

GENERAL FUND TAXES

1. GENERAL FUND TAX CHANGES

Governor/Joint Finance: The following table shows the general fund tax changes recommended by the Governor and by the Joint Committee on Finance, along with their estimated fiscal effects in the 2023-25 biennium. The table does not include tax law changes that are estimated to have a minimal fiscal effect. The table does not include changes to refundable tax credits, because they are paid from appropriations rather than recorded as reductions in tax revenues.

Estimated Biennial Fiscal Effects of Budget Provisions, Governor and Joint Finance

	<u>2023-25</u> <u>Governor</u>	<u>2023-25</u> <u>Jt. Finance</u>	<u>Change to</u> <u>Governor</u>
Income and Franchise Taxes			
Income Tax Rate Reductions	\$0	-\$2,910,700,000	-\$2,910,700,000
Family and Reinvestment Credit	-839,818,200	0	839,818,200
Limit MAC for Manufacturers	655,100,500	0	-655,100,500
Update Withholding 1/1/2024	0	-603,400,000	-603,400,000
IRC Update - TCJA	387,200,000	0	-387,200,000
Capital Gains Limitation	339,400,000	0	-339,400,000
Caregiver Credit	-195,096,700	0	195,096,700
Income Exclusion for Banks	0	-65,200,000	-65,200,000
Child and Dependent Care Credit	-55,110,700	0	55,110,700
Interactive Effects	24,000,000	0	-24,000,000
Pre-Tax Treatment of Paid Family Leave	-20,450,000	0	20,450,000
Retirement Increase Subtraction Increase	-16,200,000	0	16,200,000
Expand Refundable Research Credit	-16,100,000	0	16,100,000
Universal Changing Station Credit	-15,900,000	0	15,900,000
Limit Private School Tuition Deduction	13,000,000	0	-13,000,000
Low-Income Housing Credit	-8,700,000	0	8,700,000
Financial Institution Apportionment	0	-7,000,000	-7,000,000
Limit Dividends Received Deduction	6,400,000	0	-6,400,000
First-Time Homebuyer Deduction	-4,800,000	0	4,800,000
Repeal NOL Carryback	4,400,000	0	-4,400,000
IRC Update - Changes Since 2020	1,000,000	0	-1,000,000
Flood Insurance Premiums Credit	-800,000	0	800,000
Disability Income Subtraction	-520,000	0	520,000
Sunset Working Families Credit	250,000	0	-250,000
Subtotal--Income and Franchise	<u>\$257,254,900</u>	<u>-\$3,586,300,000</u>	<u>-\$3,843,554,900</u>
General Sales and Use Tax			
Sales Tax on Prewritten Software	\$59,000,000	\$0	-\$59,000,000
Increase Sales Tax Retailer's Discount	0	-36,600,000	-36,600,000
Exemption for Diapers/Hygiene Products	-32,800,000	0	32,800,000
Sales Tax on Recreational Marijuana	10,200,000	0	-10,200,000
Exemption for Renewable Energy Storage	-4,200,000	0	4,200,000

	<u>2023-25</u> <u>Governor</u>	<u>2023-25</u> <u>Jt. Finance</u>	<u>Change to</u> <u>Governor</u>
General Sales and Use Tax (continued)			
Exemption for Breastpumps	-\$1,190,000	\$0	\$1,190,000
Exemption for Prairie/Wetland Services	-1,000,000	0	1,000,000
Exemption for Gun Safes and Locks	-540,000	0	540,000
Repeal Exemption for Farm-Raised Deer	<u>210,000</u>	<u>0</u>	<u>-210,000</u>
Subtotal--General Sales and Use Tax	\$29,680,000	-\$36,600,000	-\$66,280,000
Excise Taxes			
Increase Tax on Vapor Products	\$22,400,000	\$0	-\$22,400,000
Increase Tax on Little Cigars	5,500,000	0	-5,500,000
Increase Cigarette Tax Discount	<u>0</u>	<u>-3,200,000</u>	<u>-3,200,000</u>
Subtotal--Excise Taxes	\$27,900,000	-\$3,200,000	-\$31,100,000
Tax Enforcement Provisions			
Delinquent Tax Collection Agents - 7.0 FTE	\$20,100,000	\$0	-\$20,100,000
Advanced Technology System	<u>7,600,000</u>	<u>7,600,000</u>	<u>0</u>
Subtotal--Tax Enforcement Provisions	\$27,700,000	\$7,600,000	-\$20,100,000
Total Tax Changes	\$342,534,900	-\$3,618,500,000	-\$3,961,034,900

The following table shows the estimated fiscal effects of the general fund tax changes recommended by the Joint Committee on Finance by year. The table does not include changes to refundable tax credits, or changes with a minimal fiscal effect.

2023-25 General Fund Tax Changes under Joint Finance

	<u>2023-24</u>	<u>2024-25</u>	<u>2023-25</u> <u>Biennium</u>
Income and Franchise Taxes			
Income Tax Rate Reductions	-\$1,489,300,000	-\$1,421,400,000	-\$2,910,700,000
Update Withholding 1/1/2024	-603,400,000	0	-603,400,000
Income Exclusion for Banks	-35,900,000	-29,300,000	-65,200,000
Financial Institution Apportionment	-3,500,000	-3,500,000	-7,000,000
Sales and Use Taxes			
Increase Sales Tax Retailer's Discount	-15,500,000	-21,100,000	-36,600,000
Excise Taxes and Other Taxes			
Increase Cigarette Tax Discount	-1,400,000	-1,800,000	-3,200,000
Tax Enforcement Provisions			
Advanced Technology System	<u>0</u>	<u>7,600,000</u>	<u>7,600,000</u>
Total General Fund Tax Changes	-\$2,149,000,000	-\$1,469,500,000	-\$3,618,500,000

Income and Franchise Taxes

1. FAMILY AND INDIVIDUAL REINVESTMENT CREDIT *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	-\$839,818,200	\$839,818,200	\$0

