



State of Wisconsin
2025 - 2026 LEGISLATURE

LRBs0103/1

KP:klm

SENATE SUBSTITUTE AMENDMENT 3,
TO SENATE BILL 36

August 18, 2025 - Offered by Senator JACQUE.

- 1 **AN ACT to create** 71.05 (6) (b) 57. of the statutes; **relating to:** an income tax
- 2 subtraction for certain tips.

Analysis by the Legislative Reference Bureau

This bill creates an income tax subtraction for certain qualified tips. The bill uses the definition of “qualified tips” from the Internal Revenue Code, which generally defines qualified tips as cash or charged tips received by an individual in an occupation that traditionally and customarily received tips on or before December 31, 2024, as determined by the secretary of the U.S. Treasury Department. Only qualified tips that are included on statements furnished to the claimant pursuant to federal tax law or qualified tips that are reported by the claimant on the claimant’s federal tax return are eligible to be subtracted under the bill. To claim the subtraction under the bill, a claimant must include the claimant’s social security number on the claimant’s tax return, and if the claimant is considered married for federal tax purposes, the claimant must file a joint tax return. The subtraction under the bill is limited to \$25,000 per tax year, except that the subtraction phases out to zero for unmarried claimants as modified federal adjusted gross income increases from \$150,000 to \$400,000, and the subtraction phases out to zero for married claimants as modified federal AGI increases from

\$300,000 to \$550,000. Under the bill, the subtraction takes effect for tax year 2025 and sunsets after tax year 2028.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 71.05 (6) (b) 57. of the statutes is created to read:

71.05 (6) (b) 57. a. Except as provided under subd. 57. e. and f., for taxable years beginning after December 31, 2024, and before January 1, 2029, the amount, up to the limit specified in subd. 57. b., c., or d., whichever is applicable, of qualified tips received during the taxable year that are included on statements furnished to the claimant pursuant to sections 6041 (d) (3), 6041A (e) (3), 6050W (f) (2), or 6051 (a) (18) of the Internal Revenue Code in effect for federal purposes or reported by the claimant on the claimant's federal income tax return.

b. Except as provided in subd. 57. c. or d., the amount claimed by a claimant under this subdivision for a taxable year may not exceed \$25,000.

c. Except as provided in subd. 57. d., the amount claimed by a claimant under this subdivision for a taxable year may not exceed the amount specified in subd. 57. b. reduced, but not below zero, by \$100 for each \$1,000 by which the claimant's modified federal adjusted gross income exceeds \$150,000.

d. For a claimant who files a joint return for the taxable year, the amount claimed by the claimant under this subdivision for the taxable year may not exceed the amount specified in subd. 57. b. reduced, but not below zero, by \$100 for each \$1,000 by which the claimant's modified federal adjusted gross income exceeds \$300,000.

e. No subtraction under this subdivision may be claimed for a taxable year

SECTION 1

1 unless the claimant includes on the claimant's tax return the claimant's social
2 security number.

3 f. No subtraction under this subdivision may be claimed for a taxable year by
4 a person who is considered married under section 7703 of the Internal Revenue
5 Code unless the person and the person's spouse file a joint tax return for the
6 taxable year.

7 g. In this subdivision, "modified federal adjusted gross income" has the
8 meaning given for "modified adjusted gross income" in section 224 (b) (2) (B) of the
9 Internal Revenue Code in effect for federal purposes.

10 h. In this subdivision, "qualified tip" has the meaning given in section 224 (d)
11 of the Internal Revenue Code in effect for federal purposes.

12 (END)