

passes 12-4

Senator Marklein
Representative Born

GENERAL FUND TAXES

Omnibus Motion

[LFB Paper #360 thru #366, #385, #395, and #396]

Motion:

Move to incorporate the following items into the substitute amendment.

1. *Income Tax Rate Reductions.* Beginning in tax year 2023, reduce the top marginal individual income tax rate (currently 7.65%) to 6.50%, collapse the third bracket into the second bracket and reduce the corresponding rate to 4.40%, and reduce the 3.54% rate to 3.50%. Estimate reduced individual income tax collections of \$1,489,300,000 in 2023-24 and \$1,421,400,000 in 2024-25.

2. *Withholding Table Adjustments (Paper #365).* 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 Item 1, estimate a one-time reduction in individual income tax revenues of \$603,400,000 in 2023-24 (Based on Alternative 1 in LFB Paper #365).

3. *Deduction for Interest on Commercial Loans.* 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. Estimate reduced income and franchise tax collections of \$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 annually, beginning in 2024-25. As a result, estimate that amounts appropriated from the economic development fund to the Wisconsin Economic Development Corporation (WEDC) are reduced by \$130,000 in 2024-25.

4. *Apportionment of Gross Receipts from Trading Assets.* 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 who 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. Specify that this provision first applies retroactively to taxable years beginning on January 1, 2022. Estimate a reduction in income and franchise tax revenues of \$3,500,000 annually, beginning in 2023-24.

5. *Tax Law Change Interactive Effects (LFB Summary Page 204, #21)*. Estimate a minimal change to state income and franchise tax revenues to reflect the interactive effects of the proposed tax changes under this motion.

Sales and Use Tax

6. *Sales Tax Retailer's Discount*. 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.

Excise Taxes and Other Taxes

7. *Cigarette Tax Stamp Discount Rate*. 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 the increased rate 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

8. *Current Law General Fund Transfer to Transportation Fund*. Estimate total general fund taxes at \$19,244,800,000 in 2023-24 and \$20,680,000,000 in 2024-25. Estimate the current law transfer of 0.25% of estimated general fund taxes from the general fund to the transportation fund at \$48,112,000 in 2023-24 and \$51,700,000 in 2024-25, which is lower than amounts included in Motion #104 by \$5,372,500 in 2023-24 and \$3,673,800 in 2024-25, due to Committee actions affecting general fund tax collections. Estimate a corresponding decrease of \$5,372,500 SEG-Rev in 2023-24 and \$3,673,800 SEG-Rev in 2024-25 to the transportation fund.

9. *Transfer to the Local Government Fund (LGF)*. Estimate sales and use taxes under the bill at \$7,816,900,000 in 2024-25. Reduce the GPR transfer to the LGF based on 20% of the sales tax, as estimated under this motion, by \$4,220,000 in 2024-25. Estimate a corresponding decrease of \$4,220,000 SEG-Rev to the LGF in 2024-25.

Refundable Tax Credits and Other Payments

10. *Increase Refundable Portion of the Research Tax Credit*. Expand the partially refundable research tax credit (including the engine and energy efficiency credits), as computed under current

law, to increase the refundable portion from 15% of the credit amount to 25% 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, with annual expenditures increasing to \$13,800,000 GPR beginning in 2025-26.

11. *Enterprise Zone Credit Reestimate (Paper #396)*. Increase funding under the sum sufficient GPR appropriation for the enterprise zone program by \$525,000 in 2024-25. As a result, estimated total GPR funding for the credit would increase to \$54,100,000 in 2023-24 and \$36,025,000 in 2024-25.

Note:

This motion addresses items described in LFB Papers #360 through #366, #385, #395, and #396. A listing of the fiscal effect of each item in this motion is provided in the table below. Other items previously addressed in other motions, such as sum sufficient estimates adopted under Motion 12, are not shown below. The Attachment shows the estimated distribution of taxpayers with a tax decrease under Item 1.