2. MANUFACTURING AND AGRICULTURE TAX CREDIT LIMITATION *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	\$655,100,500	-\$655,100,500	\$0

3. IRC UPDATE - TAX CUTS AND JOBS ACT OF 2017 *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	\$387,200,000	-\$387,200,000	\$0

4. IRC UPDATE - FEDERAL LEGISLATION ENACTED IN 2021 AND 2022 [LFB Paper 360 and 361]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	\$1,000,000	-\$1,000,000	\$0

Governor: Update references to the Internal Revenue Code (IRC) under the individual income and corporate income/franchise taxes. For taxable years beginning after December 31, 2022, adopt the selected IRC provisions included in the following federal laws that were enacted in 2021 and 2022: (a) American Rescue Plan Act of 2021 (ARPA); (b) Paycheck Protection Program Extension Act of 2021; (c) Surface Transportation Extension Act of 2021; (d) Further Surface Transportation Extension Act of 2021; (e) Infrastructure Investment and Jobs Act; (f) Consolidated Appropriations Act of 2022; (g) Supreme Court Security Funding Act of 2022; and (h) Inflation Reduction Act of 2022.

Provide that, beginning in tax year 2022, changes to Section 529 of the IRC related to college savings plans are automatically adopted for state tax purposes. Under current law, Wisconsin generally conforms to Section 529 provisions enacted as of December 31, 2020.

Adopt several revisions to state tax statutes to simplify the legal references to the federal IRC. Under current law, the IRC is defined for state tax purposes under several different sections of state statutes for different types of taxpayers (such as individuals, partnerships, limited liability companies (LLCs), tax-option (S) corporations, and insurance companies). The bill would consolidate these provisions, generally defining the term "internal revenue code" in one location in the state statutes. Further, the bill would recreate a conformity section so as to simplify the list of specific provisions subject to static conformity to the IRC in effect as of a certain date (such as depreciation conforming to the IRC in effect on January 1, 2014), and those provisions continuously conforming to all subsequent changes to the IRC (such as Section 179 expensing).

According to the Administration, state adoption of these provisions would reduce state income and franchise tax revenues by \$400,000 in 2023-24 and increase revenues by \$1,400,000 in 2024-25. However, it should be noted that this item would adopt Section 9675 of ARPA, specifying that most student loans discharged after December 31, 2020, and before January 1, 2026, would not be included in gross income for income tax purposes. The Administration indicates that the fiscal effect of this provision is assumed to be minimal due to recent court decisions (*Biden v. Nebraska* and *Department of Education v. Brown*) which vacated the federal student loan discharge program that would have discharged up to \$10,000 (or up to \$20,000 for Pell Grant recipients) of student loan debt for borrowers that satisfy certain income limits. However, if the student loan discharge program were upheld on appeal, state adoption of ARPA Section 9675 could result in foregone revenues of several hundred million dollars in the 2023-25 biennium (depending on the outcome of future court cases).

Joint Finance: Provision not included.

5. LIMIT CAPITAL GAINS EXCLUSION *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	\$339,400,000	-\$339,400,000	\$0

6. FAMILY CAREGIVER CREDIT *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	-\$195,096,700	\$195,096,700	\$0

7. EXPAND CHILD AND DEPENDENT CARE CREDIT [LFB Paper 362]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	-\$55,110,700	\$55,110,700	\$0

Governor: Beginning in tax year 2023, increase the nonrefundable credit for child and dependent care expenses from 50% to 100% of the corresponding federal credit claimed on the claimant's federal income tax return in the same tax year. Reduce estimated individual income tax collections relative to current law by \$27,280,800 in 2023-24 and \$27,829,900 in 2024-25 and annually thereafter.

Federal law provides an individual income tax credit for child and dependent care expenses that are paid for the purpose of enabling a taxpayer to be gainfully employed. The maximum amount of expenses that can be claimed for the federal credit is \$3,000 if the claimant has one qualifying child (under the age of 13) or dependent (generally an individual who is physically or mentally unable to care for himself or herself) and \$6,000 if the claimant has more than one qualifying child and/or dependent. The credit is calculated as a percentage of eligible expenses, with the percentage ranging from 35% to 20%, depending on the claimant's federal adjusted gross income (AGI). Eligible expenses are reduced dollar-for-dollar for any amounts excluded as dependent care assistance benefits under separate provisions of state and federal law. The state credit acts as a supplement to the federal credit and reimburses between 10% and 17.5% of the claimant's eligible expenses.

Joint Finance: Provision not included.

8. PRE-TAX CONTRIBUTIONS FOR FAMILY MEDICAL LEAVE BENEFITS
(Removed from budget consideration pursuant to Joint Finance Motion #10)

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	-\$20,450,000	\$20,450,000	\$0

9. EXPAND RETIREMENT INCOME EXCLUSION [LFB Paper 364]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	-\$16,200,000	\$16,200,000	\$0

Governor: Expand the current law exclusion for income received from a qualified retirement plan by a person aged 65 or older who meets certain income requirements, beginning in tax year 2023. Provide that the maximum annual exclusion is increased to \$5,500. Provide that

the federal AGI amount at which the exclusion is eliminated is increased to: (a) \$30,000 for single and head-of-household filers; and (b) \$60,000 for married filers. This provision would reduce individual income tax collections by an estimated \$8,100,000 annually, beginning in 2023-24.

Under current law, an exclusion is provided for payments or distributions received each year by an individual from a qualified retirement plan under the IRC, or from an individual retirement account established under specified provisions of federal law, if the individual: (a) is at least 65 years of age before the close of the taxable year to which the exclusion relates; and (b) has federal AGI below \$15,000 if a single or head-of-household filer, or below \$30,000 (income combined with their spouse) if a married filer. The maximum exclusion under current law is \$5,000.

Joint Finance: Provision not included.

