



## Legislative Fiscal Bureau

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July 31, 2023

TO: Members  
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: State Tax and Fee Modifications Included in 2023 Wisconsin Act 19

The attached table provides a brief description of each state tax and fee modification included in 2023 Act 19 (the 2023-25 budget). The table consists of three parts: (a) tax decreases; (b) fee increases and decreases; and (c) enhanced collection measures. Each entry in the table includes the agency name, a brief summary of the modification, and an estimate of the revenue change due to the tax or fee modification. The page and item number in the "Summary of Provisions -- 2023 Wisconsin Act 19," July, 2023, publication distributed by this office is also included, where a more detailed summary of each modification can be found.

In the table, GPR represents general fund revenue. Revenue to a program revenue account is signified by PR, and SEG signifies revenue to a segregated fund. "Unknown" means that no estimate of the revenue impact is available at this time.

In summary, the changes included in Act 19 would decrease net taxes by \$290,230,000 (\$143,100,000 in 2023-24 and \$147,130,000 in 2024-25) and would increase net fees by \$20,479,300 (\$7,853,700 in 2023-24 and \$12,625,600 in 2024-25). In addition, it is estimated that measures included in Act 19 to enhance the collection of current taxes would generate additional revenues of \$4,180,000 (-\$2,700,000 in 2023-24 and \$6,800,000 in 2024-25).

The sum of these revenue changes in the 2023-25 biennium follows:

### Net Tax and Fee Changes

	<u>2023-24</u>	<u>2024-25</u>	<u>Total</u>
GPR	-\$143,100,000	-\$147,000,000	-\$290,100,000
PR	5,476,000	6,351,000	11,827,000
SEG	<u>2,337,700</u>	<u>6,144,600</u>	<u>8,522,300</u>
Total	-\$135,246,300	-\$134,504,400	-\$269,750,700

### Enhanced Collection Measures

	<u>2023-24</u>	<u>2024-25</u>	<u>Total</u>
GPR	-\$2,700,000	\$6,880,000	\$4,180,000

	2023-24	2024-25	Fund Source
<b>TAX DECREASES</b>			
<b>GENERAL FUND TAXES</b>			
<b>Individual Income Tax Rate Reduction.</b> [Page 138, Item 1]. Reduce the tax rate for the second individual income tax bracket from 4.65% to 4.40% and reduce the bottom 3.54% rate to 3.50%, beginning in tax year 2023.	-\$86,800,000	-\$87,800,000	GPR
<b>Income Exclusion on Commercial Loans.</b> [Page 139, Item 2]. Create an income and franchise tax exclusion, beginning in tax year 2023, for the income of a financial institution derived from a commercial loan of \$5 million or less provided to a person residing or located in this state and used primarily for a business or agricultural purpose.	-\$35,900,000 Minimal	-\$29,300,000 -\$130,000	GPR SEG
<b>Apportionment of Gross Receipts from Trading Assets.</b> [Page 139, Item 3]. Specify in the administrative code that the Department of Revenue's (DOR) authority to substitute net gains (net of commissions) from the sales of trading assets, for purposes of income apportionment, does not apply to certain taxpayers under certain circumstances. This provision applies retroactively to taxable years beginning on January 1, 2022.	-\$3,500,000	-\$3,500,000	GPR
<b>Sales Tax Retailer's Discount.</b> [Page 140, Item 1]. Increase the sales tax retailer's discount rate from 0.5% to 0.75%, and increase the maximum discount a retailer may claim per reporting period from \$1,000 to \$8,000. Specify that these changes first apply to sales and use taxes payable on October 1, 2023.	-\$15,500,000	-\$21,100,000	GPR
<b>Sales Tax Exemption for WEDC Certified Data Centers.</b> [Page 140, Item 2]. Create a sales and use tax exemption for certain property and items used to construct or renovate a qualified data center and for electricity used at a qualified data center, as certified by the Wisconsin Economic Development Corporation (WEDC). This provision takes effect October 1, 2023.	Unknown	Unknown	GPR
<b>Cigarette Tax Stamp Discount Rate.</b> [Page 142, Item 1]. Increase the discount rate that cigarette manufacturers and distributors receive on total cigarette tax stamp purchases as compensation for their administrative costs from 0.8% to 1.25%. Specify that this increase first applies to cigarette tax stamps purchased on October 1, 2023.	-\$1,400,000	-\$1,800,000	GPR
<b>Increase Refundable Portion of Research Credit.</b> [Page 145, Item 10]. Modify the partially refundable research tax credit (including the engine and energy efficiency credits), as computed under current law, to increase the refundable portion from up to 15% of the credit amount to up to 25% of the credit amount. This provision first applies to new research credit claims for taxable years beginning after December 31, 2023, and is estimated to increase GPR expenditures by \$3.5 million in 2024-25 and \$13.8 million in 2025-26.	Minimal	-\$3,500,000	GPR
<b>SUBTOTAL -- TAXES -- DECREASES</b>	-\$143,100,000 \$0	-\$147,000,000 -\$130,000	GPR SEG

