



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #315

Create the Family and Individual Reinvestment Credit and Sunset the Working Families Credit (General Fund Taxes -- Income and Franchise Taxes)

[LFB 2019-21 Budget Summary: Page 134, #1 and Page 143, #16]

CURRENT LAW

Under the individual income tax, Wisconsin taxable income is multiplied by the applicable tax rates to arrive at gross tax liability. Wisconsin provides a number of tax credits that may be subtracted from gross tax liability. Most individual income tax credits are not refundable, meaning that the credit can be used to reduce net tax liability to zero, but the amount of the credit cannot exceed tax liability. The state statutes specify the order in which tax credits are claimed.

The working families tax credit may be claimed by taxpayers with Wisconsin adjusted gross income (AGI) below \$10,000 (\$19,000 if married joint). For claimants with AGI below \$9,000 (\$18,000 if married joint), the credit is equal to their net tax liability. The credit phases out over the next \$1,000 in income until eliminated when Wisconsin AGI exceeds \$10,000 (\$19,000 if married joint).

GOVERNOR

Create a nonrefundable individual income tax credit beginning in tax year 2019 called the family and individual reinvestment credit, with the credit equal to a minimum dollar amount or a percentage of the claimant's net tax liability, subject to phaseout based on the claimant's Wisconsin AGI and filing status. Set the credit equal to the greater of 10% of the claimant's net tax liability, defined as the claimant's income tax liability prior to the application of the nonrefundable credit for taxes paid to other states, or (a) \$100 if the claimant's filing status is single or head-of-household and the claimant's AGI is less than \$80,000; (b) \$50 if the claimant's filing status is

married joint and the combined AGI of the claimant and the claimant's spouse is less than \$125,000; and (c) \$25 if the claimant's filing status is married separate and the claimant's AGI is less than \$62,500. If the claimant's AGI, or combined AGI in the case of married joint filers, exceeds the preceding income thresholds but is less than \$100,000 for single or head-of-household filers, \$150,000 for married joint filers, and \$75,000 for married separate filers, set the credit equal to the claimant's net tax liability multiplied by a percentage calculated as follows: (a) subtract the applicable income threshold from the claimant's AGI, or combined AGI in the case of married joint filers; (b) divide the difference by \$20,000 if the claimant's filing status is single or head-of-household, \$25,000 if the claimant's filing status is married joint, or \$12,500 if the claimant's filing status is married separate; (c) subtract that fraction from 1.0; and (d) multiply that fraction by 10%. Under this structure, the 10% credit would phase down between \$80,000 and \$100,000 for single and head-of-household filers, \$125,000 and \$150,000 for married joint filers, and \$62,500 and \$75,000 for married separate filers, and the credit would phase out at the higher income thresholds for each filer type. Limit the credit to claims filed within four years of the unextended due date for which the tax return was due. Prohibit part-year residents and nonresidents from claiming the credit, and allow only one credit per household per year, except permit married separate filers to each claim the credit, as provided above, and permit married persons living apart and treated as single under the Internal Revenue Code (IRC) to claim the credit as if a single or head-of-household claimant. Define household as a claimant and an individual related to the claimant as husband or wife. Prohibit individuals who may be claimed as a dependent on a return of another taxpayer from claiming the credit. Authorize the Department of Revenue (DOR) to administer the credit under standard general statutory provisions related to the income tax. Decrease individual income tax collections by an estimated \$421,550,000 in 2019-20 and \$412,050,000 in 2020-21 and in each year thereafter.

Sunset the nonrefundable working families tax credit, effective in tax year 2019. The Department of Administration (DOA) indicates that the sunset would increase individual income tax collections by an estimated \$50,000 annually. An additional amount of credits would be offset by credits claimed under the proposed family and individual reinvestment credit.

DISCUSSION POINTS

1. The family and individual reinvestment credit embodies Governor Evers' promise during the 2018 gubernatorial election to provide middle income tax relief by reducing taxes by 10% for families with incomes below \$150,000 and for other tax filers with incomes below \$100,000. DOA's Budget in Brief makes the case for targeting relief in this fashion by noting that "Wisconsin's middle-income filers are comparatively the most-heavily taxed income group in the state when comparing income tax burdens across states for different income levels."

2. DOA cites an April, 2017, report by the Minnesota Center for Fiscal Excellence, entitled Comparison of Individual Income Tax Burdens by State, 2017 Edition. Using tax year 2014 provisions in each of the 42 states with a state individual income tax, the report calculates the tax burdens for households at multiple income levels by filing status using a model maintained by the National Bureau of Economic Research. The report ranks each state's tax burden for each income category, with low rankings indicating a relatively high tax burden and high rankings indicating a

relatively low tax burden. The Budget in Brief includes only Wisconsin's rankings for married joint filers and excludes the ranking for the report's highest married joint income category (\$1.0 million). Table 1 displays the report's rankings for each of its income categories, for both married joint and single filers. Note that the report employs different income categories for married joint and single filers. The table's highest tax rankings occur for married joint filers with an income of \$100,000 (10) and for single filers with incomes of both \$50,000 and \$75,000 (12), thereby supporting the Budget in Brief finding of Wisconsin's middle-income filers being the most heavily taxed income group, in relative terms.

TABLE 1

**Wisconsin Individual Income Tax Rankings for Married Joint and Single Filers
at Various Income Categories, Tax Year 2014**

<u>Income Category</u>	<u>Wisconsin 42-State Ranking</u>	
	<u>Married Joint</u>	<u>Single</u>
\$10,000	--	19
20,000	32	30
35,000	30	19
50,000	22	12
75,000	13	12
100,000	10	13
150,000	14	17
250,000	16	17
500,000	16	--
1,000,000	11	--

Source: Minnesota Center for Fiscal Excellence, Comparison of Individual Income Tax Burdens by State, 2017 Edition, April 2017.

