

WEDC, GENERAL FUND TAXES, AND BUDGET STABILIZATION FUND

Omnibus Motion

[LFB Papers #305 thru #318, #320 thru #322, #320 thru #334, #655 thru #658, and #700]

Motion:

Move to include the following items:

Wisconsin Economic Development Corporation (WEDC)

1. *Cooperative Feasibility Grants (Paper #655)*. Require WEDC to award up to \$200,000 during each year of the 2021-23 biennium to award grants for cooperative feasibility studies from its state appropriations for operations and programs. Require WEDC to consult with the Cooperative Network when making awards. (Alternative 6 in LFB Paper #655).

2. *Reestimate WEDC SEG Appropriation Level (Paper #657)*. Increase estimated funding by \$4,300,000 SEG in 2021-22 and \$5,900,000 SEG 2022-23 for WEDC's SEG appropriation for operations and programs from the economic development fund. (Modification in LFB Paper #657).

3. *Talent Attraction and Retention Initiatives*. Require WEDC to expend at least \$3.0 million during the 2021-23 biennium for talent attraction and retention initiatives under s. 238.155.

General Fund Taxes

4. *Reduce the Tax Rate for the Third Income Tax Bracket*. Reduce the tax rate in the third individual income tax bracket from 6.27% to 5.30%, beginning in tax year 2021. Estimate reduced individual income tax collections of \$1,371.7 million in 2021-22 and \$994.3 million in 2022-23.

5. *Individual Income Tax Withholding Table Adjustments (Paper #309)*. Direct the Secretary of the Department of Revenue to promulgate guidance no later than October 1, 2021, updating the individual income tax withholding tables to reflect the tax rates, brackets, and sliding scale standard deduction in effect for tax year 2022. Specify that these withholding table changes first take effect on January 1, 2022. Estimate a one-time reduction in individual income tax revenues of \$331.2 million in 2021-22. (Alternative 1 in LFB Paper #309).

6. *Active Duty Military Pay Exclusions (Paper #318)*. Beginning in tax year 2021, create an individual income tax exclusion for all basic, special, and incentive pay income received from the federal government by a member of the U.S. Armed Forces while that member is serving on active duty, to the extent such income is not already exempt under current law. Sunset the current law armed forces member credit.

Modify the current law exclusion for amounts received from the federal government by certain

reserve members of the U.S. Armed Forces by specifying that the exclusion also applies to amounts received by individuals who are called into active federal service under 10 USC 12304b of federal law, relating to preplanned missions in support of the combatant commands.

Estimate reduced individual income tax collections relative to current law of \$20.2 million annually, beginning in 2021-22. (Modified version of Alternative 3 in LFB Paper #318).

7. *Child and Dependent Care Credit (Paper #311)*. Create a nonrefundable state individual income tax credit for child and dependent care expenses, beginning in tax year 2022. Set the credit equal to 50% of the amount of the federal child and dependent care expenses tax credit under the Internal Revenue Code that a claimant is eligible to claim on the claimant's federal income tax return for the same tax year. Sunset the current law deduction for child and dependent care expenses beginning in tax year 2022. Estimate decreased individual income tax collections relative to current law of \$9,800,000 in 2022-23. (Modified version of Alternative 1 in LFB Paper #311).

8. *AmeriCorps Award Exclusion (LFB Summary Page 215, #16)*. Provide that any amount of a national service educational award certified by the Corporation for National and Community Service (which includes the AmeriCorps program) and disbursed under specific provisions of federal law during the taxable year is excludible from an individual's taxable income, beginning in tax year 2021. Stipulate that the exclusion is not allowed for an amount that is subtracted under: (a) the current law deduction for tuition expenses and mandatory student fees; or (b) the federal deduction for student loan interest. Estimate reduced individual income tax collections of \$136,000 on an annual basis, beginning in 2021-22.

9. *Earned Income Tax Credit Reestimate (Paper #334)*. Reestimate the total amount of credit payments at \$86,000,000 in 2021-22 and \$90,000,000 in 2022-23, which represent decreases of \$12,200,000 in 2021-22 and \$8,600,000 in 2022-23 relative to the base level, as modified by prior actions of the Committee. The modification would reduce the cost of the credit by \$6,100,000 GPR and \$6,100,000 PR in 2021-22 and \$5,500,000 GPR and \$3,100,000 PR in 2022-23. (Modification in LFB Paper #334).

10. *Refundable Research Credit (Paper #331)*. 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 10% of the credit amount to 15% of the credit amount, for taxable years beginning after December 31, 2021. Increase estimated expenditures for refundable research credit claims of \$2,300,000 GPR in 2022-23 and \$9,200,000 GPR in 2023-24 and annually thereafter. (Alternative 2 in LFB Paper #331).

