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Joint Committee on Finance

Paper #280

Income Tax Rate Reduction (General Fund Taxes -- Income and Franchise Taxes)

[LFB 2013-15 Budget Summary: Page 168, #1]

CURRENT LAW

Under the state individual income tax, Wisconsin taxable income is multiplied by the applicable tax rates to arrive at gross tax liability. Currently, the state employs five tax brackets, with a separate tax rate assigned to each bracket. The tax rate structure is cumulative so that each tax rate applies only to income that falls within the corresponding bracket. A taxpayer with income exceeding the threshold for the top bracket would have income subject to each of the five tax rates. The tax brackets vary by filing status and are indexed annually for inflation.

GOVERNOR

Reduce the marginal tax rates that apply to income that falls within the bottom three income brackets of the state's individual income tax from 4.6% to 4.5%, from 6.15% to 5.94%, and from 6.5% to 6.36%, effective with tax years beginning after December 31, 2012. Reduce estimated individual income tax collections by \$172,600,000 in 2013-14 and \$170,600,000 in 2014-15. The rate and bracket structures under current law and under the Governor's proposal are shown below.

<u>Tax Rates</u>		<u>Tax Year 2013 Tax Brackets</u>		
<u>Current Law</u>	<u>Governor's Proposal</u>	<u>Single</u>	<u>Married-Joint</u>	<u>Married-Separate</u>
4.60%	4.50%	Less than \$10,750	Less than \$14,330	Less than \$7,160
6.15	5.94	10,750 to 21,490	14,330 to 28,650	7,160 to 14,330
6.50	6.36	21,490 to 161,180	28,650 to 214,910	14,330 to 107,450
6.75	6.75	161,180 to 236,600	214,910 to 315,460	107,450 to 157,730
7.75	7.75	236,600 and Over	315,460 and Over	157,730 and Over

<u>Tax Rates</u>		<u>Tax Year 2014 Tax Brackets (Estimated)</u>		
<u>Current Law</u>	<u>Governor's Proposal</u>	<u>Single</u>	<u>Married-Joint</u>	<u>Married-Separate</u>
4.60%	4.50%	Less than \$10,880	Less than \$14,510	Less than \$7,250
6.15	5.94	10,880 to 21,760	14,510 to 29,020	7,250 to 14,510
6.50	6.36	21,760 to 163,220	29,020 to 217,630	14,510 to 108,820
6.75	6.75	163,220 to 239,600	217,630 to 319,460	108,820 to 159,730
7.75	7.75	239,600 and Over	319,460 and Over	159,730 and Over

DISCUSSION POINTS

1. The last time that income tax rates were reduced was by 1999 Wisconsin Act 9, which used a two-step process to reduce rates in tax years 2000 and 2001. The rate for the bottom income bracket was reduced from 4.77% to 4.73% and then to 4.60%, and the rate for the second income bracket was reduced from 6.37% to 6.33% and then to 6.15%. In 1999, the state income tax consisted of three tax brackets, and the rate for the third bracket equaled 6.77%. The Act created an additional bracket and set the rates for the third and fourth brackets at levels below the existing rate for the third bracket. The rate for the third bracket was set at 6.55% in tax year 2000 and then reduced to 6.50% in tax year 2001. The rate for the top bracket was set at 6.75%, effective in tax year 2000. Act 9 also made a number of other significant modifications to the state income tax.

2. Except for indexing, the rate and bracket structure established in Act 9 remained in effect until tax year 2009. The last change to the rate and bracket structure was made by 2009 Wisconsin Act 28, which created a fifth tax bracket with a marginal tax rate of 7.75% for upper income taxpayers.

3. Two of the most common measures of interstate tax rankings are taxes per \$1,000 of personal income and taxes per capita, each of which is based on data compiled by the U.S. Department of Commerce. Table 1 reports Wisconsin's individual income tax ranking under both measures in five-year increments since 1994-95. At the time of the 1999 law changes, Wisconsin's income tax under both measures was ranked as one of the ten highest, and Wisconsin's tax rankings dropped after the Act 9 changes took effect. For the year when the Act 28 changes took effect, Wisconsin's ranking was higher under the personal income measure and unchanged under the per capita measure, relative to its rankings for 2004-05. However, Wisconsin's ranking under the personal income measure decreased from 2008-09 to 2009-10.

