



## Legislative Fiscal Bureau

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March 19, 2025

TO: Members  
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: Distributional Information on Proposed Individual Income Tax Modifications in the Governor's 2025-27 Biennial Budget Bill

This memorandum provides distributional information related to the Governor's proposed changes to the individual income tax in SB 45/AB 50, the 2025-27 biennial budget bill.

The attachment provides a distributional analysis for several of the proposed modifications in SB 45/AB 50 for tax year 2025, including six provisions decreasing taxes and four provisions increasing taxes. The provisions decreasing taxes consist of: (a) increasing the \$700 personal exemption; (b) expanding the exclusion for disability income; (c) expanding the deduction for adoption expenses; (d) increasing the credit rates under the state earned income tax credit for claimants with one and two children; (e) expanding the homestead credit; and (f) expanding the veterans and surviving spouses property tax credit to eligible renters and to those with a service-connected disability rating of at least 70%. The provisions increasing taxes consist of: (1) creating a 9.8% top marginal rate; (2) limiting the amount of manufacturing income used in calculating the manufacturing and agriculture credit; (3) limiting the exclusion for nonfarm capital gains; and (4) limiting the deduction for private school tuition expenses based on a taxpayer's federal adjusted gross income. The attachment also includes interactive effects, which occur when multiple provisions affecting tax liability are adopted simultaneously.

The combined effects of these provisions would cause some full-year Wisconsin resident taxpayers to experience tax decreases and other taxpayers to experience tax increases. The attachment displays the effect for each type of taxpayer, as well as the combined effect. Taxpayers receiving a tax decrease (2,283,365) would exceed the number of taxpayers experiencing a tax increase (40,747) in tax year 2025. The total estimated tax decrease for resident taxpayers would be \$282.8 million, for an average decrease of \$124 in tax year 2025. The total estimated tax increase for resident taxpayers would be \$825.2 million, for an average increase of \$20,252 in tax year 2025. In addition to the amounts displayed in the attachment, it is estimated that 169,479 nonresident/part-year resident filers would experience tax changes of \$131.9 million, comprised of: (a) 152,198 filers

with \$3.4 million of tax decreases (average decrease of \$23); and (b) 17,281 filers with \$135.3 million of tax increases (average increase of \$7,831).

The distributional analysis does not include the individual income tax effects of the following proposed modifications that could not be simulated, but that are estimated to have a fiscal effect in 2025-26: (a) updating references to the Internal Revenue Code; (b) excluding cash tips from taxable income; (c) expanding the low-income housing credit; and (d) creating a nonrefundable credit for flood insurance premiums. These provisions are estimated to result in a net increase in individual income tax revenues of \$51.9 million in 2025-26. The analysis also does not include provisions that the Administration estimated would have a minimal impact or no impact on individual income tax revenues during the 2025-27 biennium.

BL/DS/lb  
Attachment

## ATTACHMENT

### Estimated Distribution of Resident Taxpayers with a Tax Change under Select Individual Income Tax Provisions in SB 45/AB 50, Tax Year 2025

Federal Adjusted Gross Income	Resident Taxpayers with a Tax Decrease					Count of All Returns	% of All Returns in AGI Class	Resident Taxpayers with a Tax Increase					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 Increase	Percent of Increase	Average Increase		
Under \$5,000	35,976	1.6%	-\$27,033,450	9.6%	-\$751	249,089	14.4%	80	0.2%	\$4,616,932	0.6%	\$57,712	249,089	<0.1%
5,000 to 10,000	20,042	0.9	-10,982,996	3.9	-548	138,487	14.5	*	<0.1	*	<0.1	*	138,487	<0.1
10,000 to 15,000	33,233	1.5	-16,494,885	5.8	-496	140,914	23.6	*	<0.1	*	<0.1	*	140,914	<0.1
15,000 to 20,000	63,919	2.8	-21,651,170	7.7	-339	132,465	48.3	*	<0.1	*	<0.1	*	132,465	<0.1
20,000 to 25,000	74,924	3.3	-23,636,879	8.4	-315	122,762	61.0	*	<0.1	*	<0.1	*	122,762	<0.1
25,000 to 30,000	89,834	3.9	-24,291,391	8.6	-270	124,767	72.0	*	<0.1	*	<0.1	*	124,767	<0.1
30,000 to 40,000	221,469	9.7	-34,449,330	12.2	-156	266,895	83.0	20	<0.1	6,185	<0.1	309	266,895	<0.1
40,000 to 50,000	232,274	10.2	-17,462,498	6.2	-75	260,184	89.3	22	0.1	55,668	<0.1	2,530	260,184	<0.1
50,000 to 60,000	207,299	9.1	-11,626,714	4.1	-56	224,439	92.4	34	0.1	10,892	<0.1	320	224,439	<0.1
60,000 to 70,000	177,355	7.8	-9,946,007	3.5	-56	188,105	94.3	42	0.1	10,983	<0.1	262	188,105	<0.1
70,000 to 80,000	153,232	6.7	-9,382,949	3.3	-61	160,537	95.4	43	0.1	47,682	<0.1	1,109	160,537	<0.1
80,000 to 90,000	126,697	5.5	-8,622,882	3.0	-68	131,911	96.0	75	0.2	24,075	<0.1	321	131,911	0.1
90,000 to 100,000	110,501	4.8	-7,992,661	2.8	-72	114,495	96.5	81	0.2	29,846	<0.1	368	114,495	0.1
100,000 to 125,000	232,237	10.2	-17,720,769	6.3	-76	239,474	97.0	523	1.3	175,042	<0.1	335	239,474	0.2
125,000 to 150,000	160,164	7.0	-12,908,041	4.6	-81	164,067	97.6	352	0.9	240,060	<0.1	682	164,067	0.2
150,000 to 200,000	169,750	7.4	-13,787,030	4.9	-81	178,557	95.1	5,166	12.7	1,454,673	0.2	282	178,557	2.9
200,000 to 250,000	73,315	3.2	-6,023,704	2.1	-82	77,983	94.0	2,947	7.2	1,543,168	0.2	524	77,983	3.8
250,000 to 300,000	36,398	1.6	-2,975,213	1.1	-82	39,211	92.8	1,883	4.6	1,135,248	0.1	603	39,211	4.8
300,000 to 500,000	51,853	2.3	-4,392,547	1.6	-85	58,943	88.0	5,268	12.9	5,427,634	0.7	1,030	58,943	8.9
500,000 to 1,000,000	12,047	0.5	-1,338,620	0.5	-111	26,388	45.7	13,196	32.4	33,333,522	4.0	2,526	26,388	50.0
1,000,000 and over	846	<0.1	-109,151	<0.1	-129	13,446	6.3	10,991	27.0	776,550,728	94.1	70,653	13,446	81.7
<b>Total</b>	<b>2,283,365</b>	<b>100.0%</b>	<b>-\$282,828,889</b>	<b>100.0%</b>	<b>-\$124</b>	<b>3,053,119</b>	<b>74.8%</b>	<b>40,747</b>	<b>100.0%</b>	<b>\$825,200,375</b>	<b>100.0%</b>	<b>\$20,252</b>	<b>3,053,119</b>	<b>1.3%</b>