10. UNIVERSAL CHANGING STATIONS CREDIT *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	-\$15,900,000	\$15,900,000	\$0

11. LIMIT PRIVATE SCHOOL TUITION DEDUCTION *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	\$13,000,000	-\$13,000,000	\$0

12. STATE LOW-INCOME HOUSING TAX CREDIT INCREASE [LFB Paper 856]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	-\$8,700,000	\$8,700,000	\$0

Governor: Increase the limit on the total amount of state low-income housing credits that may be certified by the Wisconsin Housing and Economic Development Authority (WHEDA) from \$42 million to \$100 million. In addition, increase the maximum number of years the tax may be claimed from six years to 10 years. Further, require that to be eligible for a state housing credit, qualified low-income housing developments must be allocated the federal low-income housing tax credit and financed with tax-exempt bonds that are subject to the federal volume cap. However, authorize WHEDA to waive, in the Authority's federally required Qualified Action Plan (QAP), the requirements of tax-exempt bond financing and federal credit allocation, to the extent that WHEDA anticipates that sufficient tax-exempt private activity bond volume cap under federal law will not be available to finance low-income housing projects in any year. [See "Wisconsin Housing

and Economic Development Authority."]

2017 Wisconsin Act 176 created a state nonrefundable low-income housing tax credit (LIHTC). The credit is claimable against the state individual income tax, the corporate income/franchise tax, and the insurance premiums tax. WHEDA awards the credit as a match to the federal 4% low-income housing tax credit, which provides a credit equal to 4% of the cost of a project each year for 10 years, generally equal to at least 30% of the present value of construction costs associated with a project. Properties receiving state and federal housing tax credits must reserve at least 20% of units for households with incomes below 50% of county median income, or 40% of units for households with average incomes below 60% of county median income, for at least 30 years. Credits are awarded through a competitive application process, whereby WHEDA assigns scores to the applications based on criteria laid out in the Authority's QAP. Awards are limited to \$1.4 million per project. WHEDA is also required by law to give preference to developments located in cities, towns, or villages with populations fewer than 150,000.

Under the current program, WHEDA may award up to \$7 million in state tax credits annually, claimable for six years, for a maximum program total of \$42 million annually once the program is fully implemented. The bill would increase the program total to \$100 million, claimable over 10 years. The Administration estimates the provision would decrease state income and franchise tax revenues by \$1,450,000 in 2023-24 and \$7,250,000 in 2024-25, fully phasing in to a decrease of \$58 million in 2033-34. Combined with the \$42 million limit under current law, the credit is estimated to decrease state tax revenues by \$100 million annually beginning in 2033-34. The bill as introduced does not specify the initial applicability of changes to the credit.

Under current law, eligible projects are required to be financed with tax-exempt bonds. The bill would require eligible projects to be awarded federal low-income housing credits and be financed with certain tax-exempt bonds that are issued under the state's share of federal volume cap for private economic development or housing purposes. WHEDA could waive these requirements due to having insufficient tax-exempt private activity bonding available under the federal volume cap in a given year.

Joint Finance: Provision not included.

13. DIVIDENDS RECEIVED DEDUCTION LIMITATION *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	\$6,400,000	-\$6,400,000	\$0

14. FIRST-TIME HOMEBUYER SAVINGS ACCOUNTS *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	- \$4,800,000	\$4,800,000	\$0

15. REPEAL NET OPERATING LOSS CARRYBACK *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	\$4,400,000	- \$4,400,000	\$0

16. FLOOD INSURANCE PREMIUMS CREDIT *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	- \$800,000	\$800,000	\$0

17. EXPAND DISABILITY INCOME EXCLUSION *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	- \$520,000	\$520,000	\$0

18. SUNSET WORKING FAMILIES CREDIT *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	\$250,000	- \$250,000	\$0

19. ABLE ACCOUNT TERMINATION ADDBACK *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

20. DETERMINING HEALTH CARE ELIGIBILITY VIA INDIVIDUAL INCOME TAX RETURNS *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

21. TAX LAW CHANGE INTERACTIVE EFFECTS

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	\$24,000,000	- \$24,000,000	\$0

Governor: Increase income and franchise tax collections by an estimated \$11,800,000 in 2023-24 and \$12,200,000 in 2024-25 to account for the interactive effects of proposed income and franchise tax changes under the Governor's budget.

Joint Finance: Estimate a minimal change to income and franchise tax collections for interactive effects of the proposed tax changes under Joint Finance.

22. INDIVIDUAL INCOME TAX RATE REDUCTION [LFB Paper 366] GPR-Tax - \$2,910,700,000

Joint Finance: Reduce the top marginal individual income tax rate from 7.65% to 6.50%, collapse the third bracket (5.30% rate) into the second bracket (4.65%) and reduce the corresponding rate to 4.40%, and reduce the 3.54% rate to 3.50%, beginning in tax year 2023. Estimate reduced individual income tax collections of \$1,489,300,000 in 2023-24 and \$1,421,400,000 in 2024-25.

The following tables show the individual income tax rate and bracket schedule under current law and under Joint Finance that would apply for tax year 2023.

Current Law Individual Income Tax Rate and Bracket Schedule, Tax Year 2023

<u>Tax Rate</u>	<u>Income Tax Brackets by Filing Status</u>		
	<u>Single and Head-of-Household</u>	<u>Married-Joint</u>	<u>Married-Separate</u>
3.54%	\$0 to \$13,810	\$0 to \$18,420	\$0 to \$9,210
4.65%	13,810 to 27,630	18,420 to 36,840	9,210 to 18,420
5.30%	27,630 to 304,170	36,840 to 405,550	18,420 to 202,780
7.65%	304,170 and over	405,550 and over	202,780 and over

Joint Finance Individual Income Tax Rate and Bracket Schedule, Tax Year 2023

<u>Tax Rate</u>	<u>Income Tax Brackets by Filing Status</u>		
	<u>Single and Head-of-Household</u>	<u>Married-Joint</u>	<u>Married-Separate</u>
3.50%	\$0 to \$13,810	\$0 to \$18,420	\$0 to \$9,210
4.40%	13,810 to 304,170	18,420 to 405,550	9,210 to 202,780
6.50%	304,170 and over	405,550 and over	202,780 and over

23. WITHHOLDING TABLE ADJUSTMENTS [LFB Paper 365]

GPR-Tax	- \$603,400,000
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Joint Finance: Direct the Department of Revenue (DOR) Secretary to issue guidance no later than October 1, 2023, updating the individual income tax withholding tables to reflect the tax rates, brackets, and sliding scale standard deduction in effect for tax year 2024. Specify that these withholding table changes first take effect on January 1, 2024. In conjunction with the income tax rate reductions under Joint Finance, estimate a one-time reduction in individual income tax revenues of \$603,400,000 in 2023-24.