TABLE 1**Wisconsin Individual Income Tax Ranking Under Two Measures in Selected Years**

	<u>Taxes Per \$1,000 of Personal Income</u>			<u>Taxes Per Capita</u>		
	<u>Amount</u>	<u>Rank</u>	<u>Difference from U.S. Average</u>	<u>Amount</u>	<u>Rank</u>	<u>Difference from U.S. Average</u>
1994-95	\$35.55	5	51.2%	\$758.55	9	46.4%
1999-00	40.37	6	50.8	1,107.61	9	47.7
2004-05	30.31	15	24.2	985.38	14	20.2
2009-10	27.72	12	26.2	1,017.63	14	20.9

Sources: U.S. Census Bureau and Bureau of Economic Analysis.

4. The data in Table 1 shows that Wisconsin imposes a high income tax burden on its residents relative to other states, but other data may qualify that impression. The burden displayed in Table 1 also reflects the policy choice to rely more heavily on the income tax than on other taxes or fees and the state's low reliance on federal revenue. When all state and local general revenues are considered, since 1994-95 Wisconsin has ranked between 19th and 29th in terms of revenue per \$1,000 of personal income and between 16th and 25th in terms of revenue per capita (Table 2).

TABLE 2**Wisconsin State and Local Government General Revenue, Ranking Under Two Measures in Selected Years**

	<u>Revenues Per \$1,000 of Personal Income</u>			<u>Revenues Per Capita</u>		
	<u>Amount</u>	<u>Rank</u>	<u>Difference from U.S. Average</u>	<u>Amount</u>	<u>Rank</u>	<u>Difference from U.S. Average</u>
1994-95	\$212.62	19	6.7%	\$4,536.76	16	3.3%
1999-00	207.32	20	6.3	5,688.82	16	4.1
2004-05	203.66	29	-0.2	6,620.91	25	-3.4
2009-10	217.82	25	3.2	7,996.87	24	-1.1

Sources: U.S. Census Bureau and Bureau of Economic Analysis.

5. Examination of expenditure data reveals a similar pattern since 1994-95. In terms of all state and local government expenditures, Wisconsin has ranked between 21st and 26th in terms of expenditures per \$1,000 of personal income and between 14th and 25th in terms of expenditures per capita (Table 3).

TABLE 3**Wisconsin State and Local Government Expenditures,
Ranking Under Two Measures in Selected Years**

	<u>Expenditures Per \$1,000 of Personal Income</u>			<u>Expenditures Per Capita</u>		
	<u>Amount</u>	<u>Rank</u>	<u>Difference from U.S. Average</u>	<u>Amount</u>	<u>Rank</u>	<u>Difference from U.S. Average</u>
1994-95	\$234.42	22	1.8%	\$5,001.97	16	-1.4%
1999-00	234.36	21	6.1	6,430.77	14	3.9
2004-05	239.30	26	0.3	7,779.52	20	-2.9
2009-10	265.46	23	1.0	9,746.21	25	-3.2

Sources: U.S. Census Bureau and Bureau of Economic Analysis.

6. As noted above, Wisconsin's income tax structure is described as cumulative, meaning that each of the rates applies only to income within the corresponding tax bracket. Therefore, a taxpayer with income exceeding the threshold for the top tax bracket would have income subject to each of the five tax rates. As a result, the proposal's impact would not be limited to taxpayers with income at or below the third tax bracket, but, instead, would affect almost all taxpayers. Analysis by the Department of Revenue (DOR) indicates that 73.0% of all tax filers in 2014 would experience a tax decrease. Tax filers without a decrease would include those with no tax liability under current law, taxpayers subject to the alternative minimum tax, and some part-year residents or non-residents. A distributional analysis for tax year 2014 is included as Attachment 1 to this paper.