11. *Business Development Tax Credit (Paper #332)*. Require WEDC to submit a report to the Joint Committee on Finance no later than January 31 each year identifying the amount of unallocated tax credit carried forward as of December 31 of the previous year. (Alternative B1 in LFB Paper #332).

12. *Refundable Tax Credits for Pass-through Entities (LFB Summary Page 232, #18)*. Allow partnerships, limited liability companies (LLCs), and tax-option (S) corporations to elect to claim the jobs, enterprise zone, and business development tax credits at the entity level for taxable years beginning after December 31, 2020, if the credit results from a contract entered into with WEDC

prior to December 22, 2017. Require that the entity must make this election each taxable year on its original return and the election may not be subsequently made or revoked. Specify that, if a partnership, LLC, or S corporation elects to claim the credit, then the partners, members, and shareholders could not claim the credit. Specify that the credit could not be claimed by the partnership, LLC, or S corporation if one or more partners, members, or shareholders have claimed the credit for the same taxable year. Specify that partnerships, LLCs, and S corporations cannot claim credits at the entity level if the claim relates to a contract entered into with WEDC after December 22, 2017.

13. *Sales Tax Exemption for Sweetened Dried Fruit (Paper #321)*. Provide a sales and use tax exemption for sales of sweetened dried or partially dried fruit. Specify that candy does not include a preparation that has as its predominant ingredient dried or partially dried fruit along with one or more sweeteners, and which may also contain other additives, including oils, natural flavorings, fiber, or preservatives. Specify that a preparation that includes chocolate, nuts, yogurt, or a preparation that has a confectionary coating or glazing on the dried or partially dried fruit is candy. Specify that dried or partially dried fruit does not include fruit that has been ground, crushed, grated, flaked, pureed, or jellied. Specify that the provision takes effect on the first day of the third month beginning after publication of the bill. Estimate a reduction in state tax revenues of \$400,000 in 2021-22 and \$500,000 in 2022-23. (Alternative 1 in LFB Paper #321).

Budget Stabilization Fund

14. *Transfer to the Budget Stabilization Fund*. Transfer \$200,000,000 from the general fund to the budget stabilization fund in 2022-23.

Transportation Fund Transfer

15. *Reduced GPR Transfer to the Transportation Fund*. Estimate a reduction in the transfer from the general fund to the transportation fund of \$17,236,400 in 2021-22 and \$5,124,700 in 2022-23.

M# 120

Note:

This motion addresses items described in LFB Papers #305 thru #334, #655 thru #658, and #700. A listing of the fiscal effect of provided in Table 1.

BORN	<input checked="" type="radio"/>	N	A
LOUDENBECK	<input checked="" type="radio"/>	N	A
KATSMAN	<input checked="" type="radio"/>	N	A
ZIMMERMAN	<input checked="" type="radio"/>	N	A
RODRIGUEZ	<input checked="" type="radio"/>	N	A
KURTZ	<input checked="" type="radio"/>	N	A
GOYKE	Y	<input checked="" type="radio"/>	A
NEUBAUER	Y	<input checked="" type="radio"/>	A
MARKLEIN	<input checked="" type="radio"/>	N	A
STROEBEL	<input checked="" type="radio"/>	N	A
KOYENGA	Y	N	<input checked="" type="radio"/>
FELZKOWSKI	<input checked="" type="radio"/>	N	A
BERNIER	<input checked="" type="radio"/>	N	A
BALLWEG	<input checked="" type="radio"/>	N	A
ERPENBACH	Y	<input checked="" type="radio"/>	A
JOHNSON	Y	<input checked="" type="radio"/>	A

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TABLE 1

FISCAL EFFECT OF MOTION #120 (Change to Base)

	<u>2021-22</u>	<u>2022-23</u>	<u>Biennium</u>	<u>Source</u>
Reduce 3rd Bracket to 5.30%	-\$1,371,700,000	-\$994,300,000	-\$2,366,000,000	GPR-Tax
Update Withholding 1/1/2022	-331,200,000	0	-331,200,000	GPR-Tax
Active Duty Military Pay Exclusion	-20,200,000	-20,200,000	-40,400,000	GPR-Tax
Expand Refundable Portion of Research Credit	2,300,000	9,200,000	11,500,000	GPR
Child and Dependent Care Credit	0	-9,800,000	-9,800,000	GPR-Tax
EITC Reestimate	-6,100,000	-5,500,000	-11,600,000	GPR
EITC Reestimate	-6,100,000	-3,100,000	-9,200,000	TANF
AmeriCorps Exclusion	-136,000	-136,000	-272,000	GPR-Tax
Sales Tax Exemption for Sweetened Dried Fruit	-400,000	-500,000	-900,000	GPR-Tax
Reestimate WEDC SEG Appropriation Level	4,300,000	5,900,000	10,200,000	SEG
Transfer to Budget Stabilization Fund	0	200,000,000	200,000,000	GPR-Transfer
Transfer to Transportation Fund	<u>-17,236,400</u>	<u>-5,124,700</u>	<u>-22,361,100</u>	GPR-Transfer
Subtotal	-\$1,723,636,000	-\$1,024,936,000	-\$2,748,572,000	GPR-Tax
	-3,800,000	3,700,000	-100,000	GPR
	-17,236,400	194,875,300	177,638,900	GPR-Transfer
	-6,100,000	-3,100,000	-9,200,000	TANF
	4,300,000	5,900,000	10,200,000	SEG
Net Effect on General Fund	-\$1,702,599,600	-\$1,223,511,300	-\$2,926,110,900	

