

Sen. Stafsholt: Introduces income tax reciprocity legislation

Posted on Wednesday, Jul 5, 2023

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Madison, WI – Today, Senator Rob Stafsholt (R – New Richmond), along with Representative Shannon Zimmerman (R – River Falls), introduced legislation that would begin the process of reestablishing income tax reciprocity between Wisconsin and Minnesota. Residents who live in Wisconsin but work in the other are currently required to file income taxes in both states.

“I’ve had many constituents who live here in Wisconsin and work in Minnesota come to me sharing their frustration with having to file taxes for both states. My legislation is the first step to fixing a problem that a lot of working Wisconsinites face every year during tax season. It takes up too much time and is frankly not necessary if the two states could work out a deal again. This bill could be a huge step towards getting a tax reciprocity agreement with Minnesota.”

This legislation requires the Department of Revenue (DOR) to conduct a study on the effects of reinstating an income tax reciprocity agreement with Minnesota. The methodology of the study must use benchmark figures regarding the proportion of border-crossers and income taxes foregone, with adjustments to reflect total income tax collections in each state and population trends in border counties. Following the results of the study, the Secretary of DOR should use that data to negotiate an income tax reciprocity agreement between the two states.

“I believe the lack of reciprocity with Minnesota has been an ongoing issue for people in my senate district and I am hopeful our bill will help draw some attention towards the issue. Wisconsin has tax reciprocity with a few other states, but we haven’t had reciprocity with Minnesota since 2009 when that agreement fell through. It is time for a new agreement, and I’m proud to lead this change!”

The agreement would allow taxpayers who live in one state and work in the other to file tax returns in their home state only, rather than in both states as they do now.

Once an agreement is reached, all of the following must be true for residents to qualify for income tax reciprocity:

- You are a Wisconsin resident who works in Minnesota, or you are a Minnesota resident who works in Wisconsin.
- You receive income from the reciprocity state.
- You must live in your state for at least 183 days during the taxable year.
- You return to your home state at least once a month.