7. For taxpayers with a tax reduction, Attachment 1 reflects that the average reduction would be \$83, or -2.23%. On average, taxpayers with AGI between \$25,000 and \$30,000 would experience the largest percentage reduction in net tax liability (3.3%), but that percentage decreases as AGI increases. The percentage reduction for taxpayers with \$300,000 or more of AGI would be 0.6%. However, the average tax decrease for those taxpayers is estimated at \$294, slightly less than the \$298 average decrease that would be received by taxpayers with AGI between \$250,000 and \$300,000. The average tax decrease would increase as income rises.

8. Another way to reduce taxes for all taxpayers would be to decrease the rate for just the lowest tax bracket. Lowering the bottom rate from 4.60% to 3.88% would reduce total state tax collections by an amount that is similar to the reduction proposed in AB 40, but would result in different distributional effects. With one exception, the average dollar reduction under AB 40 increases with income for each AGI group, reaching almost \$300 for taxpayers with AGI of \$250,000 or more. However, limiting the reduction to the bottom tax rate causes the average dollar reduction to "flatten" and average about \$100 for all AGI groups over \$70,000. This alternative would result in larger average tax reductions for each AGI group with income below \$70,000. Attachment 2 reports the estimated distribution of limiting the tax rate reduction to the bottom tax rate, which is presented as Alternative 2.

9. A third way to reduce rates would be with an across-the-board approach. For

example, reducing each of the five rates by 1.87% would result in total tax collection decreases that are similar to those resulting from the Governor's proposal. However, like the alternative that would lower only the bottom rate, this alternative has a different distributional impact. Among taxpayers receiving a tax decrease, the percentage decrease under this alternative varies less by AGI, ranging from 1.40% for taxpayers with an AGI under \$5,000 to 2.58% for taxpayers with AGI between \$15,000 and \$20,000, than under the other two alternatives. However, considerable variation in the average dollar reduction would result, and would increase from \$2 for taxpayers with AGI less than \$5,000 to \$1,051 for taxpayers with AGI of \$300,000 or more. For taxpayers with a tax reduction, Attachment 3 reflects an average reduction of \$81, or 2.2%. This option is presented as Alternative 3.

10. Table 4 compares the tax rates under current law with the rates under the three alternatives:

TABLE 4

**Individual Income Tax Rates Under Current Law
and Under Three Alternatives**

<u>Current Law</u>	<u>Governor</u>	<u>Alternative 2</u>	<u>Alternative 3</u>
4.60%	4.50%	3.88%	4.51%
6.15	5.94	6.15	6.03
6.50	6.36	6.50	6.38
6.75	6.75	6.75	6.62
7.75	7.75	7.75	7.61

11. Table 5 compares the distributional information in Attachments 1, 2, and 3. Taxpayers with AGI under \$100,000 have 49.1% of AGI and pay 38.8% of income taxes under current law. They would comprise just over 80% of the taxpayers receiving a tax reduction under each alternative. However, their share of the tax reduction would vary from 50.8% under the Governor's proposal, to 75.9% under Alternative 2, to 40.1% under Alternative 3. Taxpayers with AGI greater than \$100,000 have 50.9% of AGI and pay 61.2% of income taxes under current law. They would comprise just under 20% of the taxpayers receiving a tax reduction under each alternative, but their share of the tax reduction would vary from 49.2% under the Governor's proposal, to 24.1% under Alternative 2, to 59.9% under Alternative 3.

TABLE 5

**Comparison of Two Taxpayer Groups Under Governor's Proposal
and Under Two Alternatives, Tax Year 2014**

<u>AGI</u>	<u>Under \$100,000</u>	<u>Over \$100,000</u>
Share of AGI	49.1%	50.9%
Share of Taxes	38.8	61.2
Share of Taxpayers With a Reduction		
- Governor	80.2	19.8
- Alternative 2	80.3	19.7
- Alternative 3	80.2	19.8
Share of Tax Reduction		
- Governor	50.8	49.2
- Alternative 2	75.9	24.1
- Alternative 3	40.1	59.9

12. The alternative to lower only the bottom tax rate and the alternative for across-the-board rate reductions are two ways to modify the Governor's proposal. A variety of other modifications could be made to the rate and bracket structure that would have the same impact on tax collections. In addition, other features of the state income tax could be modified, such as the sliding scale standard deduction or personal exemptions. The property tax/rent credit is a broad-based mechanism for providing tax relief, as it is claimed by over 80% of the filers with a net tax liability. It could be modified to provide additional relief by increasing the credit percentage from 12% and the property tax limit from \$2,500.

