



Legislative Fiscal Bureau

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April 17, 2023

TO: Representatives Macco and O'Connor
State Capitol

FROM: Dan Spika, Fiscal Analyst

SUBJECT: LRB 1939/1: Phase-In Individual Income Tax Rates of 0.0% and 4.5%

This memorandum summarizes the provisions of LRB 1939/1, a proposal to phase-in several individual income tax rate reductions, beginning in tax year 2024. Several distributional tables are provided as attachments to this memorandum.

BACKGROUND

Taxable income, the amount of income actually subject to tax, is calculated under current law by subtracting the state sliding scale standard deduction and personal exemptions from Wisconsin adjusted gross income (AGI). Table 1 displays the rate and bracket structure applicable to taxable income in tax year 2023 under current law.

TABLE 1

Current Law Individual Income Tax Rate and Bracket Schedule, Tax Year 2023

<u>Tax Rate</u>	<u>Income Tax Brackets by Filing Status</u>		
	<u>Single and Head-of-Household</u>	<u>Married-Joint</u>	<u>Married-Separate</u>
3.54%	\$0 to \$13,810	\$0 to \$18,420	\$0 to \$9,210
4.65%	13,810 to 27,630	18,420 to 36,840	9,210 to 18,420
5.30%	27,630 to 304,170	36,840 to 405,550	18,420 to 202,780
7.65%	304,170 and over	405,550 and over	202,780 and over

Under current law, the Department of Revenue (DOR) has the authority to update withholding tables to reflect the income tax parameters in effect for the applicable tax year. The withholding tables were last updated by DOR to reflect the tax year 2022 income tax parameters, and took effect on January 1, 2022.

Provisions of 2017 Act 368 allow tax-option (S) corporations and partnerships to elect to be taxed at the entity level at a rate of 7.9% as opposed to filing under the state individual income tax. Based upon available data on final payments made by partnerships and estimated payments collected from S corporations, it is estimated that pass-through entity filers will remit over \$800 million in 2023-24. By filing at the entity level, taxpayers are able to deduct state and local taxes on their federal income tax return (the "SALT" deduction) on pass-through income without the limitation that applies to individual filers that itemize deductions under federal law (which limits individuals from deducting more than \$10,000 of state and local taxes). If the value of the SALT deduction exceeds the increased cost of the higher state corporate tax rate, it makes economic sense for certain tax filers to consider paying at the entity level. However, an individual with a marginal tax rate of less than 5% would receive a larger tax benefit by paying the lower state tax by filing as an individual, rather than paying the higher 7.9% entity-level tax rate and taking the federal deduction.

SUMMARY OF LRB 1939/1

The bill would subject taxable income to the rates displayed in Table 2 for tax year 2024, and would phase-in additional rate cuts over four successive phases provided certain general fund revenue conditions are met. The brackets to which each rate applies would not be changed. However, the second and third brackets would be consolidated at the same rate beginning with phase three, and the top bracket would be consolidated at the same rate with phase five.

TABLE 2

Proposed Individual Income Tax Rates under LRB 1939/1

<u>Current Law Bracket</u>	<u>Current Law Rate</u>	<u>Tax Year 2024</u>	<u>Phase 2</u>	<u>Phase 3</u>	<u>Phase 4</u>	<u>Phase 5</u>
First	3.54%	3.15%	2.20%	1.25%	0.00%	0.00%
Second	4.65	4.50	4.50	4.50	4.50	4.50
Third	5.30	5.00	4.75	4.50	4.50	4.50
Fourth	7.65	7.40	6.70	6.00	5.20	4.50

The bill would stipulate that for a particular tax year, a modified baseline would be established equal to actual general fund tax collections in state fiscal year 2019-20, as reported by the Department of Administration in its Annual Fiscal Report, multiplied by the change in the consumer price index for all urban consumers, U.S. city average (CPI-U), for August of the previous year over such index from August, 2020, as reported by the U.S. Department of Labor, provided the adjustment is not a negative number. Under the bill, first applicable to tax year 2025, the rate reduction could occur for a particular tax year if preliminary actual general fund tax collections in the preceding fiscal year equal or exceed this modified baseline. For example, a rate reduction could occur for tax year 2027 if preliminary actual collections in 2025-26 equal or exceed the modified baseline.

