

### Fiscal Estimate - 2019 Session

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>19-1742/1</b>	Introduction Number <b>SB-018</b>
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**Description**  
 increasing the maximum deduction under the individual income tax sliding scale standard deduction

**Fiscal Effect**

**State:**

No State Fiscal Effect  
 Indeterminate  
 Increase Existing Appropriations     
  Increase Existing Revenues     
  Increase Costs - May be possible to absorb within agency's budget  
 Decrease Existing Appropriations     
  Decrease Existing Revenues     
   
  Yes       No  
 Create New Appropriations     
   
  Decrease Costs

**Local:**

No Local Government Costs  
 Indeterminate

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DOR/ Bradley Caruth (608) 261-8984	Michael Oakleaf (608) 261-5173	2/5/2019

## Fiscal Estimate Narratives

DOR 2/5/2019

LRB Number	19-1742/1	Introduction Number	SB-018	Estimate Type	Original
<b>Description</b> increasing the maximum deduction under the individual income tax sliding scale standard deduction					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law Wisconsin provides a sliding scale standard deduction that decreases as income increases. For tax year 2019 the maximum standard deduction for a single person is \$10,860. For single individuals with Wisconsin income above \$15,660, the standard deduction amount is reduced by 12% of the amount of income over \$15,660. As a result, single individuals with more than \$106,160 of income will not be able to claim a Wisconsin standard deduction.

The maximum standard deduction, the income threshold at which the deduction begins to phaseout, and the phaseout rate depend on the filing status of the claimant. Moreover, the maximum amount and the phaseout threshold are indexed for inflation. The tax year 2020 standard deduction parameters will be determined based on the consumer price index in August 2019.

This bill increases the 2020 standard deduction maximums relative to their current law expected levels by about 20.6% and it increases the thresholds at which the deduction begins to phaseout by about 17.6%. (See Attachment)

The bill also requires the Department of Revenue to adjust the individual income tax withholding tables no later than January 1, 2020 to reflect the new standard deduction parameters. Adjusting the withholding tables effectively delivers the tax reduction to wage earners via their paychecks rather than at the time they file their tax returns.

Based on a simulation using 2017 income tax returns, inflated to reflect 2020, the bill will reduce revenue by approximately \$152 million in fiscal year 2020, \$344 million in fiscal year 2021, and similar amounts annually thereafter.

### Long-Range Fiscal Implications

Attachment to DOR Fiscal Estimate for 2019 LRB 1742/1

**Current Law Expected Standard Deduction Parameters, 2020**

Filing Status	Single	Married Joint	Married Separate	Head of Household
Maximum Deduction	11,080	20,520	9,750	14,310
Phaseout Threshold	15,980	23,050	10,940	15,980
Phaseout Rate	12.00%	19.778%	19.778%	22.515%
Phaseout Ends	108,313	126,802	60,237	108,313

**Proposed Law Standard Deduction Parameters, 2020**

Filing Status	Single	Married Joint	Married Separate	Head of Household
Maximum Deduction	13,360	24,740	11,750	17,260
Phaseout Threshold	18,790	27,120	12,880	18,790
Phaseout Rate	12.30%	19.284%	19.284%	21.952%
Phaseout Ends	127,408	155,413	73,811	127,408

**Percentage Change**

Filing Status	Single	Married Joint	Married Separate	Head of Household
Maximum Deduction	21%	21%	21%	21%
Phaseout Threshold	18%	18%	18%	18%
Phaseout Rate	3%	-2%	-2%	-3%
Phaseout Ends	18%	23%	23%	18%

## Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Description</b> increasing the maximum deduction under the individual income tax sliding scale standard deduction			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
	State Operations - Salaries and Fringes	\$	\$
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)</b>			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$-344,000,000
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-344,000,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-344,000,000	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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