	2023-24	2024-25	Fund Source
<b>FEE INCREASES</b>			
<b>NATURAL RESOURCES</b>			
<b>Online Vehicle Admission Fees.</b> [Page 221, Item 8]. Authorize the Department of Natural Resources (DNR) to collect a transaction fee on online sales of state park admission stickers and state trail passes to pay contractual expenses related to the online sales processor.	\$245,000	\$245,000	SEG
<b>Nonresident Camping Fee.</b> [Page 221, Item 9]. Raise the maximum overnight camping fee that may be charged to nonresidents by \$10, from \$35 to \$45. DNR retains authority to set camping fees within statutory limits, at the Secretary's discretion.	\$0	\$690,000	SEG
<b>Nonresident Deer Hunting License.</b> [Page 224, Item 2]. Increase the price of the nonresident deer hunting license fee by \$40, from \$160 to \$200, including fees. Increase the price of several nonresident hunting and fishing licenses by \$5. Increase the price of nonresident combination licenses, such as conservation patron licenses, by \$20.	\$2,474,000	\$2,474,000	SEG
<b>PUBLIC INSTRUCTION</b>			
<b>Public Library System Aid.</b> [Page 250, Item 6]. Provide \$2,000,000 in 2023-24 and \$4,000,000 in 2024-25 above base level funding of \$20,013,100 for public library system aid. The segregated revenue is provided from the state universal service fund (USF). Funding from the USF is derived from Public Service Commission assessments on annual gross operating revenues from intrastate telecommunications providers, which can fully recover costs through pass-through assessments on subscribers.	\$2,000,000	\$4,000,000	SEG
<b>Recollection Wisconsin.</b> [Page 250, Item 7]. Provide \$150,000 in 2023-24 and \$300,000 in 2024-25 in a new annual appropriation for Recollection Wisconsin, and require the State Superintendent to annually distribute the funding to Wisconsin Library Services, Inc. (WiLS) to support the digitization of historic materials in public libraries throughout the state. The segregated revenue is provided from the USF. Recollection Wisconsin is a consortium administered by WiLS, a nonprofit organization of Wisconsin libraries and other organizations, with the Wisconsin Historical Society, UW-Milwaukee, UW-Madison, the Milwaukee Public Library, Marquette University, and the Department of Public Instruction (DPI) also serving as governing partners. Its purpose is to collect digital historical resources from Wisconsin libraries, archives, museums, and historical societies, and make them publicly available.	\$150,000	\$300,000	SEG
<b>Badgerlink and Newsline for the Blind.</b> [Page 250, Item 8]. Provide \$104,000 in 2023-24 and \$203,000 in 2024-25 above base level funding of \$3,283,300 to maintain the current level of services provided through BadgerLink and Newsline for the Blind. BadgerLink is an online library that contracts with vendors to provide access to licensed content such as magazines, newspapers, scholarly articles, videos, images, and music. Newsline for the Blind provides access to newspapers on a daily basis for people who cannot read print newspapers via an automated electronic voice that can be accessed using a telephone. The segregated revenue is provided from the USF.	\$104,000	\$203,000	SEG