To determine whether a rate reduction could occur for a particular tax year (first applicable to tax year 2025), no later than September 1 following the close of the preceding fiscal year, DOR would be required to calculate the modified baseline for the preceding fiscal year compared to

preliminary actual general fund tax collections in the preceding fiscal year. If DOR determines that a rate reduction may occur in the following tax year, DOR would be required to direct that the individual income tax withholding tables be updated on January 1 of the following tax year to reflect the reduced rates that would apply under the bill for that year. If DOR determines under this calculation that a rate reduction could not occur for a particular tax year, the rates and brackets for the preceding tax year would remain in effect, and DOR would be directed to delay implementation of the rate reductions accordingly. The bill specifies that the rate reductions would occur successively (for example, the rate reduction under phase three could not occur until at least the tax year following the tax year in which phase two took effect).

The bill would create provisions to specify that the dollar amounts under the proposed rates and brackets are indexed to inflation in the same manner as under current law. Current law provisions relating to: (a) tax rate modifications during a taxable year; (b) the computation of tax liability for nonresident individuals; (c) tax rates applicable to fiduciaries, estates and trusts, electing small business trusts, and funeral trusts; (d) DOR's current law authority to update the withholding tables; and (e) amounts withheld from wager winnings and payments to purchase assignment of a lottery prize would be amended to accommodate the proposed rates and brackets.

FISCAL EFFECT

The estimated fiscal effect of each phase of the bill is displayed in Table 3. Except where otherwise noted, the effects are shown in tax year 2025 dollars. The first row (1st-year Estimate) displays the estimated one-time revenue impact of changes to estimated payments and withholding tax collections associated with each phase in isolation. The second row shows the ongoing estimate of each rate reduction in isolation. The third row shows the cumulative ongoing revenue reduction after each phase, relative to current law. For phases two through five, this revenue reduction can be calculated by adding the ongoing revenue effect for that phase in isolation (second row) to the prior year's cumulative ongoing reduction amount (third row). For example, the estimated cumulative ongoing revenue reduction relative to current law for phase four is estimated at -\$3,015.9 million, which equals the reduction for phase four in isolation (-\$663.3 million) plus the cumulative ongoing reduction for phase three (-\$2,352.6 million).

TABLE 3

Estimated Fiscal Effects of LRB 1939/1, Tax Year 2025 Dollars (Millions)

	Tax Year <u>2024</u>	<u>Phase 2</u>	<u>Phase 3</u>	<u>Phase 4</u>	<u>Phase 5</u>
1st-year Estimate	-\$385.1*	-\$392.6	-\$384.3	-\$298.5	-\$249.5
Ongoing Effect of Each Reduction	-626.0*	-872.5	-854.1	-663.3	-554.4
Cumulative Ongoing Estimate Relative to Current Law	-\$626.0*	-\$1,498.5	-\$2,352.6	-\$3,015.9	-\$3,570.3

*For tax year 2024, the 1st-year estimate is displayed in 2023-24 dollars, and the ongoing estimate is displayed in 2024-25 dollars.

As displayed in Table 3, the bill is estimated to reduce income tax collections by \$3,570.3 million annually (in tax year 2025 dollars) relative to current law once fully phased in. The fiscal estimates in Table 3 have four primary components. The largest is the effect of the tax rate reduction on individual taxpayers, as shown in the attached DOR simulations. Distributional tables are provided as attachments to this memorandum associated with each phase of the proposal. The second component is the one-time effect associated with updating withholding tables for each of the rate reductions. The third and fourth components involve the impact of: (a) reduced individual income tax rates on the tax filing decisions of entity-level filers; and (b) reductions to the top individual income tax rate, which reduces taxes withheld from nonresident members of pass-through entities.

Whenever there is a tax rate reduction enacted under the individual income tax, a one-time revenue impact will occur in the first year because of: (a) changes made by individuals to their estimated payments and/or amounts withheld from each paycheck; and (b) the difference in timing between the state fiscal year and the tax year. This one-time effect will be larger to the extent the withholding tables are updated by DOR to reflect the proposed reduction, whereby individuals subject to withholding will experience lower state income taxes withheld by their employer.

