



State of Wisconsin
2025 - 2026 LEGISLATURE

LRB-1873/P1

KP:wlj

DOA:.....Quinn, BB0503 - Exempt tips from individual income tax

FOR 2025-2027 BUDGET -- NOT READY FOR INTRODUCTION

AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

Tax exemption for tips

The bill creates an income tax exemption for cash tips received by an employee from the customers of the employee's employer.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

For further information see the state fiscal estimate, which will be printed as an appendix to this bill.

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

SECTION 1. 71.05 (1) (j) of the statutes is created to read:

71.05 (1) (j) *Tips.* Amounts received as cash tips by an employee from the customers of the employee's employer.

SECTION 2. 71.05 (6) (b) 19. cm. of the statutes is amended to read:

71.05 (6) (b) 19. cm. For taxable years beginning after December 31, 2020, for a person who is a nonresident or a part-year resident of this state, modify the amount calculated under subd. 19. b. by multiplying the amount by a fraction the numerator of which is the person's wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business that are taxable by this state and the

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denominator of which is the person's total wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business. In this subd. 19. cm., for married persons filing separately "wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business" means the separate wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business of each spouse, and for married persons filing jointly "wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business" means the total wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business of both spouses.

SECTION 3. 71.05 (6) (b) 19. dm. of the statutes is amended to read:

71.05 (6) (b) 19. dm. For taxable years beginning after December 31, 2020, reduce the amount calculated under subd. 19. b. or cm. to the person's aggregate wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business that are taxable by this state.

SECTION 4. 71.05 (6) (b) 28. e. of the statutes is amended to read:

71.05 (6) (b) 28. e. For an individual who is a nonresident or part-year resident of this state, multiply the amount calculated under subd. 28. a., am., b., c. or d. by a fraction the numerator of which is the individual's wages, salary, ~~tips~~, unearned income and net earnings from a trade or business that are taxable by this state and the denominator of which is the individual's total wages, salary, ~~tips~~, unearned income and net earnings from a trade or business. In this subd. 28. e., for married persons filing separately "wages, salary, ~~tips~~, unearned income and net earnings from a trade or business" means the separate wages, salary, ~~tips~~, unearned income and net earnings from a trade or business of each spouse, and for married persons filing jointly "wages, salary, ~~tips~~, unearned income and net

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earnings from a trade or business” means the total wages, salary, ~~tips~~, unearned income and net earnings from a trade or business of both spouses.

SECTION 5. 71.05 (6) (b) 28. f. of the statutes is amended to read:

71.05 (6) (b) 28. f. Reduce the amount calculated under subd. 28. a., am., b., c., d. or e. to the individual’s aggregate wages, salary, ~~tips~~, unearned income and net earnings from a trade or business that are taxable by this state.

SECTION 6. 71.05 (6) (b) 32. b. of the statutes is amended to read:

71.05 (6) (b) 32. b. For an individual who is a nonresident or part-year resident of this state, multiply the amount calculated under subd. 32. a. by a fraction the numerator of which is the individual’s wages, salary, ~~tips~~, unearned income and net earnings from a trade or business that are taxable by this state and the denominator of which is the individual’s total wages, salary, ~~tips~~, unearned income and net earnings from a trade or business. In this subd. 32. b., for married persons filing separately “wages, salary, ~~tips~~, unearned income and net earnings from a trade or business” means the separate wages, salary, ~~tips~~, unearned income and net earnings from a trade or business of each spouse, and for married persons filing jointly “wages, salary, ~~tips~~, unearned income and net earnings from a trade or business” means the total wages, salary, ~~tips~~, unearned income and net earnings from a trade or business of both spouses.

SECTION 7. 71.05 (6) (b) 32. c. of the statutes is amended to read:

71.05 (6) (b) 32. c. Reduce the amount calculated under subd. 32. a. or b. to the individual’s aggregate wages, salary, ~~tips~~, unearned income and net earnings from a trade or business that are taxable by this state.

SECTION 8. 71.05 (6) (b) 33. b. of the statutes is amended to read:

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71.05 (6) (b) 33. b. For an individual who is a nonresident or part-year resident of this state, multiply the amount calculated under subd. 33. a. by a fraction the numerator of which is the individual's wages, salary, ~~tips~~, unearned income and net earnings from a trade or business that are taxable by this state and the denominator of which is the individual's total wages, salary, ~~tips~~, unearned income and net earnings from a trade or business. In this subd. 33. b., for married persons filing separately "wages, salary, ~~tips~~, unearned income and net earnings from a trade or business" means the separate wages, salary, ~~tips~~, unearned income and net earnings from a trade or business of each spouse, and for married persons filing jointly "wages, salary, ~~tips~~, unearned income and net earnings from a trade or business" means the total wages, salary, ~~tips~~, unearned income and net earnings from a trade or business of both spouses.