13. In 2012, the Legislative Council created a Steering Committee on Income Tax that held four meetings and heard invited testimony from experts in the field of individual income taxation. While much of the testimony focused on rates, considerable attention was devoted to the complexity of Wisconsin's income tax system due to differences between the state and federal definitions of adjusted gross income (AGI) and the large number of state tax credits. By eliminating adjustments to federal AGI or repealing existing tax credits, state income tax forms could be simplified and larger tax rate reductions would be possible, relative to the reductions proposed in AB 40.

14. While the Steering Committee focused its attention on the on the state's individual income tax, several of the committee members urged it to broaden its focus and examine the state's overall tax burden. One of the Committee's speakers was from the Institute on Taxation and Economic Policy (ITEP), which has developed a model for comparing state tax systems. The Institute's most recent analysis titled, Who Pays: A Distributional Analysis of the Tax Systems in All Fifty States was released in January, 2013. ITEP evaluates each state's state and local tax system by grouping each state's non-elderly taxpayers into quintiles based on income and dividing

estimated tax payments by income. The quintile with the highest income is divided into three subgroups -- the first 15%, the next 4%, and the top 1%.

15. The analysis concludes that "virtually every state's tax system is fundamentally unfair, taking a much greater share of income from middle- and low-income families than from wealthy families." Nonetheless, the analysis reports that some states have more regressive systems than other states, depending on their reliance on the various taxes and the features of each tax. According to the ITEP calculations, Wisconsin's tax system appears less regressive than the all states average. The ITEP analysis of Wisconsin indicates that the state tax system's regressivity is attributable largely to Wisconsin's sales and excise taxes and, in part, to the property tax. However, Wisconsin's income tax is progressive. Table 6 displays the ITEP calculations for the three types of taxes and for Wisconsin's overall total. The overall total includes the effect of federal deductibility of state and local taxes. Relative to the state's income tax, ITEP cites the graduated rate structure, a large, refundable earned income tax credit, and a refundable property tax credit (Homestead) as features contributing to progressivity. Although not mentioned by ITEP, Wisconsin's sliding scale standard deduction and its use of tax credits, instead of deductions, for property taxes, charitable contributions, medical expenses, interest expenses, and casualty losses also contribute to the progressivity of Wisconsin's individual income tax.

TABLE 6

Wisconsin State and Local Taxes as a Share of Family Income for Non-Elderly Taxpayers by Income Group and by Type of Tax

	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
<u>Avg. Income</u>	<u>\$13,200</u>	<u>\$28,100</u>	<u>\$46,700</u>	<u>\$70,700</u>	<u>\$108,300</u>	<u>\$208,200</u>	<u>\$887,500</u>
Sales & Excise	6.2%	5.1%	4.0%	3.4%	2.5%	1.6%	0.9%
Property	3.5	3.7	3.7	3.8	3.9	3.4	2.2
Income	0.0	2.0	3.5	4.1	4.6	4.8	5.6
Overall Total	9.6	10.7	10.7	10.6	9.7	8.3	6.9

* Who Pays? A Distributional Analysis of the Tax Systems in All 50 States, Institute on Taxation and Economic Policy, January, 2013.

16. If the Committee is concerned about the overall regressivity of the state's tax system, it could delete the Governor's proposal (Alternative 4) and use the available revenue for other purposes. Alternatives that would make the tax system more progressive include expanding the earned income or homestead tax credits, which were reduced by 2011 Wisconsin Act 28. Another option would be to increase state aid to school districts, counties, municipalities, or technical college districts. Under the current system of fiscal controls imposed on those governments, additional aid would reduce their reliance on property taxes.

