

Badger Institute: Wisconsin taxpayers to benefit from tax withholding change

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October 08, 2021- Wisconsin taxpayers will begin to see the benefits of recently passed income tax relief starting Jan. 1, 2022, now that the Wisconsin Department of Revenue (DOR) plans to update individual income tax withholding tables by that date. The change, announced by the DOR yesterday, had been [recommended](#) by the Badger Institute and the Tax Foundation in July.

The update corresponds with [income tax relief](#) passed by Republican legislators and signed into law by Gov. Tony Evers in early July. The individual income tax rate was reduced from 6.27% to 5.3%, with the tax relief effective retroactive to January 1, 2021. At the time, however, the governor vetoed a provision directing the DOR to update the withholding tables to reflect the change.

Not updating the tables would have amounted to Wisconsinites providing an interest-free loan to the government until they finally received refunds during the 2023 tax filing season, said Tax Foundation senior policy analyst Katherine Loughead.

“Adjusting income tax withholding tables before the new year will ensure Wisconsinites see the recent income tax cut reflected in their paychecks starting in January instead of later,” said Loughead, coauthor of the Badger Institute’s 2019 report [Wisconsin Tax Options](#). “A prolonged delay would have meant taxpayers would continue to have their income taxes over-withheld at the higher tax rate into 2022.

“Updating withholding tables is a routine responsibility of state revenue departments to ensure taxpayers see tax changes reflected in their paychecks as soon as is practical following rate reductions and other changes,” she added. “A timely withholding table adjustment is especially important given the magnitude of Wisconsin’s recent tax cut, which in total will provide nearly \$2.4 billion in relief to

taxpayers over the current budget period.”

Prior to the tax relief becoming law, Wisconsin’s second-highest rate was higher than the top marginal rates in 23 other states (not counting eight states with no income tax). The rate kicks in at just over \$24,000 in taxable income for single filers and \$32,000 for married couples, affecting a vast majority of the state’s taxpayers who, before the tax relief was signed, wound up paying more than they would with the same amount of income in most other states. The rate decrease also impacts Wisconsin’s small businesses, most of which pay taxes under the individual income tax code.

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