3. Another way to analyze the Minnesota report's data is to compare the Wisconsin tax burdens by income category to the average, unweighted tax burdens for the 42 states with an income tax. Table 2 displays this comparison. For example, the Wisconsin tax burden for taxpayers with an income of \$20,000 is below the 42-state average by 48% for married joint filers and 26% for single filers. Further, the Wisconsin tax burden for married joint filers is at or below the 42-state average for income categories of \$50,000 or less, but increases to 16% above the average for the \$75,000 income category. For single filers, the Wisconsin tax burden is only 3% above the 42-state average for filers with income of \$35,000 and is below the average for filers with incomes of \$10,000 and \$20,000. However, the Wisconsin tax burden exceeds the 42-state average by 12% at the \$50,000 income level. Under the Governor's proposal, taxpayers at these income levels would qualify for maximum credits of 10%, but the credit percentage would begin to phase out when income exceeds \$125,000 for married joint filers and \$80,000 for single filers.

TABLE 2

**Wisconsin Individual Income Tax Burdens, 42-State Average Tax Burdens,
and Difference Between Wisconsin and Average as a Percentage of the Average
for Married Joint and Single Filers at Various Income Categories, Tax Year 2014**

Income Category	Wisconsin Tax Burden		42-State Average Tax Burden		Wisconsin Percentage Above or Below Average	
	Married Joint	Single	Married Joint	Single	Married Joint	Single
\$10,000	--	\$0	--	\$41	--	-100%
20,000	-\$601	371	-\$407	503	-48%	-26
35,000	-45	1,293	268	1,251	-117	3
50,000	1,175	2,295	1,225	2,051	-4	12
75,000	2,984	3,634	2,577	3,277	16	11
100,000	4,122	4,989	3,575	4,534	15	10
150,000	7,130	7,720	6,301	7,125	13	8
250,000	12,481	12,943	11,523	11,921	8	9
500,000	28,877	--	26,149	--	10	--
1,000,000	66,532	--	58,064	--	15	--

Source: Minnesota Center for Fiscal Excellence, Comparison of Individual Income Tax Burdens by State, 2017 Edition, April 2017.

4. Under the credit's phaseout mechanism, a credit rate of 10% would extend to the net tax liability of taxpayers with incomes, at or below, the initial income threshold for the phaseout, and a credit rate of 0% would extend to the net tax liability of taxpayers with incomes above the second income threshold. The credit percentage would decrease based on the difference between the taxpayer's income and the "spread" between the two income thresholds for the taxpayer's filing type. Table 3 demonstrates how the percentage would phase out based on examples of taxpayers with different income levels.

TABLE 3

Credit Percentage Phaseout Based on Different Income Levels and Filing Types

Credit Rate	Single Income	Married Joint Income	Married Separate Income
10%	\$80,000	\$125,000	\$62,500
8	84,000	130,000	65,000
6	88,000	135,000	67,500
4	92,000	140,000	70,000
2	96,000	145,000	72,500
0	100,000	150,000	75,000

5. Attachment 1 reports the estimated distribution of the proposed credit's claimants for tax

year 2019. It displays distributional information for married joint filers, other filers, and the two groups combined. For tax year 2019, the average credit is estimated at \$216. Because married joint filers have average net tax liabilities that are higher than other filer types, the average credit for married joint filers (\$305) would be higher than the average credit for other filer types (\$156). Because the credit would equal 10% of net tax liabilities and net tax liabilities increase with income, average credit amounts also increase with AGI. However, average credit amounts decline after AGI exceeds the initial phaseout thresholds, and no credits are available to tax filers with AGI exceeding maximum income thresholds. Reflecting the targeted design of the credit, Attachment 1 indicates that the credit would deliver a tax reduction to more than 90% of the filers with AGI between \$30,000 and \$100,000, even though the credit would provide a tax reduction to only 60.3% of all tax filers. Taxpayers with Wisconsin AGI between \$30,000 and \$125,000 would receive 82.1% of the estimated tax decrease and would comprise 70.7% of the taxpayers with a tax decrease. The tax year 2019 reduction in state tax collections of \$409.1 million that is reflected in Attachment 1 would increase to an estimated \$412.0 million in tax year 2020.

6. Attachment 1 reflects minimum credit amounts of \$100 for single and married joint claimants and \$50 for married separate filers, provided their AGI is below the initial income threshold for their filing type. This is consistent with DOA's Budget in Brief, although the bill specifies minimum credit amounts of \$50 for married joint filers and \$25 for married separate filers. DOA has submitted an errata requesting the higher minimum credit amounts. This paper assumes the bill would be modified by adopting the DOA errata, if the Committee votes to retain the proposed credit in the bill. In addition, the bill indicates that the income of a married joint claimant would be summed with the income of the claimant's spouse for purposes of comparing the claimant's income to the income thresholds. Currently, married joint filers already combine their income when preparing their return. The DOA errata also requests that the bill be modified by deleting references to summing the income of the claimant and spouse and substituting references to the married couple's AGI.

7. Adopting the family and individual reinvestment credit would add another calculation to the state's individual income tax forms. While sunsetting the working families credit would remove a tax form calculation, the new credit would be claimed by a far larger number of taxpayers than currently claim the working families credit. Since the 2013 legislative session, the Legislature has adopted a number of provisions seeking to simplify the calculation of individual income taxes, including reducing the number of rates and brackets, sunsetting under-used tax credits, and federalizing the state's treatment of changes to the Internal Revenue Code. If the Legislature's policy goal is to target \$400 million annually in tax relief to taxpayers with middle to lower levels of AGI, other alternatives could be considered that modify existing tax provisions.

8. Earlier this session, the Legislature voted to expand the sliding scale standard deduction. The sliding scale standard deduction targets tax relief to low and middle income taxpayers by providing a deduction to income that phases out as AGI increases. For tax year 2019, a maximum deduction of \$20,110 is extended to married joint filers with Wisconsin AGI less than \$22,599. Single and head-of-household filers with AGI less than \$15,659 receive a maximum deduction of \$10,860 and \$14,030, respectively. As AGI increases, each of the deduction amounts phases down, until it equals \$0 when AGI exceeds \$124,279 for married joint filers and \$106,160 for single and head-of-household filers. The deduction phaseouts are based on statutory percentages for each filing type,

except the percentage for head-of-household filers changes to the percentage for single filers when AGI reaches a certain level. The deduction and income phaseout amounts for married separate filers are set equal to 47.5% of the amounts for married joint filers.