17. On May 9, 2013, this office released estimates of general fund tax collections for 2012-13 and the two years of the 2013-15 biennium. For the three-year period, tax collections are

estimated to be \$575 million higher than previously estimated, including individual income tax collections that are estimated to be higher by \$160 million in 2012-13, \$125 million in 2013-14, and \$100 million in 2014-15. The additional income tax collections cause the revenue decreases resulting from the proposed rate reductions to also be greater. The rate reductions proposed by the Governor are reestimated at \$175.2 million in 2013-14 and \$172.6 million in 2014-15. Initially, decreases of \$172.6 million in 2013-14 and \$170.6 million in 2014-15 were estimated for AB 40, so the estimated revenue loss is increased by \$4.5 million in the biennium.

18. If the Committee supports providing income tax relief by reducing tax rates, the additional tax collections could be used to provide larger income tax rate reductions. Using the three approaches presented in this paper, additional reductions totaling \$100 million per year would result from the rates displayed in Table 7 and presented as Alternatives 4 a, b, and c.

TABLE 7

Individual Income Tax Rates Under Current Law and Under Three Alternatives With Additional Reductions of \$100 Million Annually

<u>Current Law</u>	<u>Reduce Rates for Three Brackets</u>	<u>Reduce Rate for Bottom Bracket</u>	<u>Reduce Rates for All Brackets</u>
4.60%	4.44%	3.45%	4.46%
6.15	5.81	6.15	5.96
6.50	6.27	6.50	6.30
6.75	6.75	6.75	6.55
7.75	7.75	7.75	7.52

ALTERNATIVES

1. Adopt the Governor's recommendation to reduce the marginal tax rates that apply to income that falls within the bottom three income brackets of the state's individual income tax from 4.6% to 4.5%, from 6.15% to 5.94%, and from 6.5% to 6.36%, effective with tax years beginning after December 31, 2012. Increase the estimated revenue loss by \$2,500,000 in 2013-14 and \$2,000,000 in 2014-15 to reflect increased income tax collections, as indicated in the current economic forecast. Relative to current law, individual income tax collections would decrease by an estimated \$175,100,000 in 2013-14 and \$172,600,000 in 2014-15.

ALT 1	Change to Bill Revenue
GPR-Tax	-\$4,500,000

2. Modify the Governor's recommendation by deleting the change to the rates for the second and third tax brackets. In addition, reduce the rate for the bottom tax bracket by setting the rate at 3.88%. As under Alternative 1, the estimated revenue loss under this option would be

\$175,100,000 in 2013-14 and \$172,600,000 in 2014-15. These amounts are higher than the estimates in AB 40 by \$2,500,000 in 2013-14 and \$2,000,000 in 2014-15.

ALT 2	Change to Bill Revenue
GPR-Tax	- \$4,500,000

3. Modify the Governor's recommendation by deleting the change to the rates for the bottom three tax brackets, and, instead, reduce each of the five rates under current law provisions by 1.87%. Set the rate for the first tax bracket at 4.51%, for the second tax bracket at 6.03%, for the third tax bracket at 6.38%, for the fourth tax bracket at 6.62%, and for the fifth tax bracket at 7.61%. As under Alternatives 1 and 2, the estimated revenue loss under this option would be \$175,100,000 in 2013-14 and \$172,600,000 in 2014-15. These amounts are higher than the estimates in AB 40 by \$2,500,000 in 2013-14 and \$2,000,000 in 2014-15.