It is estimated that updating the withholding tables to reflect the current law parameters (not including the proposed rate reduction) in effect for tax year 2024 will reduce tax revenues on a one time basis by \$107 million in 2023-24. This amount is not included in Attachment 1. For phases two through five, the bill would require that DOR update the individual income tax withholding tables to reflect the tax rates and brackets in effect on January 1 of the corresponding tax year.

It should be noted that, although the SALT deduction limitation is scheduled to sunset under federal law after tax year 2025, this analysis assumes the federal limitation will continue in some manner beyond tax year 2025. Because the bill would create a top rate lower than 5% in phase five, it is assumed that all current entity-level filers would lack an economic incentive to file at the entity level and would file under the individual income tax beginning in phase five under the bill. The estimated state revenue reduction associated with this filing shift from corporate to individual would be \$154.9 million in the first year and \$344.3 million annually thereafter. These amounts are not included in Attachment 5. It is possible under the proposal that some current entity-level filers would revert to remitting under the individual income tax prior to phase five, and that other taxpayers may continue to remit tax at the entity level in phase five and thereafter, but these assumptions are not included in this analysis. However, as an example, if entity-level filers reverted to remitting under the individual income tax in phase four under the bill, estimated state tax revenues could decline by an additional \$123.0 million in the first year and \$273.4 million annually thereafter.

Further, this analysis assumes businesses will not reorganize, such as changing from a C corporation to an S corporation, in order to obtain more favorable tax treatment after the proposed tax rates phase in. However, some corporations and combined groups apportion most or all of their income to Wisconsin for state corporate income/franchise tax purposes. For example, based on preliminary tax year 2020 data from DOR, 20,977 corporate income/franchise tax filers apportioned 90% or more of their income to Wisconsin, with a net tax liability of \$180.3 million. It is likely that, over time, some of these filers would reorganize as a pass-through entity to avoid paying income and franchise taxes at the higher corporate tax rate of 7.9%. No such amounts are included in the

estimates or attachments provided in this memorandum.

Under current law, pass-through entities with Wisconsin income that is allocable to a nonresident member are generally required to withhold Wisconsin income taxes from that member at the highest tax rate applicable to individuals (currently 7.65%). If the top individual income tax rate is reduced, this will accordingly reduce the income tax amounts withheld from nonresident members of pass-through entities. This cumulative effect on pass-through withholding tax reductions for nonresident owners under the bill, relative to current law, is an estimated revenue reduction of: (a) \$5.8 million in tax year 2024; (b) \$22.1 million in phase two; (c) \$38.5 million in phase three; (d) \$57.1 million in phase four; and (e) \$73.4 million in phase five. These amounts do not appear in Attachments 1 through 5.

Attachments 1 through 5 display a simulation of tax decreases for individual income tax filers. Attachments 2 through 5 are simulated in tax year 2025 dollars. As shown in the attachments, relative to current law: (a) 2.41 million filers would receive tax decreases totaling \$612.2 million in tax year 2024, for an average tax decrease of \$254; (b) 2.44 million filers would receive tax decreases totaling \$1,476.4 million in phase two, for an average tax decrease of \$605; (c) 2.44 million filers would receive tax decreases totaling \$2,314.1 million in phase three, for an average tax decrease of \$949; (d) 2.44 million filers would receive tax decreases totaling \$2,958.8 million in phase four, for an average tax decrease of \$1,213; and (e) 2.44 million filers would receive tax decreases totaling \$3,152.6 million in phase five, for an average tax decrease of \$1,292.

Filers with a tax decrease would experience an average reduction in their net tax liability relative to current law of: (a) 6.2% in tax year 2024; (b) 14.5% in phase two; (c) 22.8% in phase three; (d) 29.1% in phase four; and (e) 31.0% in phase five. Moreover, the proposal would reduce the estimated number of filers with a net tax liability. Under current law, 73.3% of individual filers are estimated to have a net tax liability in tax year 2025. Under the proposal, it is estimated that the share of filers with a net tax liability would be reduced to: (i) 72.9% in tax year 2024; (ii) 71.2% in phase two; (iii) 69.0% in phase three; and (iv) 60.3% in phases four and five. Taxpayers not receiving a decrease in the attachments are generally those with no net tax liability under current law.

