



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

February 7, 2024

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 1022/Senate Bill 979: Increase Married Couple Credit, Tax Year 2024

On January 29, 2024, Assembly Bill 1022 (AB 1022) was introduced and referred to the Joint Committee on Finance. An identical companion bill, Senate Bill 979 (SB 979), was introduced and referred to the Joint Committee on Finance on January 30, 2024. A public hearing was held in the Joint Committee on Finance on February 1, 2024. AB 1022 and SB 979 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 (AGI). The state's marginal income tax rate and bracket schedule is then applied to taxable income to determine gross tax liability, against which eligible taxpayers may subtract any nonrefundable credits to arrive at net tax liability. Nonrefundable credits cannot be used in excess of gross tax liability.

Under 1983 Act 186, a nonrefundable credit for married couples filing a joint return was established as a mechanism to address the marriage penalty that can occur for two-earner families, whereby the combined tax liability for certain married couples filing jointly is higher than the liability that would result if both spouses instead filed as single individuals. Under current law, a marriage penalty is most likely to occur when both spouses earn similar income levels. A marriage bonus can also occur, wherein a couple's tax liability is less filing jointly than it would be if both spouses filed as single individuals. However, a marriage bonus is more likely to result when the incomes of the two spouses are split less evenly, or when one spouse refrains from seeking employment.

For tax year 2024, the married couple credit is equal to 3% of the earned income of the secondary wage earner, up to a maximum credit of \$480 (implying maximum allowable earned

income of \$16,000 to compute the credit). This maximum credit amount of \$480 has applied since tax year 2001.

## **SUMMARY OF BILL**

The bill would increase the maximum married couple credit amount to \$870 (implying maximum allowable earned income from the secondary earner of \$29,000) beginning in tax year 2024. The increase in the maximum credit would account for inflation that has occurred since tax year 2001.

## **FISCAL EFFECT**

The bill is estimated to reduce individual income tax collections by \$169.0 million in 2024-25 and \$160.9 million annually thereafter.

A distributional table is provided as an attachment. As displayed in the table, it is estimated that 476,460 filers would receive total tax decreases of \$160.9 million in tax year 2024 under the bill, for an average decrease of \$338.

Prepared by: Dan Spika  
Attachment

## ATTACHMENT

### AB 1022/SB 979: Increase Married Couple Credit to \$870, Tax Year 2024

Wisconsin Adjusted Gross Income	Taxpayers with a Tax Decrease					Count of All Returns	Percent of all Returns in AGI Class
	Count	Percent of Count	Amount of Tax Decrease	Percent of Decrease	Average Decrease		
Under \$30,000	10	<0.1%	\$4,500	<0.1%	\$450	1,283,510	<0.1%
30,000 to 40,000	40	<0.1	3,220	<0.1	81	301,040	<0.1
40,000 to 50,000	1,740	0.4	111,390	0.1	64	276,640	0.6
50,000 to 60,000	6,240	1.3	751,760	0.5	120	230,640	2.7
60,000 to 70,000	12,480	2.6	2,195,890	1.4	176	179,180	7.0
70,000 to 80,000	20,400	4.3	4,859,950	3.0	238	145,160	14.1
80,000 to 90,000	27,020	5.7	7,701,850	4.8	285	115,060	23.5
90,000 to 100,000	32,710	6.9	10,219,660	6.4	312	97,920	33.4
100,000 to 125,000	93,030	19.5	31,728,090	19.7	341	196,500	47.3
125,000 to 150,000	84,260	17.7	30,274,180	18.8	359	140,440	60.0
150,000 to 200,000	101,850	21.4	37,472,470	23.3	368	156,570	65.1
200,000 to 250,000	43,700	9.2	16,212,280	10.1	371	68,550	63.7
250,000 to 300,000	19,790	4.2	7,308,870	4.5	369	33,720	58.7
300,000 to 500,000	23,670	5.0	8,639,980	5.4	365	48,260	49.0
500,000 to 1,000,000	7,440	1.6	2,693,080	1.7	362	19,700	37.8
1,000,000 and over	<u>2,080</u>	<u>0.4</u>	<u>746,430</u>	<u>0.5</u>	359	<u>8,010</u>	26.0
<b>Total</b>	<b>476,460</b>	<b>100.0%</b>	<b>\$160,923,600</b>	<b>100.0%</b>	<b>\$338</b>	<b>3,300,900</b>	<b>14.4%</b>

--In tax year 2024, it is estimated that a total of 476,460 filers (14.4% of all filers) would receive tax decreases totaling \$160.9 million, for an estimated average decrease of \$338.

--Taxpayers with Wisconsin AGI under \$100,000 would comprise 21.1% of all filers with a decrease and would receive 16.1% of the estimated decrease. Their estimated average tax decrease would be \$257 in tax year 2024.

--Taxpayers with Wisconsin AGI of \$100,000 or more would represent 78.9% of all filers with a decrease and would receive 83.9% of the estimated decrease. Their estimated average tax decrease would be \$359 in tax year 2024.

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

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