24. INCOME EXCLUSION ON COMMERCIAL LOANS

GPR-Tax	- \$65,200,000
SEG-Rev	- \$130,000

Joint Finance: Create an income and franchise tax deduction, 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. Decrease income and franchise tax collections by an estimated \$35,900,000 in 2023-24 and \$29,300,000 in 2024-25. Estimate surcharge revenues paid by banks into the economic development fund to decrease by \$130,000 SEG-Rev annually, beginning in 2024-25. Decreased amounts appropriated from the economic development fund for the Wisconsin Economic Development Corporation (WEDC) are reflected under "Wisconsin Economic Development Corporation."

25. APPORTIONMENT OF GROSS RECEIPTS FROM TRADING ASSETS

GPR-Tax	- \$7,000,000
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Joint Finance: Specify in the administrative code that DOR's authority to substitute net gains (net of commissions) from the sales of trading assets, for purposes of apportionment, does not apply to any taxpayer who, before January 1, 2023, elected to use the customer billing address method and has not revoked that election, and who, for any taxable year beginning on or after January 1, 2022, determines its receipts factor by using the average of the receipts factors determined using gross receipts, net of commissions, and net gain, net of commissions, from sales of trading assets for the taxable year, with all other components of the receipts factor remaining the same, and any such taxpayer may compute its receipts factor using that averaging method. Specify that DOR may not require any taxpayer who elected before January 1, 2023, to use the

customer billing address method, and who has not revoked that election, to use any other method of determining its receipts factor.

This provision would apply retroactively to taxable years beginning on January 1, 2022. Decrease income and franchise tax collections by an estimated \$3,500,000 annually, beginning in 2023-24.

General Sales and Use Taxes

1. SALES TAX ON THE ACCESS TO PREWRITTEN COMPUTER SOFTWARE
(Removed from budget consideration pursuant to Joint Finance Motion #10)

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	\$59,000,000	- \$59,000,000	\$0

2. SALES TAX EXEMPTION FOR DIAPERS AND FEMININE HYGIENE PRODUCTS
(Removed from budget consideration pursuant to Joint Finance Motion #10)

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	- \$32,800,000	\$32,800,000	\$0

3. SALES TAX ON MARIJUANA
(Removed from budget consideration pursuant to Joint Finance Motion #10)

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	\$10,200,000	- \$10,200,000	\$0

4. SALES TAX EXEMPTION FOR ENERGY SYSTEMS
(Removed from budget consideration pursuant to Joint Finance Motion #10)

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	- \$4,200,000	\$4,200,000	\$0

5. **SALES TAX EXEMPTION FOR BREASTFEEDING EQUIPMENT** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	- \$1,190,000	\$1,190,000	\$0

6. **SALES TAX EXEMPTION FOR CERTAIN PLANNING AND COUNSELING SERVICES** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	- \$1,000,000	\$1,000,000	\$0

7. **SALES TAX EXEMPTION FOR GUN SAFES, TRIGGER LOCKS, AND GUN BARREL LOCKS** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	- \$540,000	\$540,000	\$0

8. **REPEAL SALES TAX EXEMPTION FOR FARM-RAISED DEER** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	\$210,000	- \$210,000	\$0

9. **SALES TAX EXEMPTION FOR LOCAL PROFESSIONAL BASEBALL PARK DISTRICTS** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

10. **SALES TAX EXEMPTION FOR IMPROVEMENTS TO BASEBALL PARK DISTRICTS AND DEVELOPMENTS** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

11. **SALES TAX EXEMPTION FOR TRANSIT AUTHORITIES** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

12. **SALES TAX RETAILER'S DISCOUNT**

GPR-Tax - \$36,600,000

Joint Finance: 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 would first apply to sales and use taxes payable on the first day of the third month beginning after publication of the bill. Estimate a reduction in sales tax collections of \$15,500,000 in 2023-24 and \$21,100,000 in 2024-25.

13. **SALES TAX EXEMPTION FOR WEDC CERTIFIED DATA CENTERS**

Joint Finance: Create a sales and use tax exemption for certain property and items used at a qualified data center, as certified by WEDC, including the sales price from:

a. the sale of and the storage, use, or other consumption of tangible personal property, regardless of whether the property is affixed to or incorporated into real property, and property, used exclusively for the development, construction, renovation, expansion, replacement, repair, or operation of a qualified data center, including computer server equipment and the chassis for such equipment; networking equipment; switches; racks; fiber-optic cabling, copper cabling, and other cabling, including cabling used to connect one or more qualified data centers; trays; conduits; substations; uninterruptible energy equipment; supplies; fuel piping and storage; duct banks; switches; switchboards; batteries; testing equipment; backup generation equipment; modular data centers and preassembled components; monitoring equipment; and security systems;

b. the sales of and the storage, use, or other consumption of tangible personal property or property used in the development, construction, renovation, expansion, replacement, or repair of a water cooling or conservation system used exclusively to cool or conserve water for one or more qualified data centers, including chillers, mechanical equipment, refrigerant piping, fuel piping and storage, adiabatic and free cooling systems, cooling towers, water softeners, air handling units, indoor direct exchange units, fans, ducting, and filters;

c. the sale of and the storage, use, or other consumption of tangible personal property or property affixed to real property sold to a construction contractor that, in fulfillment of a real property construction activity, transfers the tangible personal property or property to a qualified data center, if such tangible personal property or property affixed to real property becomes a component of the qualified data center; and

d. the sale of electricity used at a qualified data center.