I hope this memorandum is informative; please contact me with any questions on its content.

DS/lb
Attachments

ATTACHMENT 1

Phase 1 of LRB 1939/1: Estimated Distribution of Taxpayers with a Tax Decrease under Proposal to Reduce 3.54% Rate to 3.15%, Reduce 4.65% Rate to 4.50%, Reduce 5.30% Rate to 5.00%, and Reduce 7.65% Rate to 7.40%, Tax Year 2024*

Wisconsin Adjusted Gross Income	Taxpayers with a Tax Decrease					Tax Decrease as % of Net Tax	Count of All Returns	% of All Returns in AGI Class
	Count	% of Count	Amount of Tax Decrease	% of Decrease	Average Decrease			
Under \$5,000	39,206	1.6%	\$252,931	<0.1%	\$6	7.5%	454,095	8.6%
5,000 to 10,000	26,795	1.1	438,186	0.1	16	7.6	202,034	13.3
10,000 to 15,000	34,976	1.5	566,911	0.1	16	7.8	162,668	21.5
15,000 to 20,000	75,005	3.1	1,414,910	0.2	19	9.8	142,923	52.5
20,000 to 25,000	96,799	4.0	3,430,633	0.6	35	12.5	134,407	72.0
25,000 to 30,000	119,813	5.0	6,256,566	1.0	52	12.5	143,547	83.5
30,000 to 40,000	266,893	11.1	17,425,137	2.8	65	9.4	288,261	92.6
40,000 to 50,000	264,083	11.0	23,895,925	3.9	90	7.9	268,993	98.2
50,000 to 60,000	230,128	9.6	27,544,801	4.5	120	7.2	233,677	98.5
60,000 to 70,000	181,319	7.5	27,113,958	4.4	150	7.0	184,005	98.5
70,000 to 80,000	147,460	6.1	26,670,984	4.4	181	6.9	149,573	98.6
80,000 to 90,000	118,048	4.9	24,985,745	4.1	212	6.8	119,635	98.7
90,000 to 100,000	99,187	4.1	24,176,172	3.9	244	6.8	100,474	98.7
100,000 to 125,000	197,965	8.2	59,204,805	9.7	299	6.8	200,183	98.9
125,000 to 150,000	144,877	6.0	55,479,181	9.1	383	6.7	146,602	98.8
150,000 to 200,000	168,542	7.0	82,971,853	13.6	492	6.7	171,085	98.5
200,000 to 250,000	75,567	3.1	48,340,538	7.9	640	6.5	77,037	98.1
250,000 to 300,000	37,244	1.5	29,370,205	4.8	789	6.4	38,075	97.8
300,000 to 500,000	51,935	2.2	56,183,697	9.2	1,082	6.0	53,170	97.7
500,000 to 1,000,000	21,154	0.9	37,703,803	6.2	1,782	4.8	21,703	97.5
1,000,000 and over	<u>8,380</u>	<u>0.3</u>	<u>58,740,937</u>	<u>9.6</u>	7,010	3.9	<u>8,720</u>	96.1
Total	2,405,376	100.0%	\$612,167,878	100.0%	\$254	6.2%	3,300,867	72.9%

--In tax year 2024, it is estimated that 2,405,376 filers (72.9% of all filers) would receive tax decreases totaling \$612.2 million, for an average decrease of \$254.

Taxpayers not receiving a decrease would generally be those with no net tax liability under current law.

--Filers with Wisconsin AGI under \$100,000 would represent 70.7% of all filers with a tax decrease, and would receive 30.1% of the estimated decrease. Their estimated average tax decrease would be \$108 in tax year 2024.

--Filers with Wisconsin AGI of \$100,000 or more would represent 29.3% of all filers with a tax decrease, and would receive 69.9% of the estimated decrease. Their estimated average tax decrease would be \$607 in tax year 2024.

--In general, the estimated average tax decrease rises with Wisconsin AGI. As a percentage of net tax liability, the largest reduction (12.5%) would occur for filers with Wisconsin AGI between \$20,000 and \$30,000.

Based on a simulation of tax year 2024 by the Department of Revenue.

