STATE OF WISCONSIN

SENATE CHAIR
Alberta Darling

317 East, State Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-5830

ASSEMBLY CHAIR
John Nygren

308 East, State Capitol
P.O. Box 8953
Madison, WI 53708-8953
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative John Nygren

Date: October 21, 2019

Re: DOR Report to JFC

Attached is a report estimating additional sales and use tax revenue from the Department of Revenue, pursuant to s. 73.03(71), Stats.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

AD:JN:jm

State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK ROAD • Mail Stop 624A • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933 • 608-266-6466 • FAX (608) 266-5718
http://www.revenue.wi.gov

Tony Evers
Governor

Peter W. Barca
Secretary of Revenue

October 21, 2019

The Honorable Alberta Darling, Co-Chair
Joint Committee on Finance
State Capitol – Room 317 East
Madison, WI 53708

OCT 21 2019
JT. Finance

The Honorable John Nygren, Co-Chair
Joint Committee on Finance
State Capitol – Room 317 East
Madison, WI 53708

Dear Senator Darling and Representative Nygren:

Wis. Stat. § 73.03(71) requires the Department of Revenue to estimate additional sales and use tax revenue reported to the department as a result of the United States Supreme Court decision (*Wayfair*) that expands the state's authority to require out-of-state retailers and marketplace providers to collect and remit sales and use tax during the period beginning October 1, 2018, and ending on September 30, 2019.

The department estimates the amount of additional revenue to be $79.2 million. The estimate is based on tax amounts reported by filers who registered to collect taxes after the *Wayfair* decision and are located outside of the state. Additional revenue reported by marketplace providers is not included in this amount as the marketplace provider provisions included in 2019 Wisconsin Act 10 do not take effect until January 1, 2020.

Wis. Stat. § 73.03(71) also requires the department to determine how much the 1st and 2nd individual income tax rates listed in each bracket may be reduced in tax year 2019 in order to reduce total income taxes by an amount equal to the estimated increase in sales tax revenue. The statutes require the department to calculate the rate reduction so that 50 percent of the estimation is used to reduce the 1st income tax rate listed in each bracket and the remaining 50 percent is used to reduce the 2nd income tax rate listed in each bracket.

The department certifies that the 1st and 2nd rates will be reduced as follows:

Determination Tax Year 2019:		Estimated Individual Income Tax Reduction Amount		
1st Rate Change	2nd Rate Change	1st Rate Impact	2nd Rate Impact	Total Fiscal Effect
4.00% → 3.86%	5.21%→ 5.04%	$38.4 million	$39.0 million	$77.4 million

The determination was made by running simulations of rate changes on growth-adjusted tax year 2017 individual income tax returns to maximize the amount of tax relief across the two rates and maintaining the historical standard of keeping rates in terms of hundredths of a percent. Any further decrease in the individual income tax rates would result in the individual income tax reduction exceeding the estimated increase in sales and use tax amounts.

Sincerely,

Peter Barca
Secretary of Revenue