taxpayers with a tax decrease.

- Under the alternative that would reduce each of the four tax rates on an across-the-board basis, an estimated 2,288,127 taxpayers would receive a tax decrease in tax year 2020. They represent 72.3% of all tax filers. The tax decrease would total an estimated \$137.5 million and would average \$60 for taxpayers with a tax decrease.

Based on a simulation of tax year 2020 by the Wisconsin Department of Revenue.