ALT 3	Change to Bill Revenue
GPR-Tax	- \$4,500,000

4. Decrease estimated individual income tax collections by an additional \$100,000,000 in each year. Relative to current law, individual income tax collections would decrease by an estimated \$272,600,000 in 2013-14 and \$270,600,000 in 2014-15. In addition, modify individual income tax rates for the existing tax brackets as follows:

a. Modify the Governor's recommendation by further reducing the marginal tax rates that apply to income that falls within the bottom three income brackets of the state's individual income tax and setting the rates at 4.44% for the bottom bracket, 5.81% for the second bracket, and 6.27% for the third bracket, effective with tax years beginning after December 31, 2012;

b. Modify the Governor's recommendation by deleting the change to the rates for the second and third tax brackets and by further reducing the marginal tax rate that applies to income that falls within the bottom tax bracket to 3.45%; or

c. Modify the Governor's recommendation by deleting the change to the rates for the bottom three tax brackets, and, instead, setting the rate for the first tax bracket at 4.46%, for the second tax bracket at 5.96%, for the third tax bracket at 6.30%, for the fourth tax bracket at 6.55%, and for the fifth tax bracket at 7.55%.

ALT 4	Change to Bill Revenue
GPR-Tax	- \$200,000,000

5. Delete provision and increase estimated individual income tax collections by \$172,600,000 in 2013-14 and \$170,600,000 in 2014-15.

ALT 5	Change to Bill
	Revenue
GPR-Tax	\$343,200,000

Prepared by: Rick Olin
Attachments

ATTACHMENT 1

Distribution of Taxpayers With an Income Tax Decrease Under Governor's Proposal to Reduce the Three Bottom Tax Rates All Filers, Tax Year 2014

Wisconsin Adjusted <u>Gross Income</u>	Taxpayers with a Tax Decrease						Count of All <u>Returns</u>	% of All Returns in AIG <u>Class</u>
	<u>Count</u>	Percent of <u>Count</u>	Amount of Tax <u>Decrease</u>	Percent of <u>Amount</u>	Average <u>Decrease</u>	Percent <u>Decrease</u>		
Under \$5,000	19,526	0.95%	-\$50,000	0.03%	-\$3	-1.51%	355,335	5.5%
5,000 to 10,000	17,730	0.87	-101,000	0.06	-6	-2.15	232,179	7.6
10,000 to 15,000	79,614	3.89	-304,000	0.18	-4	-2.50	193,816	41.1
15,000 to 20,000	123,019	6.02	-937,000	0.55	-8	-2.90	174,597	70.5
20,000 to 25,000	133,813	6.54	-1,835,000	1.08	-14	-3.00	158,866	84.2
25,000 to 30,000	141,834	6.94	-3,162,000	1.86	-22	-3.27	149,108	95.1
30,000 to 40,000	267,249	13.07	-9,259,000	5.44	-35	-3.18	270,802	98.7
40,000 to 50,000	217,026	10.61	-11,211,000	6.59	-52	-3.04	218,342	99.4
50,000 to 60,000	174,854	8.55	-11,750,000	6.91	-67	-2.93	175,604	99.6
60,000 to 70,000	145,671	7.12	-12,000,000	7.05	-82	-2.87	146,197	99.6
70,000 to 80,000	124,042	6.07	-12,148,000	7.14	-98	-2.84	124,471	99.7
80,000 to 90,000	106,809	5.22	-12,157,000	7.15	-114	-2.81	107,070	99.8
90,000 to 100,000	88,589	4.33	-11,512,000	6.77	-130	-2.79	88,826	99.7
100,000 to 150,000	248,116	12.13	-41,927,000	24.65	-169	-2.73	248,783	99.7
150,000 to 200,000	77,777	3.80	-18,455,000	10.85	-237	-2.58	78,072	99.6
200,000 to 250,000	29,247	1.43	-8,526,000	5.01	-292	-2.36	29,410	99.4
250,000 to 300,000	14,121	0.69	-4,203,000	2.47	-298	-1.90	14,223	99.3
300,000 and over	<u>35,949</u>	<u>1.76</u>	<u>-10,571,000</u>	<u>6.21</u>	-294	-0.57	<u>36,178</u>	99.4
Total	2,044,986	100.00%	-\$170,106,000	100.00%	-\$83	-2.23%	2,801,879	73.0%

