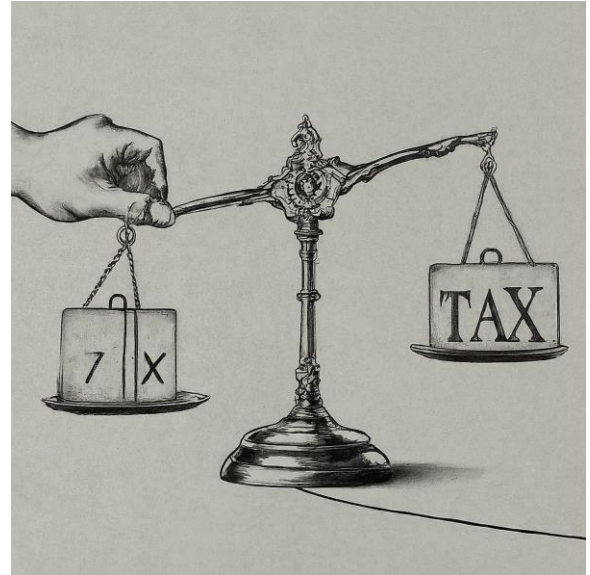


Wisconsin Assembly Passes Tax Cut Package, But Fate Remains Uncertain

By Misha Lee, MHA Wisconsin Lobbyist

The Wisconsin State Assembly recently approved a \$2.1 billion tax cut package with largely partisan support. The legislation, pushed by Republicans who control the Assembly 64-35, faces an uncertain future as it heads to the also Republican-controlled State Senate for consideration. If passed by the Senate, it remains unclear which, if any, of the bills contained in the package Democratic Governor Tony Evers would sign.



The tax package contains four bills:

- 1) [Assembly Bill 1020](#) - **Expands the second-lowest income tax bracket.** The bill would expand the amount of income covered by the state's second-lowest tax bracket of 4.4% benefiting nearly half of all taxpayers. For married joint filers, that bracket covers income between \$19,090 and \$38,190 under current law. The bill would expand that to a cap of \$150,000, and it would require the Department of Revenue (DOR) to update withholding tables by July 1, 2024.
- 2) [Assembly Bill 1021](#) - **Exempts retirement income.** Individuals and couples filing jointly could exempt a portion of their retirement income from state taxes. The bill proposes to exclude the first \$75,000 of retirement income subject to state taxes for those 65 and older. For married joint filers, the bill would exempt the first \$150,000. The bill would cover payments from pensions and retirement plans such as a 401(K). The proposal would not apply to retirement income already exempt from current state law such as a distribution from a Roth IRA. The proposal would reduce taxes by \$658.2 million in 2024-25 and \$472.4 million annually thereafter. The average decrease would be \$1,582 per filer.
- 3) [Assembly Bill 1022](#) - **Raises the married couples tax credit.** This credit would be doubled for married couples filing jointly. The bill increases an existing nonrefundable tax credit for married couples to \$870 from \$480. This proposal would reduce taxes by \$169 million in 2024-25 and \$160.9 million annually after that with an average decrease of \$338.
- 4) [Assembly Bill 1023](#) - **Increases the child and dependent care tax credit.** This proposal expands the state credit for child and dependent care expenses to 100% of the credit claimed on a filer's federal income tax return. Currently, the state credit equals up to 50% of the federal credit. The bill would reduce individual income tax collections by \$72.9 million annually beginning in 2024-25.

Proponents who support the tax cuts argue the package offers much-needed relief to taxpayers, particularly middle-class families and retirees. They emphasize putting money back in people's pockets stimulates the economy and attracts new residents. Additionally, they highlight the state's \$7 billion surplus as an opportunity to return funds to taxpayers. Critics expressed concerns about the long-term impact on the state budget, arguing it would deplete the surplus and limit funding for essential services like Education and Healthcare. They also criticized the disproportionate benefit for higher income

earners within the tax bracket expansion. Additionally, opponents questioned the timing of the tax reductions expressing concern with the possibility of a downturn in the economy. Governor Evers previously vetoed similar income tax cuts, favoring proposals that focus more on targeted relief for lower-income earners and families. He has not explicitly stated his position on this specific package, but it's likely he will scrutinize its impact on the budget and equity concerns before making a decision.

The non-partisan Legislative Fiscal Bureau estimates the package would reduce state income tax revenue by \$2.1 billion in the first year and \$1.4 billion annually thereafter. This could impact future funding for various state programs and services. Recent state polling suggests public opinion is divided on the tax cut proposal. While some support returning surplus funds to taxpayers who paid them, others prioritize responsible budgeting and ensuring essential services are adequately funded.

The package now awaits a vote by the Senate and if passed, a decision by Governor Evers on whether or not and which bills he will sign it into law. The Governor will have several options to either sign it into law, veto it entirely, or use his partial veto power to modify certain provisions. If he vetoes, the legislature could attempt to override him with a two-thirds majority vote in both chambers, which seems unlikely given the current partisan makeup where the Assembly does not have a partisan super majority to override a veto.

The Assembly intends to complete its final round of voting on legislation during the week of February 19th pending any unforeseen circumstances where the body would have to return for voting before April. The Senate is expected to finish its voting for the session during the second week of March. Following that time period, the Legislature will adjourn and lawmakers running for reelection will return to their respective districts and begin campaigning under new legislative district maps through Election Day in November.