

Senate approves using revenue from online sales to cut income taxes

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The state Senate on Wednesday unanimously signed off on a plan to use additional revenue from online sales to reduce income taxes by \$136.1 million in tax year 2020, clearing the way for the proposal to go to the gov.

The plan would work in concert with a separate income tax cut that Republicans included in the state budget, which cleared the chamber earlier Wednesday afternoon.

Between the bill and the budget, the combined impact would be a reduction of \$136 in 2020, according to the Legislative Fiscal Bureau.

The state was already in line to reduce income taxes in 2019 due to additional sales tax collections from online sales following a U.S. Supreme Court decision. Under existing law, the reduction — projected to be \$61 million — would be proportional across all four of the state's tax brackets.

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Due to a drafting error, the tax break would've only applied to tax year 2019.

The bill would target the reductions in the bottom two brackets while also capturing more online transactions to increase the amount of sales tax the state would take in. It also would make the tax breaks permanent.

Under the legislation:

*the lowest rate of 4 percent would drop to 3.89 percent in tax year 2019. It would then go to 3.76 percent in tax year 2020.

*the second lowest rate would drop to 5.21 percent from the current 5.84 percent under the budget the Senate approved earlier Wednesday. The bill would take that reduction to 5.08 percent in tax year 2019 and then 4.93 percent in tax year 2020.

The state's top two brackets of 6.27 percent and 7.65 percent would remain the same.