*This distribution does not include the estimated reduction in amounts withheld from nonresident members of pass-through entities, or the one-time revenue reduction associated with the withholding table update.

ATTACHMENT 2

Phase 2 of LRB 1939/1: Estimated Distribution of Taxpayers with a Tax Decrease under Proposal to Reduce 3.54% Rate to 2.20%, Reduce 4.65% Rate to 4.50%, Reduce 5.30% Rate to 4.75%, and Reduce 7.65% Rate to 6.70%, Tax Year 2025*

Wisconsin Adjusted Gross Income	Taxpayers with a Tax Decrease					Tax Decrease as % of Net Tax	Count of All Returns	% of All Returns in AGI Class
	Count	% of Count	Amount of Tax Decrease	% of Decrease	Average Decrease			
Under \$5,000	42,041	1.7%	\$716,072	<0.1%	\$17	21.1%	451,482	9.3%
5,000 to 10,000	27,830	1.1	1,270,022	0.1	46	21.7	201,505	13.8
10,000 to 15,000	34,678	1.4	1,596,541	0.1	46	22.3	161,045	21.5
15,000 to 20,000	74,666	3.1	4,218,942	0.3	57	29.9	141,774	52.7
20,000 to 25,000	93,499	3.8	9,760,605	0.7	104	37.1	131,632	71.0
25,000 to 30,000	118,043	4.8	19,746,724	1.3	167	40.9	141,305	83.5
30,000 to 40,000	264,991	10.9	51,471,275	3.5	194	28.4	287,515	92.2
40,000 to 50,000	266,599	10.9	64,613,338	4.4	242	21.6	271,557	98.2
50,000 to 60,000	235,147	9.6	69,787,517	4.7	297	18.1	238,751	98.5
60,000 to 70,000	185,483	7.6	65,109,251	4.4	351	16.4	188,243	98.5
70,000 to 80,000	150,124	6.2	61,632,986	4.2	411	15.6	152,293	98.6
80,000 to 90,000	120,464	4.9	56,531,152	3.8	469	15.2	122,126	98.6
90,000 to 100,000	99,285	4.1	52,666,899	3.6	530	14.8	100,540	98.8
100,000 to 125,000	198,062	8.1	125,859,823	8.5	635	14.4	200,322	98.9
125,000 to 150,000	146,843	6.0	116,305,847	7.9	792	14.0	148,489	98.9
150,000 to 200,000	175,176	7.2	174,664,250	11.8	997	13.5	177,718	98.6
200,000 to 250,000	80,185	3.3	101,838,016	6.9	1,270	12.9	81,711	98.1
250,000 to 300,000	39,730	1.6	61,481,668	4.2	1,547	12.5	40,601	97.9
300,000 to 500,000	55,473	2.3	120,090,666	8.1	2,165	12.1	56,769	97.7
500,000 to 1,000,000	22,218	0.9	102,032,658	6.9	4,592	12.5	22,795	97.5
1,000,000 and over	8,669	0.4	214,965,406	14.6	24,797	13.6	9,013	96.2
Total	2,439,206	100.0%	\$1,476,359,658	100.0%	\$605	14.5%	3,327,186	73.3%

--In tax year 2025 relative to current law, it is estimated that 2,439,206 filers (73.3% of all filers) would receive tax decreases totaling \$1,476.4 million, for an average decrease of \$605. Taxpayers not receiving a decrease would generally be those with no net tax liability under current law.

--Filers with Wisconsin AGI under \$100,000 would represent 70.2% of all filers with a tax decrease, and would receive 31.1% of the estimated decrease. Their estimated average tax decrease would be \$268 in tax year 2025 relative to current law.

--Filers with Wisconsin AGI of \$100,000 or more would represent 29.8% of all filers with a tax decrease, and would receive 68.9% of the estimated decrease. Their estimated average tax decrease would be \$1,400 in tax year 2025 relative to current law.

--The estimated average tax decrease rises with Wisconsin AGI. On average, filers with Wisconsin AGI under \$50,000 would receive a reduction in their net tax liability relative to current law of 26.2% in tax year 2025.

Based on a simulation of tax year 2025 by the Department of Revenue.

*This distribution does not include the estimated reduction in amounts withheld from nonresident members of pass-through entities, or the one-time revenue reduction associated with the withholding table update.