Define "eligible data center costs" to mean expenditures made after the first day of the third month beginning after publication of the bill for the development, acquisition, construction, renovation, expansion, replacement, or repair and the operation of a qualified data center in this state, including costs of tangible personal property and leased property affixed to real property, land, buildings, site improvements, modular data centers, computer data center equipment

acquisition and permitting, lease payments, site characterization and assessment, engineering, and design used at a qualified data center in this state.

Define "qualified data center" to mean one or more buildings or an array of connected buildings owned, leased, or operated by the same business entity (or its affiliate) and for which all of the following apply:

a. the buildings are rehabilitated or constructed to house a group of networked server computers in one physical location or multiple locations in order to centralize the processing, storage, management, retrieval, communication, or dissemination of data and information; and

b. the buildings create a minimum qualified investment in this state of any of the following amounts within five years from the certification date: (i) \$150,000,000 for buildings located in a county having a population greater than 100,000; (ii) \$100,000,000 for buildings located in a county having a population greater than 50,000 and not more than 100,000; (iii) \$50,000,000 for buildings located in a county having a population of not more than 50,000; or (iv) for buildings located in more than one county, the minimum qualified investment provided for the most populous county in which the buildings are located.

Define "qualified investment" to mean the aggregate, non-duplicative eligible data center costs expended at a qualified data center by an owner, operator, or tenant, or an affiliate of an owner, operator, or tenant, of the qualified data center.

Require WEDC to certify a qualified data center for purposes of the sales and use tax exemption. Require the certification to include a description of the geographic location or locations and buildings of the qualified data center and an identification of the business entity. Require WEDC to contract with that business entity and, upon request, to amend the certification and contract to include one or more additional locations and buildings of the qualified data center. If WEDC certifies a qualified data center for purposes of the sales and use tax exemption and the data center fails to satisfy the minimum qualified investment requirements described above, require WEDC to revoke the certification. All amounts of the sales and use tax exemption claimed under that certification as of the date of revocation become due and payable to each taxing authority against whom the exemption was claimed in the amounts so claimed. WEDC may grant an extension of time within which the qualified data center may avoid revocation by satisfying the applicable qualified investment requirement.

The effective date of this provision would be the first day of the third month beginning after publication of the bill.

DOR indicates that, based on typical capital expenditures for the construction of a data center (\$215.5 million) and adjusting for items that would otherwise be subject to sales tax, the exemption would decrease sales and use tax collections by \$8,500,000 for the initial construction of facilities, with an annual sales tax reduction of \$735,000 related to ongoing operating expenses of such a facility. There are no known facilities in the state meeting the minimum qualified investment amounts specified above. The estimated amount of foregone sales tax revenue as a result of this provision is unknown. Further, it is unknown whether WEDC would certify any new qualified data centers to be constructed during the 2023-25 biennium.

Excise Taxes and Other Taxes

1. **VAPOR PRODUCTS TAX** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	\$22,400,000	- \$22,400,000	\$0

2. **IMPOSE CIGARETTE TAX ON LITTLE CIGARS** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-Tax	\$5,500,000	- \$5,500,000	\$0

3. **DEFINE MANUFACTURER'S LIST PRICE** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

4. **REAL ESTATE TRANSFER FEE EXEMPTION FOR RELATED ENTITIES** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

5. **NOTICE OF UTILITY TAXES BY CERTIFIED MAIL** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

6. **CIGARETTE TAX STAMP DISCOUNT RATE**

GPR-Tax	- \$3,200,000
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Joint Finance: 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 would first apply to cigarette tax stamps purchased on the first day of the third month beginning after publication of the bill. Estimate a decrease in cigarette tax revenues of \$1,400,000 in 2023-24 and \$1,800,000 in 2024-25.

General Fund Tax Transfers

1. GENERAL FUND TAX TRANSFERS TO THE TRANSPORTATION FUND [LFB Paper 761]

Governor: Under current law, 0.25% of estimated general fund taxes that are designated as "Taxes" in the general fund summary published in the biennial budget act are transferred to the transportation fund. This provision would be retained, and the associated transfer would be \$54,326,400 in 2023-24 and \$56,363,000 in 2024-25 under the Governor's budget.

Additional tax transfers proposed under the bill are discussed in the following entries. The table below shows total general fund tax transfers to the transportation fund under the bill.

General Fund Tax Transfers to the Transportation Fund

	<u>2023-24</u>	<u>2024-25</u>
Current Law 0.25% Transfer	\$54,326,400	\$56,363,000
Automotive Parts Sales Tax Transfer	43,625,700	52,895,500
Electric Vehicle Sales Tax Transfer	39,300,000	55,100,000
Total General Fund Tax Transfers	\$137,252,100	\$164,358,500
Transfers as % of General Fund Taxes	0.63%	0.73%

Joint Finance: Retain the current law transfer of 0.25% of estimated general fund taxes from the general fund to the transportation fund. Estimate the associated transfer at \$48,112,000 in 2023-24 and \$51,700,000 in 2024-25. The table below shows total general fund tax transfers to the transportation fund under the Joint Finance budget.

General Fund Tax Transfers to the Transportation Fund

	<u>2023-24</u>	<u>2024-25</u>
Current Law 0.25% Transfer	\$48,112,000	\$51,700,000
Electric Vehicle Sales Tax Transfer	39,300,000	55,100,000
Total General Fund Tax Transfers	\$87,412,000	\$106,800,000
Transfers as % of General Fund Taxes	0.45%	0.52%

2. TRANSFER OF SALES TAX GENERATED BY AUTOMOTIVE PART SALES [LFB Paper 761]

Governor: Require the Secretary of the Department of Administration (DOA) to transfer, annually, from the general fund to the transportation fund, an amount approximating the difference between the sales tax generated from the sale of automotive parts, accessories, tires, and repair and maintenance services in 2020-21 and the amount of sales tax generated from such sales in the fiscal

year of the transfer. [A technical amendment would be needed to clarify the Administration's intent that 2019-20 (rather than 2020-21) would be the base year for this calculation.] Specify that this amount would be calculated by DOA and the first transfer would occur on June 30, 2024. The Administration estimates transfers of \$43,625,700 in 2023-24 and \$52,895,500 in 2024-25. [For additional information, see "Transportation -- Transportation Finance."]