Source: Department of Revenue

- An estimated 2,044,986, or 73.0% of all taxfilers in 2014, would have a tax decrease under the proposal.
- The total tax decrease is estimated at \$170.1 million in tax year 2014.
- For all taxpayers with a tax reduction, the average 2014 tax decrease would be \$83. The average tax decrease would increase as income rises.
- On average, taxpayers with AGI between \$25,000 and \$30,000 would experience the largest percentage reduction in net tax liability (3.3%), but that percentage decreases as AGI increases. The percentage reduction for taxpayers with \$300,000 or more of AGI would be 0.6%.
- Taxpayers with AGI greater than \$100,000 comprise 19.8% of those who would receive a tax reduction, but would receive 49.2% of the \$170.1 million total decrease. These taxpayers have 50.9% of AGI and pay 61.2% of income taxes under current law.
- Taxfilers without a tax decrease would include those with no tax liability under current law, taxpayers subject to the alternative minimum tax, and some part-year residents and non-residents.

ATTACHMENT 2

Distribution of Taxpayers With an Income Tax Decrease Under Proposal to Reduce the Bottom Tax Rate All Filers, Tax Year 2014

Wisconsin Adjusted <u>Gross Income</u>	Taxpayers with a Tax Decrease						Count of All <u>Returns</u>	% of All Returns in AGI <u>Class</u>
	<u>Count</u>	Percent of <u>Count</u>	Amount of Tax <u>Decrease</u>	Percent of <u>Amount</u>	Average <u>Decrease</u>	Percent <u>Decrease</u>		
Under \$5,000	21,129	1.03%	-\$133,000	0.08%	-\$6	-4.07%	355,335	5.9%
5,000 to 10,000	18,789	0.91	-279,000	0.16	-15	-5.96	232,179	8.1
10,000 to 15,000	85,058	4.14	-1,509,000	0.89	-18	-12.41	193,816	43.9
15,000 to 20,000	123,322	6.01	-5,703,000	3.37	-46	-17.67	174,597	70.6
20,000 to 25,000	133,984	6.52	-9,449,000	5.58	-71	-15.43	158,866	84.3
25,000 to 30,000	141,818	6.91	-10,444,000	6.16	-74	-10.80	149,108	95.1
30,000 to 40,000	267,224	13.01	-22,203,000	13.10	-83	-7.62	270,802	98.7
40,000 to 50,000	217,018	10.57	-18,731,000	11.05	-86	-5.08	218,342	99.4
50,000 to 60,000	174,845	8.51	-15,591,000	9.20	-89	-3.89	175,604	99.6
60,000 to 70,000	145,661	7.09	-13,476,000	7.95	-93	-3.23	146,197	99.6
70,000 to 80,000	124,034	6.04	-11,847,000	6.99	-96	-2.77	124,471	99.6
80,000 to 90,000	106,803	5.20	-10,427,000	6.15	-98	-2.41	107,070	99.8
90,000 to 100,000	88,586	4.31	-8,793,000	5.19	-99	-2.13	88,826	99.7
100,000 to 150,000	248,110	12.08	-25,054,000	14.78	-101	-1.63	248,783	99.7
150,000 to 200,000	77,768	3.79	-7,888,000	4.65	-101	-1.10	78,072	99.6
200,000 to 250,000	29,246	1.42	-2,946,000	1.74	-101	-0.81	29,410	99.4
250,000 to 300,000	14,118	0.69	-1,421,000	0.84	-101	-0.64	14,223	99.3
300,000 and over	<u>35,942</u>	<u>1.75</u>	<u>-3,573,000</u>	<u>2.11</u>	-99	-0.19	<u>36,178</u>	99.3
Total	2,053,455	100.00%	-\$169,467,000	100.00%	-\$83	-2.22%	2,801,879	73.3%

Source: Department of Revenue

- An estimated 2,053,455, or 73.3% of all taxpayers in 2014, would have a tax decrease under the proposal.
- The total tax decrease is estimated at \$169.5 million in tax year 2014.
- For all taxpayers with a tax reduction, the average 2014 tax decrease would be \$83. The average tax decrease would generally increase as income rises.
- On average, taxpayers with AGI between \$15,000 and \$20,000 would experience the largest percentage reduction in net tax liability (17.7%), but that percentage decreases as AGI increases. The percentage reduction for taxpayers with \$300,000 or more of AGI would be 0.2%.
- Taxpayers with AGI greater than \$100,000 comprise 19.7% of those who would receive a tax reduction, but would receive 24.1% of the \$169.5 million total decrease. These taxpayers have 50.9% of AGI and pay 61.2% of income taxes under current law.
- Taxfilers without a tax decrease would include those with no tax liability under current law, taxpayers subject to the alternative minimum tax, and some part-year residents and non-residents.

