



BRIEFING SHEET

[Report 20-20](#)
October 2020State Auditor
[Joe Chrisman](#)

Estimate of Additional Sales and Use Tax Revenue and Determination of Certain Individual Income Tax Rates

Wisconsin Department of Revenue

Background

In June 2018, the United States Supreme Court ruled on South Dakota v. Wayfair, Inc. (Wayfair). The Wayfair decision expanded the State's authority to require remote sellers, which are out-of-state sellers without a physical presence in the State, to collect and remit sales or use tax on sales delivered into Wisconsin. The Department of Revenue (DOR) required remote sellers to collect and remit sales or use tax on sales of taxable products delivered into and services provided in Wisconsin beginning October 1, 2018. In addition, as required by 2019 Wisconsin Act 10, and effective January 1, 2020, DOR required that marketplace providers collect and remit sales or use tax on sales of taxable products delivered into and services provided in Wisconsin that the marketplace provider facilitates on behalf of a marketplace seller.

2019 Wisconsin Act 10 created statutory requirements for DOR to estimate the additional reported sales and use tax revenue from remote sellers as a result of the Wayfair decision and from marketplace providers, and to determine certain individual income tax rates. First, DOR was required to estimate the additional reported sales and use tax revenue from remote sellers as a result of the Wayfair decision and from marketplace providers as a result of the requirements in 2019 Wisconsin Act 10 for the period beginning October 1, 2019, and ending September 30, 2020. DOR was then required to determine the extent to which certain individual income tax rates may be reduced beginning for the 2020 tax year to decrease individual income tax revenue by the amount estimated.

Key Findings and Results

As required by s. 73.03 (71) (d) 2., Wis. Stats., we reviewed the estimate and tax rate determination reported to us by DOR on October 20, 2020. We found:

- DOR estimated that total additional reported sales and use tax revenue as a result of the Wayfair decision was \$257.3 million, including \$121.9 million based on sales and use tax information from specifically identified marketplace providers.
- DOR determined that the first and second individual income tax rates for tax year 2020 may be reduced from 4.00 percent to 3.54 percent and from 5.21 percent to 4.65 percent, respectively, to reduce individual income tax revenue by \$256.4 million. This amount was the amount closest to DOR's estimate without exceeding it when also applying 50 percent to reduce the first individual income tax rate and 50 percent to reduce the second individual income tax rate.
- DOR's estimate and its tax rate determination, as rounded to the hundredth decimal place, appeared reasonable. DOR rounded the rate to the hundredth decimal place to align with the presentation of tax rates in statutes.

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