	2023-24	2024-25	Fund Source
<b>Library Service Contracts.</b> [Page 251, Item 9]. Provide \$29,800 beginning in 2024-25 above base level funding of \$1,367,700 to fully fund the cost of statutorily-required library service contracts for resources of specialized library materials and other information. DPI contracts with four service providers: (a) the Milwaukee Public Library; (b) the University of Wisconsin-Madison; (c) the Wisconsin Talking Book and Braille Library; and (d) the Cooperative Children's Book Center. DPI indicated that projected costs for each of the contracts will increase over the biennium due to general operating cost increases, and insufficient funding would result in a cap on the amount of material that can be requested from the Milwaukee Public Library and the UW-Madison library. The segregated revenue is provided from the state USF.	\$0	\$29,800	SEG
<b>TRANSPORTATION</b>			
<b>Electric Vehicle Registration Fee.</b> [Page 290, Item 6]. Increase the current law annual registration fee for electric vehicles from \$100 to \$175, effective with application for registrations on October 1, 2023.	\$1,180,600	\$2,108,700	SEG
<b>UW SYSTEM</b>			
<b>Newborn Screening Card Fee.</b> [Page 316, Item 6]. Effective July 7, 2023, increase the newborn screening card fee imposed by the Department of Health Services under s. 253.13 of the statutes to \$195 per card (an increase of \$86 per card). Specify that no less than \$75 from each newborn screening card sold be credited to the State Laboratory of Hygiene (SLH). This provision would generate an estimated additional \$4,601,000 in revenue annually.	\$4,601,000	\$4,601,000	PR
<b>Driver Improvement Surcharge.</b> [Page 316, Item 6]. Effective July 7, 2023, increase the driver improvement surcharge by \$100 (to \$535), which is estimated to generate an additional \$875,000 in 2023-24 and \$1,750,000 in 2024-25. Require the Department of Administration (DOA) to transfer \$2,494,200 in 2023-24 and \$3,369,200 in 2024-25 from revenues received from the surcharge to the SLH. Specify that, effective January 1, 2024, the percentage of the driver improvement surcharge paid by the county treasurer to the DOA Secretary is 59.1%	\$875,000	\$1,750,000	PR
<b>SUBTOTAL -- FEES -- INCREASES</b>	\$5,476,600 \$6,153,600	\$6,351,000 \$10,050,500	PR SEG
<b>FEE DECREASES</b>			
<b>ADMINISTRATION</b>			
<b>Technology for Educational Achievement Program.</b> [Page 42, Item 2]. Reduce funding for the Technology for Educational Achievement program from the state segregated USF by \$3,700,900 SEG annually. Under Act 19, funding for the program from the SEG appropriation totals \$12,283,300 annually. In fiscal year 2021-22, the state expended \$13,645,100 SEG for the program. DOA indicates that, if expenditures exceed available funds, federal e-rate reimbursement may be a potential source of funding. The receipt of e-rate reimbursement funds is subject to federal review and approval.	-\$3,700,900	-\$3,700,900	SEG

	2023-24	2024-25	Fund Source
<b>NATURAL RESOURCES</b>			
<b>Nursery Seedling Surcharge.</b> [Page 223, Item 7]. Delete the 3¢ surcharge applied to each seedling sold by the state tree nursery.	-\$75,000	-\$75,000	SEG
<b>SUBTOTAL -- FEES -- DECREASES</b>	-\$3,775,900	-\$3,775,900	SEG
<b>ENHANCED COLLECTION MEASURES</b>			
<b>REVENUE</b>			
<b>Convert Revenue Agent Project Positions to Permanent Positions.</b> [Page 256, Item 1]. Extend the expiration of 38.0 GPR project positions provided to DOR under 2017 Act 59 from June 30, 2025, to September 30, 2025. Relative to current law, extending the positions for three months will result in an estimated increase in unpaid delinquent taxes of \$9.8 million, partly offset by increased GPR expenditures of \$0.7 million in 2025-26.	See Text.	See Text.	GPR
<b>Advanced Technology System Project.</b> [Page 256, Item 2]. Provide \$1.35 million GPR and \$1.35 million PR in 2023-24 and \$0.6 million GPR and \$0.6 million PR in 2024-25 for supplies and services to implement an advanced technology system in DOR's Compliance Bureau. The Administration indicates that this system will utilize data analytics to enhance collections of both delinquent taxes and debts owed to local governments and state agencies by \$10.8 million in 2024-25 (70% delinquent taxes, 30% debts owed). DOR estimates increased debt collection fees of \$480,000 in 2024-25. This provision is estimated to reduce the year-end transfer to the general fund by \$1.35 million GPR-REV in 2023-24 and \$0.12 million GPR-REV in 2024-25, offset by estimated increased delinquent tax collections of \$7.6 million in 2024-25, \$10.5 million in 2025-26, and \$14.0 million in 2026-27.	-\$2,700,000	\$6,880,000	GPR
<b>SUBTOTAL -- ENHANCED COLLECTION MEASURES</b>	-\$2,700,000	\$6,880,000	GPR