ATTACHMENT 3

Distribution of Taxpayers With an Income Tax Decrease Under Proposal to Reduce All Five Tax Rates All Filers, Tax Year 2014

Wisconsin Adjusted Gross Income	Taxpayers with a Tax Decrease						Count of All Returns	% of All Returns in AGI Class
	Count	Percent of Count	Amount of Tax Decrease	Percent of Amount	Average Decrease	Percent Decrease		
Under \$5,000	19,820	0.97%	-\$46,000	0.03%	-\$2	-1.40%	355,335	5.6%
5,000 to 10,000	17,770	0.87	-91,000	0.05	-5	-1.95	232,179	7.7
10,000 to 15,000	79,610	3.89	-271,000	0.16	-3	-2.23	193,816	41.1
15,000 to 20,000	123,030	6.02	-833,000	0.50	-7	-2.58	174,597	70.5
20,000 to 25,000	133,820	6.54	-1,514,000	0.91	-11	-2.47	158,866	84.2
25,000 to 30,000	141,840	6.93	-2,323,000	1.40	-16	-2.40	149,108	95.1
30,000 to 40,000	267,260	13.07	-6,705,000	4.04	-25	-2.30	270,802	98.7
40,000 to 50,000	217,030	10.61	-8,233,000	4.96	-38	-2.23	218,342	99.4
50,000 to 60,000	174,860	8.55	-8,882,000	5.35	-51	-2.22	175,604	99.6
60,000 to 70,000	145,670	7.12	-9,261,000	5.58	-64	-2.22	146,197	99.6
70,000 to 80,000	124,050	6.06	-9,515,000	5.73	-77	-2.22	124,471	99.7
80,000 to 90,000	106,810	5.22	-9,633,000	5.80	-90	-2.22	107,070	99.8
90,000 to 100,000	88,590	4.33	-9,207,000	5.54	-104	-2.23	88,826	99.7
100,000 to 150,000	248,120	12.13	-34,107,000	20.54	-137	-2.22	248,783	99.7
150,000 to 200,000	77,780	3.80	-15,399,000	9.27	-198	-2.15	78,072	99.6
200,000 to 250,000	29,250	1.43	-7,632,000	4.60	-261	-2.11	29,410	99.5
250,000 to 300,000	14,120	0.69	-4,614,000	2.78	-327	-2.09	14,223	99.3
300,000 and over	35,950	1.76	-37,799,000	22.76	-1,051	-2.05	36,178	99.4
Total	2,045,380	100.00%	-\$166,065,000	100.00%	-\$81	-2.17%	2,801,879	73.0%

Source: Department of Revenue

- An estimated 2,045,380, or 73.0% of all taxfilers in 2014, would have a tax decrease under the proposal.
- The total tax decrease is estimated at \$166.1 million in tax year 2014.
- For all taxpayers with a tax reduction, the average 2014 tax decrease would be \$81. The average tax decrease would increase as income rises.
- Percentage tax reductions fall within a fairly narrow range. Taxpayers with AGI under \$5,000 would experience the smallest tax reduction (-1.4%), and taxpayers with AGI between \$15,000 and \$20,000 would experience the largest percentage reduction (2.6%). The average tax reduction would be 2.2%.
- Taxpayers with AGI greater than \$100,000 comprise 19.8% of those who would receive a tax reduction, but would receive 59.9% of the \$166.1 million total decrease. These taxpayers have 50.9% of AGI and pay 61.2% of income taxes under current law.
- Taxfilers without a tax decrease would include those with no tax liability under current law, taxpayers subject to the alternative minimum tax, and some part-year residents and non-residents.