9. As an alternative to the proposed family and individual reinvestment credit, the sliding scale standard deduction could be expanded to provide approximately \$400 million in annual tax relief to roughly the same taxpayers eligible for the family and individual reinvestment credit. Table 4 compares the parameters for the tax year 2019 deduction under current law and an expanded deduction. Under this alternative (Alternative 2), the maximum deduction and initial phaseout income levels are increased by 23%. The phaseout percentages were decreased by 10% for married and head-of-household filers and increased by 10% for single filers, thereby reducing the gap between single and other filers.

TABLE 4
**Sliding Scale Standard Deduction Factors Under Current Law
and Alternative Proposal, Tax Year 2019**

	<u>Single</u>	<u>Head-of- Household*</u>	<u>Married Joint</u>	<u>Married Separate</u>
<u>Current Law</u>				
Maximum Deduction	\$10,860	\$14,030	\$20,110	\$9,550
Initial Income Phaseout Level	15,659	15,659	22,599	10,729
Phaseout Percentage	12.000%	22.515%	19.778%	19.778%
Maximum Income Level	106,160	106,160	124,279	59,016

*The calculation for head-of-household filers equals that for single filers when AGI exceeds \$45,807.

<u>Alternative Proposal</u>				
Maximum Deduction	\$13,360	\$17,260	\$24,730	\$11,750
Initial Income Phaseout Level	19,259	19,259	27,799	13,199
Phaseout Percentage	13.200%	22.264%	17.800%	17.800%
Maximum Income Level	120,472	120,472	166,733	79,211

*The calculation for head-of-household filers equals that for single filers when AGI exceeds \$74,470.

10. Attachment 2 displays the estimated distribution of taxpayers with a tax decrease under this alternative for tax year 2019. Just over two million taxpayers would receive a tax decrease, or 64.4% of all tax filers. Among these taxpayers, an average tax decrease of \$200 is estimated, with married joint filers receiving an average decrease that is more than twice the average for other filers (\$286 versus \$139). The average tax decrease by Wisconsin AGI category would increase until peaking at \$70,000 to \$90,000 for married joint filers and \$30,000 to \$50,000 for other filer types. These income ranges are slightly below the midpoint of the proposed income phaseout ranges for each filer type. Taxpayers with Wisconsin AGI between \$30,000 and \$125,000 would receive 83.4% of the estimated tax decrease and would comprise 68.8% of the taxpayers with a tax decrease. The tax year 2019 reduction in state tax collections of \$404.5 million that is reflected in Attachment 2 would increase to an estimated \$415.8 million in tax year 2020.

11. Another income tax reduction mechanism that could be employed would be an across-the-board reduction in individual income tax rates. The Legislature chose this approach in 2013 for the conversion of general sales and use tax proceeds from remote sellers into an income tax decrease and re-affirmed this mechanism late last year in its enactment of 2017 Wisconsin Act 368. A 4% reduction in each of the four marginal tax rates would reduce individual income tax collections by an estimated \$398.9 million in tax year 2019 and \$423.7 million in tax year 2020 (Alternative 3), roughly equivalent to the two-year decreases resulting from the other alternatives presented in this paper. The income brackets for each marginal rate would remain unchanged, resulting in the following rate and bracket structure:

TABLE 5

**Rate and Bracket Structure Under Current Law and a 4% Tax Rate Reduction
Tax Year 2019**

<u>Marginal Tax Rates</u>		<u>Single and Head-of-Household</u>	<u>Married Joint</u>	<u>Married Separate</u>
<u>Current Law</u>	<u>Alternative</u>			
4.00%	3.84%	\$0 to \$11,760	\$0 to \$15,680	\$0 to \$7,840
5.84	5.61	11,760 to 23,520	15,680 to 31,360	7,840 to 15,680
6.27	6.03	23,520 to 258,950	31,360 to 345,270	15,680 to 172,630
7.65	7.35	258,950 and over	345,270 and over	172,630 and over

12. The estimated tax year 2019 distribution of taxpayers with a tax decrease under a 4% across-the-board tax rate reduction is displayed in Attachment 3. Almost 2.3 million taxpayers would receive a tax decrease, or 72.5% of all tax filers. Among these taxpayers, an average tax decrease of \$175 is estimated, with married joint filers receiving an average decrease that is triple the average for other filers (\$280 versus \$91). This occurs because married joint filers, relative to other filers, have higher average incomes (\$108,602 versus \$33,841), which subjects them to higher marginal tax rates and results in higher average tax liabilities (\$6,131 versus \$1,995). For the same reason, the average tax change would increase with income, except in two Wisconsin AGI categories. For each AGI category, the share of the tax decrease would be roughly proportional to those taxpayers' share of net tax liability -- taxpayers with Wisconsin AGI over \$100,000 incur 66.6% of total net income tax liabilities and would receive 66.5% of the estimated tax decrease.

13. Background information submitted by DOA on the Governor's proposal packaged the creation of the family and individual reinvestment credit with sunsetting the working families credit. None of the three attachments display the effects of sunsetting the working families credit, but that action would reduce the fiscal effect of each alternative by an estimated \$50,000 annually.

14. In tax year 1999, 166,478 claimants used \$25.1 million in working families credits to eliminate or reduce their individual income tax liability. Since then, the number of claimants and amount of used credits have dropped dramatically, and the amount of used working families credits has fluctuated from year to year. In tax year 2016, 259 filers used credits totaling only \$76,692, and only 307 claimants used credits totaling \$106,878 in tax year 2017. The reason for the reduction in claimants and credits is the expansion of the sliding scale standard deduction, which eliminates

individual income tax liabilities for most taxpayers otherwise eligible for the credit. Despite the expansion of the sliding scale standard deduction, several hundred claimants use about \$100,000 in credits each tax year, and the nature of these claimants' tax circumstances has been somewhat of a mystery.