Federal Adjusted Gross Income	Resident Taxpayers with a Tax Change					Count of All Returns	% of All Returns in AGI Class
	Count	Percent of Count	Amount of Tax Change	Percent of Change	Average Change		
Under \$5,000	36,056	1.6%	-\$22,416,518	-4.1%	-\$622	249,089	14.5%
5,000 to 10,000	20,042	0.9	-10,982,996	-2.0	-548	138,487	14.5
10,000 to 15,000	33,233	1.4	-16,494,885	-3.0	-496	140,914	23.6
15,000 to 20,000	63,919	2.8	-21,651,170	-4.0	-339	132,465	48.3
20,000 to 25,000	74,924	3.2	-23,636,879	-4.4	-315	122,762	61.0
25,000 to 30,000	89,834	3.9	-24,291,391	-4.5	-270	124,767	72.0
30,000 to 40,000	221,489	9.5	-34,443,145	-6.4	-156	266,895	83.0
40,000 to 50,000	232,296	10.0	-17,406,830	-3.2	-75	260,184	89.3
50,000 to 60,000	207,333	8.9	-11,615,822	-2.1	-56	224,439	92.4
60,000 to 70,000	177,397	7.6	-9,935,024	-1.8	-56	188,105	94.3
70,000 to 80,000	153,275	6.6	-9,335,267	-1.7	-61	160,537	95.5
80,000 to 90,000	126,772	5.5	-8,598,807	-1.6	-68	131,911	96.1
90,000 to 100,000	110,582	4.8	-7,962,815	-1.5	-72	114,495	96.6
100,000 to 125,000	232,760	10.0	-17,545,727	-3.2	-75	239,474	97.2
125,000 to 150,000	160,516	6.9	-12,667,981	-2.3	-79	164,067	97.8
150,000 to 200,000	174,916	7.5	-12,332,357	-2.3	-71	178,557	98.0
200,000 to 250,000	76,262	3.3	-4,480,536	-0.8	-59	77,983	97.8
250,000 to 300,000	38,281	1.6	-1,839,965	-0.3	-48	39,211	97.6
300,000 to 500,000	57,121	2.5	1,035,087	0.2	18	58,943	96.9
500,000 to 1,000,000	25,243	1.1	31,994,902	5.9	1,267	26,388	95.7
1,000,000 and over	11,837	0.5	776,441,577	143.2	65,594	13,446	88.0
<b>Total</b>	<b>2,324,112</b>	<b>100.0%</b>	<b>\$542,371,487</b>	<b>100.0%</b>	<b>\$233</b>	<b>3,053,119</b>	<b>76.1%</b>

--In tax year 2025, it is estimated that 2,324,112 full-year resident filers (76.1% of all such filers) would experience a tax change under SB 45/AB 50. Of these, an estimated 2,283,365 (74.8%) would experience a tax decrease, and 40,747 (1.3%) would experience a tax increase.

--The total tax change under the bill among full-year residents is estimated at \$542.4 million in tax year 2025, with tax decreases of \$282.8 million offset by tax increases of \$825.2 million. Among resident filers with a tax decrease, the average decrease is estimated at \$124. For resident filers with a tax increase, the average increase is estimated at \$20,252. Overall, the average tax change for affected resident filers is estimated to be an increase of \$233.

--Among resident filers with a tax increase in tax year 2025, those with federal AGI of \$1,000,000 or more would represent 27.0% of filers with a tax increase and would incur 94.1% of the total increase. Their estimated average increase would be \$70,653.

--Among resident filers with a tax decrease in tax year 2025, those with federal AGI under \$40,000 would represent 23.6% of filers with a tax decrease and would receive 56.1% of the total decrease. Their estimated average decrease would be \$294.

--Among resident filers with a tax change in tax year 2025, tax decreases are estimated to exceed tax increases for filers with federal AGI under \$300,000. The net tax decrease for such filers is estimated at \$267.1 million, for an average decrease of \$120. Tax increases are estimated to exceed tax decreases for filers with federal AGI of \$300,000 or more. The net tax increase for such filers is estimated at \$809.5 million, for an average increase of \$8,593.

\* Fewer than 10 filers

Based on a simulation of tax year 2025 by the Department of Revenue.