ATTACHMENT 3

Phase 3 of LRB 1939/1: Estimated Distribution of Taxpayers with a Tax Decrease under Proposal to Reduce 3.54% Rate to 1.25%, Reduce 4.65% Rate and 5.30% Rate to 4.50%, and Reduce 7.65% Rate to 6.00%, Tax Year 2025*

Wisconsin Adjusted Gross Income	Taxpayers with a Tax Decrease					Tax Decrease as % of Net Tax	Count of All Returns	% of All Returns in AGI Class
	Count	% of Count	Amount of Tax Decrease	% of Decrease	Average Decrease			
Under \$5,000	42,352	1.7%	\$1,179,254	0.1%	\$28	34.8%	451,482	9.4%
5,000 to 10,000	27,844	1.1	2,091,152	0.1	75	35.8	201,505	13.8
10,000 to 15,000	34,699	1.4	2,629,332	0.1	76	36.7	161,045	21.5
15,000 to 20,000	74,671	3.1	6,950,472	0.3	93	49.2	141,774	52.7
20,000 to 25,000	93,501	3.8	15,350,402	0.7	164	58.4	131,632	71.0
25,000 to 30,000	118,043	4.8	30,636,995	1.3	260	63.5	141,305	83.5
30,000 to 40,000	264,991	10.9	83,431,154	3.6	315	46.1	287,515	92.2
40,000 to 50,000	266,599	10.9	103,796,197	4.5	389	34.6	271,557	98.2
50,000 to 60,000	235,147	9.6	111,484,705	4.8	474	28.9	238,751	98.5
60,000 to 70,000	185,483	7.6	102,645,320	4.4	553	25.9	188,243	98.5
70,000 to 80,000	150,124	6.2	96,221,770	4.2	641	24.4	152,293	98.6
80,000 to 90,000	120,464	4.9	87,657,304	3.8	728	23.6	122,126	98.6
90,000 to 100,000	99,285	4.1	81,204,705	3.5	818	22.9	100,540	98.8
100,000 to 125,000	198,062	8.1	192,606,447	8.3	972	22.0	200,322	98.9
125,000 to 150,000	146,843	6.0	176,477,326	7.6	1,202	21.2	148,489	98.9
150,000 to 200,000	175,176	7.2	262,988,971	11.4	1,501	20.3	177,718	98.6
200,000 to 250,000	80,185	3.3	152,312,532	6.6	1,900	19.3	81,711	98.1
250,000 to 300,000	39,730	1.6	91,620,464	4.0	2,306	18.6	40,601	97.9
300,000 to 500,000	55,473	2.3	179,998,979	7.8	3,245	18.1	56,769	97.7
500,000 to 1,000,000	22,218	0.9	164,314,447	7.1	7,396	20.1	22,795	97.5
1,000,000 and over	8,669	0.4	368,472,762	15.9	42,505	23.3	9,013	96.2
Total	2,439,559	100.0%	\$2,314,070,690	100.0%	\$949	22.8%	3,327,186	73.3%

--In tax year 2025 relative to current law, it is estimated that 2,439,559 filers (73.3% of all filers) would receive tax decreases totaling \$2,314.1 million, for an average decrease of \$949. Taxpayers not receiving a decrease would generally be those with no net tax liability under current law.

--Filers with Wisconsin AGI under \$100,000 would represent 70.2% of all filers with a tax decrease, and would receive 31.3% of the estimated decrease. Their estimated average tax decrease would be \$423 in tax year 2025 relative to current law.

--Filers with Wisconsin AGI of \$100,000 or more would represent 29.8% of all filers with a tax decrease, and would receive 68.7% of the estimated decrease. Their estimated average tax decrease would be \$2,187 in tax year 2025 relative to current law.

--The estimated average tax decrease rises with Wisconsin AGI. On average, filers with Wisconsin AGI under \$50,000 would receive a reduction in their net tax liability relative to current law of 42.0% in tax year 2025.

Based on a simulation of tax year 2025 by the Department of Revenue.

*This distribution does not include the estimated reduction in amounts withheld from nonresident members of pass-through entities, or the one-time revenue reduction associated with the withholding table update.