15. Department of Revenue distributional information relating to the combined effects of creating the family and individual reinvestment credit and sunsetting the working families credit reveals that about 200 taxpayers each year with incomes between \$5,000 and \$20,000 would experience tax increases under the combined proposals.

16. Nonresidents are not eligible to claim the working families credit, but Wisconsin residents who are married to nonresidents may claim the credit using special rules. These taxpayers pay state taxes using Form INPR for nonresidents and part-year residents, which requires them to calculate their sliding scale standard deduction using their federal AGI (combined income of both spouses). While the Wisconsin spouse may have a low Wisconsin AGI, the couple's federal AGI may result in a sliding scale standard deduction that is not sufficient to offset the couple's Wisconsin income tax liability. Nonetheless, the Wisconsin spouse may be eligible to claim the working families credit based on his or her Wisconsin AGI. Thus, the 200 or so taxpayers with a tax increase are Wisconsin residents married to nonresidents whose federal AGI exceeds the Wisconsin spouse's Wisconsin AGI. Their sliding scale standard deduction is not sufficient to eliminate their Wisconsin state tax, and the Wisconsin spouse qualifies for the working families credit due to a low Wisconsin AGI. A DOR review of the affected claimants in the tax year 2019 simulation reveals that their average federal AGI equaled over \$90,000, while their Wisconsin AGI averaged less than \$9,300. The DOR simulation is based on actual tax returns filed for tax year 2017.

17. Converting tax year estimates to fiscal year estimates often results in one-time fiscal effects due to timing differences between tax years and fiscal years. Frequently, the one-time effects materialize as larger amounts in the initial fiscal year than in subsequent fiscal years. While the preceding discussion points report amounts on a tax year basis, the following alternatives are reported on a fiscal year basis.

18. The one-time effects for the family and individual reinvestment credit and the sliding scale standard deduction are both about \$12.5 million, but the one-time effect of the across-the-board tax rate reduction is estimated at \$63.6 million. Under the first two alternatives, the tax relief is targeted to low and middle income taxpayers who rely on wage withholding for the majority of their tax payments. However, a small number of taxpayers would either adjust their withholding or lower their estimated payments, causing part of their tax year 2020 reduction to be reflected in 2019-20 tax collections. The across-the-board tax rate reduction would affect a larger number of taxpayers, including taxpayers who have nonwage income. Those taxpayers make estimated quarterly tax payments, which would likely be adjusted to reflect the lower tax rates and result in the one-time fiscal effect. By lowering the tax rate reduction of the across-the-board tax rate decrease (Alternative 3), the fiscal effect could be set at a level comparable to the other two alternatives. However, taxpayers would experience a smaller overall tax reduction on a tax year basis.

19. None of the alternatives assume the tax reduction would be accompanied by a withholding table change. As a result, each alternative would be expected to increase the state's deficit

under generally accepted accounting principles (GAAP). A withholding table change could be required as a component of each alternative, but a higher fiscal effect would result.

ALTERNATIVES

1. Approve the Governor's proposal to create a nonrefundable individual income tax credit beginning in tax year 2019 called the family and individual reinvestment credit, with the credit equal to a minimum dollar amount or a percentage of the claimant's net tax liability, subject to phaseout based on the claimant's Wisconsin AGI and filing status. Modify the credit's minimum dollar amounts to be set at \$100, instead of \$50, for married joint filers, and \$50, instead of \$25, for married separate filers and substitute "married couple's adjusted gross income" for references in the bill to "the sum of the claimant's adjusted gross income and his or her spouse's adjusted gross income" with regard to married joint filers. Decrease individual income tax collections by an estimated \$421,550,000 in 2019-20 and \$412,050,000 in 2020-21 and in each year thereafter.

ALT 1	Change to	
	Base	Bill
GPR-Tax	- \$833,600,000	\$0

2. Delete the Governor's proposed credit, and instead, expand the sliding scale standard deduction beginning in tax year 2019. For single filers, set the maximum deduction at \$13,360, the initial income phaseout level at \$19,260, and the phaseout percentage at 13.2%. For head-of-household filers, set the maximum deduction at \$17,260, the initial income phaseout level at \$19,260, and the phaseout percentage at 22.264%, but specify that the deduction be calculated as if the claimant is a single filer when the claimant's Wisconsin AGI results in a deduction equal to the standard deduction for a single individual with the same AGI. For married joint filers, set the maximum deduction at \$24,730, the initial income phaseout level at \$27,800, and the phaseout percentage at 17.8%. For married separate filers, set the maximum deduction at \$11,750, the initial income phaseout level \$13,200, and the phaseout percentage at 17.8%. Extend these changes to individuals who may be claimed as a dependent, based on the individual's filing status. Decrease individual income tax collections by an estimated \$417,000,000 in 2019-20 and \$416,100,000 in 2020-21.

ALT 2	Change to	
	Base	Bill
GPR-Tax-	- \$833,100,000	\$500,000

3. Delete the Governor's proposal, and instead, reduce each of the four marginal tax rates under current law by 4%. Set the rate for the first bracket at 3.84%, for the second tax bracket at 5.61%, for the third tax bracket at 6.03%, and for the fourth tax bracket at 7.35%, beginning in tax year 2019. Decrease individual income tax collections by an estimated \$462,500,000 in 2019-20 and \$427,700,000 in 2020-21.

ALT 3	Change to	
	Base	Bill
GPR-Tax	- \$890,200,000	- \$56,600,000

4. Approve the Governor's recommendation to sunset the nonrefundable working families tax credit, effective in tax year 2019. Increase individual income tax collections by an estimated \$50,000 annually. This alternative can be adopted in addition to another alternative.