Table 2 shows estimated transfers to the budget stabilization fund through the 2021-23 biennium.

TABLE 2

Estimated Budget Stabilization Fund Balance (Millions)

Current Balance (As of May 2021)	\$762.4
Estimated Year-End 2020-21 Transfer	<u>807.9</u>
Balance After Estimated Transfer	\$1,570.3
Prior Action by Committee (Transfer)	<u>350.0</u>
Balance After Prior Action (2022-23)	\$1,920.3
Transfer Under Motion (2022-23)	<u>200.0</u>
Balance After All Transfers	\$2,120.3

A distributional table of the individual income tax rate reduction in the third income tax bracket and the child and dependent care tax credit for tax year 2022 is attached to this motion.

Attachment

ATTACHMENT

Estimated Distribution of Taxpayers with a Tax Decrease under Proposal to Reduce Tax Rate in 3rd Bracket from 6.27% to 5.30% and Replace the Current Law Deduction for Child and Dependent Care Expenses with a Child and Dependent Care Credit Equal to 50% of the Federal Credit, Tax Year 2022

Wisconsin Adjusted Gross Income	Taxpayers with a Tax Decrease						Total Decrease as % of Net Tax	Count of all Returns	Percent of all Returns in AGI Class
	Count	Percent of Count	Amount of Tax Decrease	Percent of Decrease	Average Decrease	Total Decrease as % of Net Tax			
Under \$5,000	18,712	1.13%	\$254,601	0.03%	\$14	7.05%	438,549	4.27%	
5,000 to 10,000	12,311	0.74	458,110	0.05	37	6.53	214,200	5.75	
10,000 to 15,000	9,293	0.56	557,232	0.06	60	5.07	184,026	5.05	
15,000 to 20,000	8,465	0.51	698,681	0.07	83	3.11	167,669	5.05	
20,000 to 25,000	9,171	0.55	1,005,935	0.10	110	2.39	166,126	5.52	
25,000 to 30,000	13,015	0.79	1,498,801	0.15	115	2.06	171,877	7.57	
30,000 to 40,000	131,956	7.97	6,468,040	0.65	49	2.58	333,920	39.52	
40,000 to 50,000	204,950	12.38	23,492,568	2.38	115	6.50	276,671	74.08	
50,000 to 60,000	201,320	12.16	34,657,254	3.50	172	8.76	212,430	94.77	
60,000 to 70,000	165,568	10.00	42,922,875	4.34	259	10.59	167,881	98.62	
70,000 to 80,000	127,750	7.72	45,052,500	4.56	353	11.79	129,195	98.88	
80,000 to 90,000	106,997	6.46	48,322,323	4.89	452	12.68	108,075	99.00	
90,000 to 100,000	93,522	5.65	51,873,995	5.25	555	13.36	94,258	99.22	
100,000 to 125,000	181,340	10.96	133,422,450	13.49	736	14.24	182,608	99.31	
125,000 to 150,000	118,553	7.16	118,427,947	11.98	999	15.07	119,387	99.30	
150,000 to 200,000	117,310	7.09	156,106,117	15.78	1,331	15.39	118,454	99.03	
200,000 to 250,000	49,643	3.00	89,772,400	9.08	1,808	15.52	50,354	98.59	
250,000 to 300,000	24,805	1.50	56,626,210	5.73	2,283	15.55	25,197	98.44	
300,000 to 500,000	36,474	2.20	105,723,270	10.69	2,899	13.73	37,097	98.32	
500,000 to 1,000,000	16,641	1.01	50,171,869	5.07	3,015	7.31	17,001	97.88	
1,000,000 and over	7,306	0.44	21,442,218	2.17	2,935	1.65	7,586	96.31	
Total	1,655,102	100.00%	\$988,955,396	100.00%	\$598	10.80%	3,222,561	51.36%	