ATTACHMENT 4

Phase 4 of LRB 1939/1: Estimated Distribution of Taxpayers with a Tax Decrease under Proposal to Reduce 3.54% Rate to 0.00%, Reduce 4.65% Rate and 5.30% Rate to 4.50%, and Reduce 7.65% Rate to 5.20%, Tax Year 2025*

Wisconsin Adjusted Gross Income	Taxpayers with a Tax Decrease					Tax Decrease as % of Net Tax	Count of All Returns	% of All Returns in AGI Class
	Count	% of Count	Amount of Tax Decrease	% of Decrease	Average Decrease			
Under \$5,000	42,431	1.7%	\$1,690,483	0.1%	\$40	49.9%	451,482	9.4%
5,000 to 10,000	27,851	1.1	3,003,787	0.1	108	51.4	201,505	13.8
10,000 to 15,000	34,703	1.4	3,785,234	0.1	109	52.8	161,045	21.5
15,000 to 20,000	74,671	3.1	10,181,187	0.3	136	72.0	141,774	52.7
20,000 to 25,000	93,501	3.8	21,481,784	0.7	230	81.7	131,632	71.0
25,000 to 30,000	118,043	4.8	40,926,257	1.4	347	84.8	141,305	83.5
30,000 to 40,000	264,991	10.9	120,800,749	4.1	456	66.7	287,515	92.2
40,000 to 50,000	266,599	10.9	146,705,243	5.0	550	48.9	271,557	98.2
50,000 to 60,000	235,147	9.6	156,031,621	5.3	664	40.4	238,751	98.5
60,000 to 70,000	185,483	7.6	139,132,059	4.7	750	35.1	188,243	98.5
70,000 to 80,000	150,124	6.2	126,501,759	4.3	843	32.0	152,293	98.6
80,000 to 90,000	120,464	4.9	112,728,232	3.8	936	30.3	122,126	98.6
90,000 to 100,000	99,285	4.1	102,422,782	3.5	1,032	28.8	100,540	98.8
100,000 to 125,000	198,062	8.1	236,601,098	8.0	1,195	27.1	200,322	98.9
125,000 to 150,000	146,843	6.0	210,166,944	7.1	1,431	25.2	148,489	98.9
150,000 to 200,000	175,176	7.2	304,013,826	10.3	1,735	23.5	177,718	98.6
200,000 to 250,000	80,185	3.3	171,437,847	5.8	2,138	21.7	81,711	98.1
250,000 to 300,000	39,730	1.6	101,431,631	3.4	2,553	20.6	40,601	97.9
300,000 to 500,000	55,473	2.3	200,448,152	6.8	3,613	20.2	56,769	97.7
500,000 to 1,000,000	22,218	0.9	213,620,860	7.2	9,615	26.2	22,795	97.5
1,000,000 and over	8,669	0.4	535,653,160	18.1	61,789	33.9	9,013	96.2
Total	2,439,649	100.0%	\$2,958,764,695	100.0%	\$1,213	29.1%	3,327,186	73.3%

--In tax year 2025 relative to current law, it is estimated that 2,439,650 filers (73.3% of all filers) would receive tax decreases totaling \$2,958.8 million, for an average decrease of \$1,213. Taxpayers not receiving a decrease would generally be those with no net tax liability under current law.

--Filers with Wisconsin AGI under \$100,000 would represent 70.2% of all filers with a tax decrease, and would receive 33.3% of the estimated decrease. Their estimated average tax decrease would be \$575 in tax year 2025 relative to current law.

--Filers with Wisconsin AGI of \$100,000 or more would represent 29.8% of all filers with a tax decrease, and would receive 66.7% of the estimated decrease. Their estimated average tax decrease would be \$2,717 in tax year 2025 relative to current law.

--The estimated average tax decrease rises with Wisconsin AGI. On average, filers with Wisconsin AGI under \$50,000 would receive a reduction in their net tax liability relative to current law of 59.5% in tax year 2025.

Based on a simulation of tax year 2025 by the Department of Revenue.

*This distribution does not include the estimated reduction in amounts withheld from nonresident members of pass-through entities, or the one-time revenue reduction associated with the withholding table update.