ALT 4	Change to	
	Base	Bill
GPR-Tax	\$100,000	\$0

5. Take no action.

ALT 5	Change to	
	Base	Bill
GPR-Tax	\$0	\$833,500,000

Prepared by: Rick Olin
Attachments

ATTACHMENT 1

Estimated Distribution of Taxpayers Claiming the Family and Individual Reinvestment Credit, Tax Year 2019

Wisconsin Adjusted Gross Income	All Filers							Married Joint Filers						
	Taxpayers Receiving the Proposed Tax Credit					Count of All Returns	% of All Returns in AGI Class	Taxpayers Receiving the Proposed Tax Credit					Count of All Returns	% of All Returns in AGI Class
	Count	% of Count	Amount of Tax Credit	% of Credit	Average Credit			Count	% of Count	Amount of Tax Credit	% of Credit	Average Credit		
Under \$5,000	15,150	0.8%	-\$731,960	0.2%	-\$48	472,390	3.2%	80	< 0.1%	-\$4,190	< 0.1%	-\$52	84,230	0.1%
5,000 to 10,000	8,820	0.5	-591,760	0.1	-67	220,080	4.0	70	< 0.1	-6,260	< 0.1	-89	30,080	0.2
10,000 to 15,000	61,800	3.3	-3,767,230	0.9	-61	188,590	32.8	80	< 0.1	-7,290	< 0.1	-91	30,520	0.3
15,000 to 20,000	102,590	5.4	-8,899,850	2.2	-87	173,680	59.1	120	< 0.1	-10,730	< 0.1	-89	28,470	0.4
20,000 to 25,000	132,710	7.0	-12,698,250	3.1	-96	171,290	77.5	2,670	0.4	-153,800	0.1	-58	30,470	8.8
25,000 to 30,000	143,440	7.6	-13,846,390	3.4	-97	169,640	84.6	15,810	2.1	-1,108,260	0.5	-70	35,870	44.1
30,000 to 40,000	296,620	15.7	-33,144,120	8.1	-112	316,190	93.8	67,820	8.9	-6,629,370	2.9	-98	78,980	85.9
40,000 to 50,000	245,290	12.9	-38,449,560	9.4	-157	255,800	95.9	73,230	9.7	-7,978,220	3.4	-109	78,760	93.0
50,000 to 60,000	189,570	10.0	-39,936,920	9.8	-211	197,050	96.2	73,900	9.7	-11,852,330	5.1	-160	78,200	94.5
60,000 to 70,000	151,010	8.0	-40,170,920	9.8	-266	156,370	96.6	75,530	10.0	-17,113,520	7.4	-227	78,870	95.8
70,000 to 80,000	121,710	6.4	-39,193,210	9.6	-322	126,060	96.5	74,690	9.8	-21,958,030	9.5	-294	77,320	96.6
80,000 to 90,000	104,040	5.5	-36,692,930	9.0	-353	107,750	96.6	73,360	9.7	-26,541,690	11.5	-362	75,530	97.1
90,000 to 100,000	89,350	4.7	-32,287,000	7.9	-361	92,090	97.0	69,040	9.1	-29,636,650	12.8	-429	70,670	97.7
100,000 to 125,000	141,530	7.5	-75,965,550	18.6	-537	172,630	82.0	141,530	18.7	-75,965,550	32.8	-537	144,390	98.0
125,000 to 150,000	90,620	4.8	-32,748,970	8.0	-361	104,860	86.4	90,620	11.9	-32,748,970	14.1	-361	92,490	98.0
150,000 to 200,000	0	0.0	0	0.0	N.A.	100,950	0.0	0	0.0	0	0.0	N.A.	90,420	0.0
200,000 to 250,000	0	0.0	0	0.0	N.A.	41,960	0.0	0	0.0	0	0.0	N.A.	37,480	0.0
250,000 to 300,000	0	0.0	0	0.0	N.A.	21,080	0.0	0	0.0	0	0.0	N.A.	18,670	0.0
300,000 to 500,000	0	0.0	0	0.0	N.A.	30,220	0.0	0	0.0	0	0.0	N.A.	26,490	0.0
500,000 to 1,000,000	0	0.0	0	0.0	N.A.	15,660	0.0	0	0.0	0	0.0	N.A.	13,610	0.0
1,000,000 and over	0	0.0	0	0.0	N.A.	7,640	0.0	0	0.0	0	0.0	N.A.	6,360	0.0
Total	1,894,250	100.0%	-\$409,124,620	100.0%	-\$216	3,141,990	60.3%	758,550	100.0%	-\$231,714,860	100.0%	-\$305	1,207,880	62.8%

Wisconsin Adjusted Gross Income	Other Filers						
	Taxpayers Receiving the Proposed Tax Credit					Count of All Returns	% of All Returns in AGI Class
	Count	% of Count	Amount of Tax Credit	% of Credit	Average Credit		
Under \$5,000	15,070	1.3%	-\$727,770	0.4%	-\$48	388,160	3.9%
5,000 to 10,000	8,750	0.8	-585,500	0.3	-67	190,000	4.6
10,000 to 15,000	61,720	5.4	-3,759,940	2.1	-61	158,070	39.0
15,000 to 20,000	102,470	9.0	-8,889,120	5.0	-87	145,210	70.6
20,000 to 25,000	130,040	11.5	-12,544,450	7.1	-96	140,820	92.3
25,000 to 30,000	127,630	11.2	-12,738,130	7.2	-100	133,770	95.4
30,000 to 40,000	228,800	20.1	-26,514,750	14.9	-116	237,210	96.5
40,000 to 50,000	172,060	15.2	-30,471,340	17.2	-177	177,040	97.2
50,000 to 60,000	115,670	10.2	-28,084,590	15.8	-243	118,850	97.3
60,000 to 70,000	75,480	6.6	-23,057,400	13.0	-305	77,500	97.4
70,000 to 80,000	47,020	4.1	-17,235,180	9.7	-367	48,750	96.5
80,000 to 90,000	30,680	2.7	-10,151,240	5.7	-331	32,220	95.2
90,000 to 100,000	20,310	1.8	-2,650,350	1.5	-130	21,410	94.9
100,000 to 125,000	0	0.0	0	0.0	N.A.	28,240	0.0
125,000 to 150,000	0	0.0	0	0.0	N.A.	12,380	0.0
150,000 to 200,000	0	0.0	0	0.0	N.A.	10,530	0.0
200,000 to 250,000	0	0.0	0	0.0	N.A.	4,480	0.0
250,000 to 300,000	0	0.0	0	0.0	N.A.	2,400	0.0
300,000 to 500,000	0	0.0	0	0.0	N.A.	3,740	0.0
500,000 to 1,000,000	0	0.0	0	0.0	N.A.	2,050	0.0
1,000,000 and over	0	0.0	0	0.0	N.A.	1,280	0.0
Total	1,135,700	100.0%	-\$177,409,760	100.0%	-\$156	1,934,110	58.7%

- An estimated 1,894,250, or 60.3%, of all filers in 2019 would receive the family and individual reinvestment tax credit. A slightly higher percentage of married joint filers (62.8%) would receive the credit, than other filers (58.7%).

