



Legislative Fiscal Bureau

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February 1, 2024

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 1020/Senate Bill 977: Expand Second Individual Income Tax Bracket,
Tax Year 2024

On January 29, 2024, Assembly Bill 1020 (AB 1020) was introduced and referred to the Joint Committee on Finance. An identical companion bill, Senate Bill 977 (SB 977), was introduced and referred to the Joint Committee on Finance on January 30, 2024. AB 1020 and SB 977 are hereafter referred to as "the bill."

BACKGROUND

Taxable income, the amount of income actually subject to tax, is calculated under current law by subtracting the state sliding scale standard deduction and personal exemptions from Wisconsin adjusted gross income. The state's marginal income tax rate and bracket schedule is then applied to taxable income to determine gross tax liability. The current law rate and bracket schedule for tax year 2024 is displayed in Table 1.

TABLE 1

Current Law Tax Rate and Bracket Schedule, Tax Year 2024

Tax Rate	Income Tax Brackets by Filing Status		
	Single and Head-of-Household	Married-Joint	Married-Separate
3.50%	\$0 to \$14,320	\$0 to \$19,090	\$0 to \$9,550
4.40%	14,320 to 28,640	19,090 to 38,190	9,550 to 19,090
5.30%	28,640 to 315,310	38,190 to 420,420	19,090 to 210,210
7.65%	315,310 and over	420,420 and over	210,210 and over

The Department of Revenue (DOR) has authority under current law to update the individual income tax withholding tables "from time to time." The withholding tables were last updated on

January 1, 2022, and currently reflect the income tax rates, brackets, and sliding scale standard deduction/personal exemption parameters applicable to tax year 2022.

SUMMARY OF BILL

For each filing status, the bill would expand the amount of taxable income subject to tax at the second marginal rate (4.40%), as displayed in Table 2. As under current law, the taxable income amounts in each bracket would continue to be indexed to inflation annually under the bill.

TABLE 2

Proposed Tax Rate and Bracket Schedule, Tax Year 2024

<u>Tax Rate</u>	<u>Income Tax Brackets by Filing Status</u>		
	<u>Single and Head-of-Household</u>	<u>Married-Joint</u>	<u>Married-Separate</u>
3.50%	\$0 to \$14,320	\$0 to \$19,090	\$0 to \$9,550
4.40%	14,320 to 112,500	19,090 to 150,000	9,550 to 75,000
5.30%	112,500 to 315,310	150,000 to 420,420	75,000 to 210,210
7.65%	315,310 and over	420,420 and over	210,210 and over

The bill would require DOR to update the withholding tables no later than July 1, 2024, to reflect the individual income tax rates, brackets, and sliding scale standard deduction applicable to tax year 2024, including the proposed expansion to the second bracket. The adjustments to the withholding tables would take effect on July 1, 2024.

The bill would repeal current law income tax rate and bracket provisions applicable to obsolete tax years (1986 to 2012). Further, the bill would sunset the rate and bracket provisions applicable to tax years 2013 to 2023, and would repeal these provisions from the statutes on January 1, 2029 (to allow for individuals to timely file amended returns).

FISCAL EFFECT

The bill is estimated to reduce individual income tax collections by \$1,233.9 million in 2024-25 and \$751.9 million annually thereafter. This estimate includes a one-time revenue reduction of \$439.0 million in 2024-25 associated with the withholding table update.

A distributional table is provided as an attachment. As displayed in the table, it is estimated that 1.64 million filers would receive total tax decreases of \$742.2 million in tax year 2024 under the bill, for an average decrease of \$454.

Prepared by: Dan Spika
Attachment

ATTACHMENT

AB 1020/SB 977: Expand Second Bracket to Apply to Taxable Income of \$150,000 Married-Joint, \$112,500 Single/Head-of-Household, and \$75,000 Married-Separate, Tax Year 2024*

<u>Wisconsin Adjusted Gross Income</u>	<u>Taxpayers with a Tax Decrease</u>					<u>Count of All Returns</u>	<u>Percent of all Returns in AGI Class</u>
	<u>Count</u>	<u>Percent of Count</u>	<u>Amount of Tax Decrease</u>	<u>Percent of Decrease</u>	<u>Average Decrease</u>		
Under \$5,000	18,418	1.1%	\$164,349	<0.1%	\$9	466,270	4.0%
5,000 to 10,000	10,589	0.6	265,662	<0.1	25	207,100	5.1
10,000 to 15,000	7,607	0.5	314,075	<0.1	41	167,800	4.5
15,000 to 20,000	6,044	0.4	350,822	<0.1	58	147,620	4.1
20,000 to 25,000	5,819	0.4	439,344	0.1	76	143,830	4.0
25,000 to 30,000	6,382	0.4	523,132	0.1	82	150,890	4.2
30,000 to 40,000	15,662	1.0	1,556,149	0.2	99	301,040	5.2
40,000 to 50,000	200,533	12.3	11,262,711	1.5	56	276,640	72.5
50,000 to 60,000	174,783	10.7	25,385,701	3.4	145	230,640	75.8
60,000 to 70,000	175,957	10.8	33,267,699	4.5	189	179,180	98.2
70,000 to 80,000	142,775	8.7	39,034,952	5.3	273	145,160	98.4
80,000 to 90,000	113,350	6.9	40,552,382	5.5	358	115,060	98.5
90,000 to 100,000	96,563	5.9	42,954,185	5.8	445	97,920	98.6
100,000 to 125,000	194,011	11.9	116,427,680	15.7	600	196,500	98.7
125,000 to 150,000	138,512	8.5	113,691,721	15.3	821	140,440	98.6
150,000 to 200,000	153,965	9.4	148,725,082	20.0	966	156,570	98.3
200,000 to 250,000	67,147	4.1	64,995,383	8.8	968	68,550	98.0
250,000 to 300,000	32,924	2.0	31,785,916	4.3	965	33,720	97.6
300,000 to 500,000	47,119	2.9	45,181,693	6.1	959	48,260	97.6
500,000 to 1,000,000	19,175	1.2	18,210,943	2.5	950	19,700	97.3
1,000,000 and over	<u>7,673</u>	<u>0.5</u>	<u>7,116,213</u>	<u>1.0</u>	927	<u>8,010</u>	95.8
Total	1,635,008	100.0%	\$742,205,794	100.0%	\$454	3,300,900	49.5%

--In tax year 2024, it is estimated that 1,635,008 filers (49.5% of all filers) would receive tax decreases totaling \$742.2 million, for an average decrease of \$454.

--Taxpayers with Wisconsin AGI under \$100,000 would represent 59.6% of all filers with a tax decrease, and would receive 26.4% of the estimated decrease. Their estimated average decrease would be \$201 in tax year 2024.

--Taxpayers with Wisconsin AGI of \$100,000 or more would represent 40.4% of all filers with a tax decrease, and would receive 73.6% of the estimated decrease. Their estimated average decrease would be \$827 in tax year 2024.

--In general, the estimated average tax decrease rises with AGI until income reaches \$250,000.

Based on a simulation of tax year 2024 by the Department of Revenue.

*This table does not reflect the one-time revenue decrease (estimated at \$439.0 million) resulting from updating the withholding tables on July 1, 2024.