ATTACHMENT 5

Phase 5 of LRB 1939/1: Estimated Distribution of Taxpayers with a Tax Decrease under Proposal to Reduce 3.54% Rate to 0.00%, Reduce 4.65% Rate, 5.30% Rate, and 7.65% Rate to 4.50%, Tax Year 2025*

Wisconsin Adjusted Gross Income	Taxpayers with a Tax Decrease					Tax Decrease as % of Net Tax	Count of All Returns	% of All Returns in AGI Class
	Count	% of Count	Amount of Tax Decrease	% of Decrease	Average Decrease			
Under \$5,000	42,435	1.7%	\$1,726,396	0.1%	\$41	51.0%	451,482	9.4%
5,000 to 10,000	27,851	1.1	3,062,581	0.1	110	52.4	201,505	13.8
10,000 to 15,000	34,703	1.4	3,859,531	0.1	111	53.8	161,045	21.5
15,000 to 20,000	74,671	3.1	10,255,371	0.3	137	72.6	141,774	52.7
20,000 to 25,000	93,501	3.8	21,556,504	0.7	231	82.0	131,632	71.0
25,000 to 30,000	118,043	4.8	41,011,567	1.3	347	85.0	141,305	83.5
30,000 to 40,000	264,991	10.9	120,971,215	3.8	457	66.8	287,515	92.2
40,000 to 50,000	266,599	10.9	146,869,542	4.7	551	49.0	271,557	98.2
50,000 to 60,000	235,147	9.6	156,187,509	5.0	664	40.4	238,751	98.5
60,000 to 70,000	185,483	7.6	139,287,812	4.4	751	35.1	188,243	98.5
70,000 to 80,000	150,124	6.2	126,658,128	4.0	844	32.1	152,293	98.6
80,000 to 90,000	120,464	4.9	112,878,008	3.6	937	30.3	122,126	98.6
90,000 to 100,000	99,285	4.1	102,556,058	3.3	1,033	28.9	100,540	98.8
100,000 to 125,000	198,062	8.1	236,955,152	7.5	1,196	27.1	200,322	98.9
125,000 to 150,000	146,843	6.0	210,503,300	6.7	1,434	25.3	148,489	98.9
150,000 to 200,000	175,176	7.2	304,677,785	9.7	1,739	23.6	177,718	98.6
200,000 to 250,000	80,185	3.3	172,000,593	5.5	2,145	21.8	81,711	98.1
250,000 to 300,000	39,730	1.6	102,031,093	3.2	2,568	20.7	40,601	97.9
300,000 to 500,000	55,473	2.3	207,314,608	6.6	3,737	20.9	56,769	97.7
500,000 to 1,000,000	22,218	0.9	252,427,712	8.0	11,361	30.9	22,795	97.5
1,000,000 and over	8,669	0.4	679,826,761	21.6	78,420	43.0	9,013	96.2
Total	2,439,653	100.0%	\$3,152,617,226	100.0%	\$1,292	31.0%	3,327,186	73.3%

--In tax year 2025 relative to current law, it is estimated that 2,439,653 filers (73.3% of all filers) would receive tax decreases totaling \$3,152.6 million, for an average decrease of \$1,292. Taxpayers not receiving a decrease would generally be those with no net tax liability under current law.

--Filers with Wisconsin AGI under \$100,000 would represent 70.2% of all filers with a tax decrease, and would receive 31.3% of the estimated decrease. Their estimated average tax decrease would be \$576 in tax year 2025 relative to current law.

--Filers with Wisconsin AGI of \$100,000 or more would represent 29.8% of all filers with a tax decrease, and would receive 68.7% of the estimated decrease. Their estimated average tax decrease would be \$2,982 in tax year 2025 relative to current law.

--The estimated average tax decrease rises with Wisconsin AGI. On average, filers with Wisconsin AGI under \$50,000 would receive a reduction in their net tax liability relative to current law of 59.6% in tax year 2025.

Based on a simulation of tax year 2025 by the Department of Revenue.

*This distribution does not include: (a) the estimated revenue reduction resulting from entity-level filers shifting back to filing and paying under the individual income tax; (b) the estimated reduction in amounts withheld from nonresident members of pass-through entities; or (c) the one-time revenue reduction associated with the withholding table update.