- The credit is estimated to decrease individual income tax collections by \$409.1 million in tax year 2019. Married joint filers would receive an estimated 56.6% of the decrease but represent only 40.0% of the total claimants. Other taxpayers would receive 43.4% of the estimated decrease but represent 60.0% of the estimated number of claimants.

- The average tax credit is estimated at \$216 in tax year 2019. The average credit is estimated to be higher for married joint claimants (\$305) than for other claimants (\$156).

- Generally, the average credit by Wisconsin AGI category would increase until reaching the phaseout range of \$125,000 to \$150,000 for married joint filers and \$80,000 to \$100,000 for single filers. Married separate filers are included with single filers and have a lower income phaseout range, but represent a small percentage of total filers (about 1%).

- Over 90% of all filers with a Wisconsin AGI between \$30,000 and \$100,000 would receive a tax credit. Tax filers not receiving the credit would include those with no tax liability, filers whose income is above the AGI phase out threshold, part-year residents, nonresidents, and individuals claimed as a single dependent on the return of another taxpayer claiming the credit.

Based on a simulation of tax year 2019 by the Wisconsin Department of Revenue.

ATTACHMENT 2

Estimated Distribution of Taxpayers Under Alternative to Expand the Sliding Scale Standard Deduction, Tax Year 2019

Wisconsin Adjusted Gross Income	All Filers							Married Joint Filers						
	Taxpayers Receiving a Tax Decrease					Count of All Returns	% of All Returns in AGI Class	Taxpayers Receiving a Tax Decrease					Count of All Returns	% of All Returns in AGI Class
	Count	% of Count	Amount of Tax Decrease	% of Decrease	Average Decrease			Count	% of Count	Amount of Tax Decrease	% of Decrease	Average Decrease		
Under \$5,000	16,950	0.8%	-\$199,770	< 0.1%	-\$12	472,390	3.6%	6,230	0.7%	-\$73,310	< 0.1%	-\$12	84,230	7.4%
5,000 to 10,000	14,160	0.7	-457,490	0.1	-32	220,080	6.4	4,050	0.5	-137,050	0.1	-34	30,080	13.5
10,000 to 15,000	69,260	3.4	-3,250,850	0.8	-47	188,590	36.7	3,170	0.4	-185,970	0.1	-59	30,520	10.4
15,000 to 20,000	110,770	5.5	-9,483,060	2.3	-86	173,680	63.8	2,720	0.3	-173,150	0.1	-84	28,470	9.6
20,000 to 25,000	139,970	6.9	-16,898,270	4.2	-121	171,290	81.7	5,020	0.6	-431,690	0.2	-86	30,470	16.5
25,000 to 30,000	149,640	7.4	-24,248,670	6.0	-162	169,640	88.2	17,910	2.1	-1,936,410	0.8	-108	35,870	49.9
30,000 to 40,000	306,500	15.1	-58,606,910	14.5	-191	316,190	96.9	72,070	8.6	-16,097,450	6.7	-223	78,980	91.3
40,000 to 50,000	251,990	12.4	-57,216,870	14.1	-227	255,800	98.5	76,680	9.2	-25,535,910	10.7	-333	78,760	97.4
50,000 to 60,000	194,490	9.6	-47,179,070	11.7	-243	197,050	98.7	76,740	9.2	-28,147,440	11.8	-367	78,200	98.1
60,000 to 70,000	154,320	7.6	-39,931,070	9.9	-259	156,370	98.7	77,660	9.3	-29,523,120	12.3	-380	78,870	98.5
70,000 to 80,000	124,300	6.1	-34,628,810	8.6	-279	126,070	98.6	76,240	9.1	-29,484,680	12.3	-387	77,320	98.6
80,000 to 90,000	105,520	5.2	-31,421,610	7.8	-298	107,750	97.9	74,540	8.9	-28,708,790	12.0	-385	75,530	98.7
90,000 to 100,000	90,390	4.5	-27,032,010	6.7	-299	92,080	98.2	69,910	8.4	-25,607,020	10.7	-366	70,670	98.9
100,000 to 125,000	165,960	8.2	-41,444,890	10.2	-250	172,630	96.1	142,760	17.1	-40,537,680	17.0	-284	144,390	98.9
125,000 to 150,000	91,180	4.5	-11,421,720	2.8	-125	104,870	86.9	91,180	10.9	-11,421,720	4.8	-125	92,490	98.6
150,000 to 200,000	38,890	1.9	-1,028,280	0.3	-26	100,950	38.5	38,890	4.7	-1,028,280	0.4	-26	90,420	43.0
200,000 to 250,000	20	< 0.1	-2,490	< 0.1	-125	41,960	0.0	20	< 0.1	-2,490	< 0.1	-125	37,480	0.1
250,000 to 300,000	0	0.0	0	0.0	N.A.	21,070	0.0	0	0.0	0	0.0	N.A.	18,670	0.0
300,000 to 500,000	0	0.0	0	0.0	N.A.	30,230	0.0	0	0.0	0	0.0	N.A.	26,490	0.0
500,000 to 1,000,000	0	0.0	0	0.0	N.A.	15,660	0.0	0	0.0	0	0.0	N.A.	13,610	0.0
1,000,000 and over	0	0.0	0	0.0	N.A.	7,640	0.0	0	0.0	0	0.0	N.A.	6,360	0.0
Total	2,024,310	100.0%	-\$404,451,840	100.0%	-\$200	3,141,990	64.4%	835,790	100.0%	-\$239,088,160	100.0%	-\$286	1,207,880	69.2%