Joint Finance: Provision not included.

3. TRANSFER OF SALES TAX GENERATED BY ELECTRIC VEHICLE SALES
[LFB Paper 761]

Governor: Require the DOA Secretary to transfer, annually, from the general fund to the transportation fund, an amount approximating the sales tax generated by the sale of electric vehicles in this state. Specify that this amount would be calculated by DOA and the first transfer would occur on June 30, 2024. Further specify that, beginning in 2025-26, the amount transferred could not exceed 120% of the previous year's transfer, or \$75,000,000, whichever is less. The Administration estimates transfers of \$39,300,000 in 2023-24 and \$55,100,000 in 2024-25. [For additional information, see "Transportation -- Transportation Finance."]

Joint Finance: Modify the Governor's provision to eliminate the DOA estimating methodology. Instead specify that the amounts transferred each year would equal the amount shown for the transfer in the general fund summary schedule of the biennial budget act. The amount of the transfer from the general fund to the transportation fund would be the same as the amount recommended by the Governor.

4. SALES TAX TRANSFER TO THE LOCAL GOVERNMENT FUND

Joint Finance: Direct the DOA Secretary to transfer from the general fund to the local government fund, created under separate provisions of the bill, an amount equal to 20% of sales and use taxes imposed in 2024-25. Sales and use taxes under the Joint Finance budget are estimated at \$7,816,900,000 in 2024-25, and the corresponding transfer to the local government fund is estimated at \$1,563,380,000. [For additional information, see "Shared Revenue and Tax Relief -- Direct Aid Payments."]

Refundable Tax Credits and Other Payments

1. EARNED INCOME CREDIT REESTIMATE [LFB Paper 106]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	\$3,312,000	\$88,000	\$3,400,000
PR	<u>- 6,473,000</u>	<u>0</u>	<u>- 6,473,000</u>
Total	- \$3,161,000	\$88,000	- \$3,073,000

Governor: Increase estimated GPR expenditures for the state earned income tax credit (EITC) by \$954,000 in 2023-24 and \$2,358,000 in 2024-25. Decrease PR expenditures for the EITC by \$4,875,000 in 2023-24 and \$1,598,000 in 2024-25. Base GPR funding for the EITC is currently estimated at \$25,500,000, and estimated base PR funding is \$66,600,000. Total GPR funding for the EITC is estimated at \$26,454,000 in 2023-24 and \$27,858,000 in 2024-25. Total PR funding for the EITC is estimated at \$61,725,000 in 2023-24 and \$65,002,000 in 2024-25.

Under current law, the state EITC is paid from two sources: (a) a sum sufficient GPR appropriation; and (b) federal funding from the Temporary Assistance to Needy Families (TANF) program. TANF funding may be used under current law to finance the refundable portion of the state EITC, while GPR is used to finance the nonrefundable portion.

Joint Finance: Increase estimated GPR expenditures for EITC claims by \$46,000 in 2023-24 and \$42,000 in 2024-25. Total GPR funding for the EITC is estimated at \$26,500,000 in 2023-24 and \$27,900,000 in 2024-25.

2. EXPAND EARNED INCOME CREDIT *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	\$37,420,000	- \$37,420,000	\$0
PR	<u>87,080,000</u>	<u>- 87,080,000</u>	<u>0</u>
Total	\$124,500,000	- \$124,500,000	\$0

3. HOMESTEAD CREDIT REESTIMATE [LFB Paper 106]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	- \$7,900,000	- \$6,800,000	- \$14,700,000

Governor: Decrease estimated expenditures under the homestead tax credit program by \$2,300,000 in 2023-24 and \$5,600,000 in 2024-25. Compared to base funding of \$47,300,000, estimated expenditures would be \$45,000,000 in 2023-24 and \$41,700,000 in 2024-25.

Under current law, the homestead credit is provided as a property tax relief mechanism for lower-income homeowners and renters. The credit is refundable, such that if the amount of the credit exceeds a claimant's tax liability, a check is issued to the claimant for the difference.

Joint Finance: Decrease estimated expenditures under the homestead tax credit program by \$2,800,000 in 2023-24 and \$4,000,000 in 2024-25. Total GPR funding for the homestead credit is estimated at \$42,200,000 in 2023-24 and \$37,700,000 in 2024-25.

4. HOMESTEAD CREDIT EXPANSION *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	\$99,400,000	-\$99,400,000	\$0

5. REFUNDABLE RESEARCH CREDIT REESTIMATE [LFB Paper 106]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	-\$15,000,000	\$15,800,000	\$800,000

Governor: Decrease funding for refundable research tax credit claims by \$7,500,000 annually. With the adjustments, estimated total funding would decrease from \$21,000,000 to \$13,500,000 annually. For comparison, DOR reports that credit usage for fiscal year 2022-23 through January, 2023, is \$13.8 million.

The state provides research credits to businesses equal to a percentage of the increase in a business's qualified research expenses, as defined under the IRC, for research conducted in Wisconsin. For taxable years beginning on or after January 1, 2020, up to 15% of the amount of new credits computed may be claimed as a refundable credit. The remaining portion of the credit is nonrefundable. The amounts shown above reflect only the estimated cost of the refundable portion of research credit claims.

Joint Finance: Reestimate total credit claims at \$21,300,000 in 2023-24 and \$21,500,000 in 2024-25. Compared to the Governor's recommendation, increase funding under the sum sufficient GPR appropriation for research credit claims by \$7,800,000 in 2023-24 and \$8,000,000 in 2024-25.