SECTION 9. 71.05 (6) (b) 33. c. of the statutes is amended to read:

71.05 (6) (b) 33. c. Reduce the amount calculated under subd. 33. a. or b. to the individual's aggregate wages, salary, ~~tips~~, unearned income and net earnings from a trade or business that are taxable by this state.

SECTION 10. 71.05 (6) (b) 35. c. of the statutes is amended to read:

71.05 (6) (b) 35. c. For an individual who is a nonresident or part-year resident of this state, multiply the amount calculated under subd. 35. a. or b., by a fraction the numerator of which is the individual's wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business that are taxable by this state and the denominator of which is the individual's total wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business. In this subd. 35. c., for married persons filing separately "wages, salary, ~~tips~~, unearned income, and net earnings

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from a trade or business” means the separate wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business of each spouse, and for married persons filing jointly “wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business” means the total wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business of both spouses.

SECTION 11. 71.05 (6) (b) 35. d. of the statutes is amended to read:

71.05 (6) (b) 35. d. Reduce the amount calculated under subd. 35. a., b., or c. to the individual’s aggregate wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business that are taxable by this state.

SECTION 12. 71.05 (6) (b) 38. c. of the statutes is amended to read:

71.05 (6) (b) 38. c. For an individual who is a nonresident or part-year resident of this state, multiply the amount calculated under subd. 38. a. or b., by a fraction the numerator of which is the individual’s wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business that are taxable by this state and the denominator of which is the individual’s total wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business. In this subd. 38. c., for married persons filing separately “wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business” means the separate wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business of each spouse, and for married persons filing jointly “wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business” means the total wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business of both spouses.

SECTION 13. 71.05 (6) (b) 38. d. of the statutes is amended to read:

71.05 (6) (b) 38. d. Reduce the amount calculated under subd. 38. a., b., or c. to

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the individual's aggregate wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business that are taxable by this state.

SECTION 14. 71.05 (6) (b) 42. c. of the statutes is amended to read:

71.05 (6) (b) 42. c. For an individual who is a nonresident or part-year resident of this state, multiply the amount calculated under subd. 42. a. or b., by a fraction the numerator of which is the individual's wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business that are taxable by this state and the denominator of which is the individual's total wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business. In this subd. 42. c., for married persons filing separately "wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business" means the separate wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business of each spouse, and for married persons filing jointly "wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business" means the total wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business of both spouses.

SECTION 15. 71.05 (6) (b) 42. d. of the statutes is amended to read:

71.05 (6) (b) 42. d. Reduce the amount calculated under subd. 42. a., b., or c. to the individual's aggregate wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business that are taxable by this state.

SECTION 16. 71.05 (6) (b) 43. f. of the statutes is amended to read:

71.05 (6) (b) 43. f. An individual who is a nonresident or part-year resident of this state and who claims the subtraction under this subdivision shall multiply the amount calculated under subd. 43. a., b., c., or d. by a fraction the numerator of which is the individual's wages, salary, ~~tips~~, unearned income, and net earnings

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from a trade or business that are taxable by this state and the denominator of which is the individual's total wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business. In this subd. 43. f., for married persons filing separately "wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business" means the separate wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business of each spouse, and for married persons filing jointly "wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business" means the total wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business of both spouses.

SECTION 17. 71.63 (6) (n) (intro.) of the statutes is renumbered 71.63 (6) (n) and amended to read:

71.63 (6) (n) In the form of tips paid to employees ~~if:~~

SECTION 18. 71.63 (6) (n) 1. of the statutes is repealed.

SECTION 19. 71.63 (6) (n) 2. of the statutes is repealed.

SECTION 9337. Initial applicability; Revenue.

(1) The treatment of s. 71.05 (1) (j) and (6) (b) 19. cm. and dm., 28. e. and f., 32. b. and c., 33. b. and c., 35. c. and d., 38. c. and d., 42. c. and d., and 43. f., the renumbering and amendment of s. 71.63 (6) (n) (intro.), and the repeal of s. 71.63 (6) (n) 1. and 2. first apply to taxable years beginning after December 31, 2024.

(END)