Wisconsin Adjusted Gross Income	Other Filers						
	Taxpayers Receiving a Tax Decrease					Count of All Returns	% of All Returns in AGI Class
	Count	% of Count	Amount of Tax Decrease	% of Decrease	Average Decrease		
Under \$5,000	10,720	0.9%	-\$126,460	0.1%	-\$12	388,160	2.8%
5,000 to 10,000	10,110	0.9	-320,440	0.2	-32	190,000	5.3
10,000 to 15,000	66,090	5.6	-3,064,880	1.9	-46	158,070	41.8
15,000 to 20,000	108,050	9.1	-9,253,910	5.6	-86	145,210	74.4
20,000 to 25,000	134,950	11.4	-16,466,580	10.0	-122	140,820	95.8
25,000 to 30,000	131,730	11.1	-22,312,260	13.5	-169	133,770	98.5
30,000 to 40,000	234,430	19.7	-42,509,460	25.7	-181	237,210	98.8
40,000 to 50,000	175,310	14.8	-31,680,960	19.2	-181	177,040	99.0
50,000 to 60,000	117,750	9.9	-19,031,630	11.5	-162	118,850	99.1
60,000 to 70,000	76,660	6.5	-10,407,950	6.3	-136	77,500	98.9
70,000 to 80,000	48,060	4.0	-5,144,130	3.1	-107	48,750	98.6
80,000 to 90,000	30,980	2.6	-2,712,820	1.6	-88	32,220	96.2
90,000 to 100,000	20,480	1.7	-1,424,990	0.9	-70	21,410	95.7
100,000 to 125,000	23,200	2.0	-907,210	0.5	-39	28,240	82.2
125,000 to 150,000	0	0.0	0	0.0	N.A.	12,380	0.0
150,000 to 200,000	0	0.0	0	0.0	N.A.	10,530	0.0
200,000 to 250,000	0	0.0	0	0.0	N.A.	4,480	0.0
250,000 to 300,000	0	0.0	0	0.0	N.A.	2,400	0.0
300,000 to 500,000	0	0.0	0	0.0	N.A.	3,740	0.0
500,000 to 1,000,000	0	0.0	0	0.0	N.A.	2,050	0.0
1,000,000 and over	0	0.0	0	0.0	N.A.	1,280	0.0
Total	1,188,520	100.0%	-\$165,363,680	100.0%	-\$139	1,934,110	61.5%

- An estimated 2,024,310, or 64.4%, of all filers in 2019 would receive a tax decrease under an expanded sliding scale standard deduction. A higher percentage of married filers (69.2%) would receive a tax decrease, than other filers (61.5%).

- An expanded sliding scale standard deduction is estimated to decrease individual income tax collections by \$404.5 million in tax year 2019. Married joint filers would receive an estimated 59.1% of the decrease but represent only 41.3% of all taxpayers with a tax decrease. Other taxpayers would receive 40.9% of the estimated decrease but represent 58.7% of the taxpayers with a tax decrease.

- The average tax decrease is estimated at \$200 in tax year 2019. The average decrease is estimated to be higher for married joint filers (\$286) than for other filers (\$139).

- The average tax decrease by Wisconsin AGI category would increase until peaking at \$70,000 to \$90,000 for married joint filers and \$30,000 to \$60,000 for other filer types. These income ranges are slightly below the midpoint of the income phaseout ranges for each filer type.

- Over 90% of all filers with a Wisconsin AGI between \$30,000 and \$125,000 would receive a tax decrease. Tax filers not receiving a decrease would include those with no tax liability and filers whose income is above the income phaseout thresholds.

Based on a simulation of tax year 2019 by the Wisconsin Department of Revenue.

ATTACHMENT 3

Estimated Distribution of Taxpayers Under Across-the-Board Tax Rate Reduction Alternative, Tax Year 2019