6. INCREASE REFUNDABLE PORTION OF RESEARCH CREDIT [LFB Paper 395]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	\$64,400,000	-\$60,900,000	\$3,500,000
GPR-Tax	-\$16,100,000	\$16,100,000	\$0

Governor: 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 50% of the credit amount. Specify that this provision would first apply to new research credit claims for taxable years beginning after December 31, 2023. Estimate decreased income and franchise tax revenues of \$16,100,000 GPR-Tax in 2023-24 and increased expenditures for refundable research credit claims of \$64,400,000 GPR annually, beginning in 2024-25.

Joint Finance: Increase the refundable portion from 15% of the credit amount to 25% of the credit amount, rather than 50% of the credit amount, for taxable years beginning after December 31, 2023. Increase estimated expenditures for refundable research credit claims by \$3,500,000 GPR in 2024-25 and \$13,800,000 GPR in 2025-26. Relative to the Governor's provision, increase estimated income and franchise tax revenues by \$16,100,000 in 2023-24 and decrease estimated credit claims by \$60,900,000 GPR in 2024-25.

7. ENTERPRISE ZONE CREDIT REESTIMATE [LFB Papers 106 and 396]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	-\$65,360,000	\$485,000	-\$64,875,000

Governor: Decrease funding by \$23,398,000 in 2023-24 and \$41,962,000 in 2024-25 for the sum sufficient appropriation for refundable enterprise zone tax credits to reestimate anticipated claims during the 2023-25 biennium. The reestimate reflects projections of credit claims for major economic development projects for which WEDC has, to date, contracted and amended tax credit awards. With the adjustments, estimated total funding would decrease from base funding of \$77,500,000 to \$54,102,000 in 2023-24 and \$35,538,000 in 2024-25. Businesses that operate in enterprise zones established by WEDC can claim tax credits for jobs created and retained, training costs, capital expenditures, and purchases from Wisconsin vendors.

Joint Finance: Reestimate anticipated credit claims during the 2023-25 biennium to be \$54,100,000 in 2023-24 and \$36,025,000 in 2024-25. Compared to the Governor's recommendations, decrease funding under the sum sufficient GPR appropriation for the enterprise zone program by \$2,000 in 2023-24 and increase funding by \$487,000 in 2024-25.

8. ENTERPRISE ZONE LIMIT *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

9. VETERANS PROPERTY TAX CREDIT REESTIMATE [LFB Paper 106]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	- \$500,000	\$14,800,000	\$14,300,000

Governor: Decrease funding for the veterans and surviving spouses property tax credit by \$1,000,000 in 2023-24 and increase funding by \$500,000 in 2024-25. Compared to base funding of \$50,000,000, total funding for the credit is estimated at \$49,000,000 in 2023-24 and \$50,500,000 in 2024-25.

Under current law, the credit is equal to 100% of real and personal property taxes paid on a principal dwelling by eligible veterans and surviving spouses. The credit is refundable, such that if the amount of the credit exceeds the claimant's tax liability, the balance is paid to the claimant by check via a sum sufficient GPR appropriation. A claimant cannot claim the credit if they also file a claim for the property tax/rent credit (nonrefundable), homestead credit (refundable), or farmland preservation credit (refundable) in the same tax year.

Joint Finance: Increase funding for the veterans and surviving spouses property tax credit by \$5,600,000 in 2023-24 and \$9,200,000 in 2024-25. Total funding for the credit is estimated at \$54,600,000 in 2023-24 and \$59,700,000 in 2024-25.

10. VETERANS PROPERTY TAX CREDIT FOR 70% DISABILITY RATING *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	\$43,200,000	- \$43,200,000	\$0

11. VETERANS PROPERTY TAX CREDIT FOR RENTERS *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	\$10,300,000	- \$10,300,000	\$0

12. ILLINOIS-WISCONSIN RECIPROcity REESTIMATE [LFB Paper 106]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	\$42,884,000	- \$9,484,000	\$33,400,000

Governor: Increase the estimated payment under the Illinois-Wisconsin individual income tax reciprocity agreement by \$21,442,000 in 2023-24 and 2024-25 to reflect anticipated payments to Illinois in the 2023-25 biennium. Compared to base funding of \$118,000,000, total funding is estimated at \$139,442,000 in 2023-24 and 2024-25.

Joint Finance: Decrease the estimated payment under the Illinois-Wisconsin individual income tax reciprocity agreement by \$8,042,000 in 2023-24 and \$1,442,000 in 2024-25. Total funding is estimated at \$131,400,000 in 2023-24 and \$138,000,000 in 2024-25.

13. BUSINESS DEVELOPMENT CREDIT REESTIMATE [LFB Paper 106]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	- \$6,464,000	\$15,264,000	\$8,800,000

Governor: Reduce funding by \$4,796,000 in 2023-24 and \$1,668,000 in 2024-25 for the sum sufficient appropriation for business development tax credits to reestimate anticipated claims during the 2023-25 biennium. The reestimate reflects the Administration's projections of credit claims for economic development projects for which WEDC has entered into contracts, and is expected to enter into future contracts, to award tax credits. With the adjustments, estimated total funding would decrease from base funding of \$11,700,000 to \$6,904,000 in 2023-24 and \$10,032,000 in 2024-25. For comparison, DOR reports that credit usage for fiscal year 2022-23 through January, 2023, is \$11.3 million.

Businesses certified by WEDC can earn credits for a portion of wages paid to employees, training costs for employees, personal property investments, real property investments, and wages paid to employees performing corporate headquarters functions in Wisconsin.

Joint Finance: Reestimate anticipated credit claims during the 2023-25 biennium to be \$15,700,000 in 2023-24 and \$16,500,000 in 2024-25. Compared to the Governor's recommendations, increase funding under the sum sufficient GPR appropriation for business development tax credit claims by \$8,796,000 in 2023-24 and \$6,468,000 in 2024-25.