Wisconsin Adjusted Gross Income	All Filers						Married Joint Filers							
	Taxpayers Receiving a Tax Decrease					Count of All Returns	% of All Returns in AGI Class	Taxpayers Receiving a Tax Decrease					Count of All Returns	% of All Returns in AGI Class
	Count	% of Count	Amount of Tax Decrease	% of Decrease	Average Decrease			Count	% of Count	Amount of Tax Decrease	% of Decrease	Average Decrease		
Under \$5,000	37,150	1.6%	-\$149,920	< 0.1%	-\$4	472,390	7.9%	12,180	1.2%	-\$63,650	< 0.1%	-\$5	84,230	14.5%
5,000 to 10,000	26,420	1.2	-263,860	0.1	-10	220,080	12.0	6,910	0.7	-102,220	< 0.1	-15	30,080	23.0
10,000 to 15,000	70,980	3.1	-497,700	0.1	-7	188,590	37.6	5,040	0.5	-123,440	< 0.1	-24	30,520	16.5
15,000 to 20,000	114,340	5.0	-1,348,890	0.3	-12	173,680	65.8	4,070	0.4	-137,190	< 0.1	-34	28,470	14.3
20,000 to 25,000	142,600	6.3	-2,768,090	0.7	-19	171,290	83.3	6,020	0.6	-168,610	0.1	-28	30,470	19.8
25,000 to 30,000	151,720	6.7	-4,445,630	1.1	-29	169,640	89.4	18,890	1.9	-358,720	0.1	-19	35,870	52.7
30,000 to 40,000	309,670	13.6	-13,998,090	3.5	-45	316,190	97.9	73,670	7.3	-2,152,810	0.8	-29	78,980	93.3
40,000 to 50,000	254,330	11.2	-17,820,360	4.5	-70	255,800	99.4	77,960	7.7	-4,220,570	1.5	-54	78,760	99.0
50,000 to 60,000	196,290	8.6	-18,684,340	4.7	-95	197,050	99.6	77,760	7.7	-6,363,240	2.2	-82	78,200	99.4
60,000 to 70,000	155,910	6.8	-18,725,590	4.7	-120	156,370	99.7	78,590	7.8	-8,643,590	3.0	-110	78,870	99.6
70,000 to 80,000	125,760	5.5	-18,301,940	4.6	-146	126,070	99.8	77,100	7.6	-10,665,600	3.8	-138	77,320	99.7
80,000 to 90,000	107,540	4.7	-18,475,290	4.6	-172	107,750	99.8	75,380	7.4	-12,571,140	4.4	-167	75,530	99.8
90,000 to 100,000	91,970	4.0	-18,264,850	4.6	-199	92,080	99.9	70,590	7.0	-13,776,390	4.9	-195	70,670	99.9
100,000 to 125,000	172,420	7.6	-42,144,120	10.6	-244	172,630	99.9	144,250	14.2	-35,083,050	12.4	-243	144,390	99.9
125,000 to 150,000	104,770	4.6	-32,252,650	8.1	-308	104,870	99.9	92,420	9.1	-28,410,400	10.0	-307	92,490	99.9
150,000 to 200,000	100,810	4.4	-39,389,190	9.9	-391	100,950	99.9	90,330	8.9	-35,248,870	12.4	-390	90,420	99.9
200,000 to 250,000	41,840	1.8	-21,355,220	5.4	-510	41,960	99.7	37,420	3.7	-19,063,590	6.7	-509	37,480	99.8
250,000 to 300,000	21,000	0.9	-13,271,690	3.3	-632	21,070	99.7	18,640	1.8	-11,740,610	4.1	-630	18,670	99.8
300,000 to 500,000	29,830	1.3	-27,132,660	6.8	-910	30,230	98.7	26,170	2.6	-23,643,590	8.3	-903	26,490	98.8
500,000 to 1,000,000	15,520	0.7	-27,467,980	6.9	-1,770	15,660	99.1	13,520	1.3	-23,875,940	8.4	-1,766	13,610	99.3
1,000,000 and over	7,470	0.3	-62,148,010	15.6	-8,320	7,640	97.8	6,250	0.6	-46,997,660	16.6	-7,520	6,360	98.3
Total	2,278,340	100.0%	-\$398,906,070	100.0%	-\$175	3,141,990	72.5%	1,013,160	100.0%	-\$283,410,880	100.0%	-\$280	1,207,880	83.9%

Wisconsin Adjusted Gross Income	Other Filers						
	Taxpayers Receiving a Tax Decrease					Count of All Returns	% of All Returns in AGI Class
	Count	% of Count	Amount of Tax Decrease	% of Decrease	Average Decrease		
Under \$5,000	24,970	2.0%	-\$86,270	0.1%	-\$3	388,160	6.4%
5,000 to 10,000	19,510	1.5	-161,640	0.1	-8	190,000	10.3
10,000 to 15,000	65,940	5.2	-374,260	0.3	-6	158,070	41.7
15,000 to 20,000	110,270	8.7	-1,211,700	1.0	-11	145,210	75.9
20,000 to 25,000	136,580	10.8	-2,599,480	2.3	-19	140,820	97.0
25,000 to 30,000	132,830	10.5	-4,086,910	3.5	-31	133,770	99.3
30,000 to 40,000	236,000	18.7	-11,845,280	10.3	-50	237,210	99.5
40,000 to 50,000	176,370	13.9	-13,599,790	11.8	-77	177,040	99.6
50,000 to 60,000	118,530	9.4	-12,321,100	10.7	-104	118,850	99.7
60,000 to 70,000	77,320	6.1	-10,082,000	8.7	-130	77,500	99.8
70,000 to 80,000	48,660	3.8	-7,636,340	6.6	-157	48,750	99.8
80,000 to 90,000	32,160	2.5	-5,904,150	5.1	-184	32,220	99.8
90,000 to 100,000	21,380	1.7	-4,488,460	3.9	-210	21,410	99.9
100,000 to 125,000	28,170	2.2	-7,061,070	6.1	-251	28,240	99.8
125,000 to 150,000	12,350	1.0	-3,842,250	3.3	-311	12,380	99.8
150,000 to 200,000	10,480	0.8	-4,140,320	3.6	-395	10,530	99.5
200,000 to 250,000	4,420	0.3	-2,291,630	2.0	-518	4,480	98.7
250,000 to 300,000	2,360	0.2	-1,531,080	1.3	-649	2,400	98.3
300,000 to 500,000	3,660	0.3	-3,489,070	3.0	-953	3,740	97.9
500,000 to 1,000,000	2,000	0.2	-3,592,040	3.1	-1,796	2,050	97.6
1,000,000 and over	1,220	0.1	-15,150,350	13.1	-12,418	1,280	95.3
Total	1,265,180	100.0%	-\$115,495,190	100.0%	-\$91	1,934,110	65.4%

- An estimated 2,278,340, or 72.5%, of all filers in 2019 would receive a tax decrease under an across-the-board tax rate reduction. A higher percentage of married filers (83.9%) would receive a tax decrease, than other filers (65.4%).

- An across-the-board tax rate reduction is estimated to decrease individual income tax collections by \$398.9 million in tax year 2019. Married joint filers would receive an estimated 71.0% of the decrease but represent only 44.5% of all taxpayers with a tax decrease. Other taxpayers would receive 29.0% of the estimated decrease but represent 55.5% of the taxpayers with a tax decrease.

- The average tax decrease is estimated at \$175 in tax year 2019. The average decrease is estimated to be higher for married joint filers (\$280) than for other filers (\$91).

- The average tax change would increase with Wisconsin AGI. The relationship between share of tax decrease and share of net taxes paid is proportional. Taxpayers with Wisconsin below \$100,000 would receive 33.5% of the tax decrease, and their share of net tax equals 33.4%. Taxpayers with Wisconsin AGI above \$100,000 would receive 66.5% of the tax decrease, and their share of net taxes equals 66.6%.

- Over 95% of all filers with a Wisconsin AGI above \$30,000 would receive a tax decrease. Tax filers not receiving a decrease would include those with no tax liability.

Based on a simulation of tax year 2019 by the Wisconsin Department of Revenue.