14. BUSINESS DEVELOPMENT JOB TRAINING CREDIT (Removed from budget consideration pursuant to Joint Finance Motion #10)

15. **BUSINESS DEVELOPMENT CORPORATE HEADQUARTERS CREDIT** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

16. **BUSINESS DEVELOPMENT CREDIT FOR RENEWABLE ENERGY** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

17. **WAGE THRESHOLDS FOR ENTERPRISE ZONE AND BUSINESS DEVELOPMENT CREDITS** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

18. **JOBS CREDIT REESTIMATE** [LFB Paper 106]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	-\$1,290,000	\$890,000	-\$400,000

Governor: Reduce funding by \$582,000 in 2023-24 and \$708,000 in 2024-25 for the sum sufficient appropriation for jobs tax credits to reestimate claims during the 2023-25 biennium. The reestimate reflects projections for credit claims for economic development projects for which WEDC has awarded tax credits. With the adjustments, estimated total funding would decrease from base funding of \$1,000,000 to \$418,000 in 2023-24 and \$292,000 in 2024-25.

Pursuant to 2015 Act 55, the refundable jobs tax credit was consolidated with the nonrefundable economic development tax credit into the refundable business development tax credit beginning in 2016. The jobs tax credit was sunset after 2015. However, if WEDC allocated tax benefits in a contract to claimants prior to December 31, 2015, or if WEDC had entered into a letter of intent to enter into a contract before that date, claimants may compute and claim the credit for as long as the contract specifies. WEDC has entered into contracts through tax year 2023 for businesses to earn, compute, and claim the credit.

Joint Finance: Reestimate credit claims during the 2023-25 biennium to be \$1,000,000 in 2023-24 and \$600,000 in 2024-25. Compared to the Governor's recommendation, increase funding under the sum sufficient GPR appropriation for jobs tax credit claims by \$582,000 in 2023-24 and \$308,000 in 2024-25.

19. **OIL PIPELINE TERMINAL TAX DISTRIBUTION REESTIMATE** [LFB Paper 106]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	\$5,920,200	-\$1,720,200	\$4,200,000

Governor: Increase estimated payments by \$3,054,100 in 2023-24 and \$2,866,100 in 2024-25. With these increases, oil pipeline terminal tax payments would equal \$9,054,100 in 2023-24

and \$8,866,100 in 2024-25, relative to base level funding of \$6,000,000. The oil pipeline terminal tax distribution provides payments to municipalities where oil pipeline terminal facilities are located. At present, the state has two oil pipeline terminal facilities, which are located in the City of Superior and the Village of Kronenwetter. The payment equals a proportionate share of the pipeline company's state tax payment based on the terminal facility's cost as a percentage of the gross book value of the pipeline company in Wisconsin.

Joint Finance: Reestimate the amount of GPR funding necessary to pay oil pipeline terminal tax payments at \$8,300,000 in 2023-24 and \$7,900,000 in 2024-25. Compared to the Governor's recommendation, the reestimate is lower by \$754,100 in 2023-24 and \$966,100 in 2024-25.

20. CIGARETTE AND TOBACCO PRODUCTS TAX REFUNDS REESTIMATE [LFB Paper 106]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	-\$2,826,000	-\$3,074,000	-\$5,900,000

Governor: Decrease funding for cigarette and tobacco products tax refunds by \$1,160,000 in 2023-24 and \$1,666,000 in 2024-25 to reflect lower estimates of the sum sufficient appropriation amounts required to reimburse Native American tribes under present law. With these adjustments, estimated total funding in the cigarette and tobacco products tax refunds appropriation would decrease from base funding of \$29,700,000 to \$28,540,000 in 2023-24 and \$28,034,000 in 2024-25.

Under current law, for sales that occur on reservations or trust lands, the tribes receive a refund of 100% of the excise tax on cigarettes sold to eligible tribal members and 70% of the tax on sales to non-Native Americans under an agreement entered into between DOR and each tribe. For tobacco products or vapor products sold on reservations or trust lands, the tribes receive a refund of 100% of the tax on products sold to eligible tribal members and 50% of the tax on products sold to non-Native Americans under these agreements. Eligible tribal members must reside on the reservation or trust land of the tribe where the sale took place and be an enrolled member of the tribe.

Joint Finance: Reestimate the amount of GPR funding necessary to pay for cigarette and tobacco products tax refunds at \$27,100,000 in 2023-24 and \$26,400,000 in 2024-25. Compared to the Governor's recommendation, the reestimate is lower by \$1,440,000 in 2023-24 and \$1,634,000 in 2024-25.

21. EITM ZONE CREDIT REESTIMATE [LFB Paper 106]

GPR	-\$2,484,400
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Governor/Joint Finance: Reduce funding by \$245,700 in 2023-24 and \$2,238,700 in 2024-25 for the sum sufficient appropriation for refundable electronics and information technology

manufacturing (EITM) zone tax credits (Foxconn). Total funding would decrease from base funding of \$8,570,700 to \$8,325,000 in 2023-24 and \$6,332,000 in 2024-25.

The EITM zone tax credit program provides a refundable payroll tax credit based upon 17% of the EITM zone payroll of full-time employees employed by the claimant. In addition, if WEDC determines that a certified business makes a significant capital expenditure in the EITM zone, it can certify the business to receive additional tax benefits in an amount to be determined by WEDC, but not exceeding 15% of the business's capital expenditures in the EITM zone in the taxable year. The estimate reflects the Administration's review of the jobs, payroll, and capital expenditure targets established under the amended contract dated April 20, 2021, that WEDC entered into with certain Wisconsin corporations that are affiliated with Foxconn.

22. MARIJUANA TAX REFUNDS *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	\$2,200,000	-\$2,200,000	\$0

23. CLAIM OF RIGHT CREDIT REESTIMATE [LFB Paper 106]

GPR	-\$56,000
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Governor/Joint Finance: Decrease funding for the claim of right (repayment) credit by \$28,000 in 2023-24 and 2024-25. Compared to base funding of \$150,000, total funding for the credit is estimated at \$122,000 in 2023-24 and 2024-25.