



State of Wisconsin
2025 - 2026 LEGISLATURE

LRB-1657/1

KP:amn

2025 ASSEMBLY BILL 38

February 17, 2025 - Introduced by Representatives TUSLER, BEHNKE, GREEN, GUNDRUM, KREIBICH, MAXEY, MURSAU, PENTERMAN, PIWOWARCZYK, TITTL, TRANEL and WICHGERS, cosponsored by Senators JACQUE, BRADLEY, HUTTON, CABRAL-GUEVARA, FEYEN, NASS, QUINN and TOMCZYK. Referred to Committee on Ways and Means.

1 **AN ACT** *to repeal* 71.63 (6) (n) 1. and 71.63 (6) (n) 2.; *to renumber and amend*
2 71.63 (6) (n) (intro.); *to amend* 71.05 (6) (b) 19. cm., 71.05 (6) (b) 19. dm., 71.05
3 (6) (b) 28. e., 71.05 (6) (b) 28. f., 71.05 (6) (b) 32. b., 71.05 (6) (b) 32. c., 71.05 (6)
4 (b) 33. b., 71.05 (6) (b) 33. c., 71.05 (6) (b) 35. c., 71.05 (6) (b) 35. d., 71.05 (6) (b)
5 38. c., 71.05 (6) (b) 38. d., 71.05 (6) (b) 42. c., 71.05 (6) (b) 42. d. and 71.05 (6) (b)
6 43. f.; *to create* 71.05 (1) (j) of the statutes; **relating to:** an income tax
7 exemption for cash tips paid to an employee.

Analysis by the Legislative Reference Bureau

This 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.

ASSEMBLY BILL 38

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

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

2 71.05 (1) (j) *Tips.* Amounts received as cash tips by an employee from the
3 customers of the employee's employer.

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

5 71.05 (6) (b) 19. cm. For taxable years beginning after December 31, 2020, for
6 a person who is a nonresident or a part-year resident of this state, modify the
7 amount calculated under subd. 19. b. by multiplying the amount by a fraction the
8 numerator of which is the person's wages, salary, ~~tips~~, unearned income, and net
9 earnings from a trade or business that are taxable by this state and the
10 denominator of which is the person's total wages, salary, ~~tips~~, unearned income,
11 and net earnings from a trade or business. In this subd. 19. cm., for married
12 persons filing separately "wages, salary, ~~tips~~, unearned income, and net earnings
13 from a trade or business" means the separate wages, salary, ~~tips~~, unearned income,
14 and net earnings from a trade or business of each spouse, and for married persons
15 filing jointly "wages, salary, ~~tips~~, unearned income, and net earnings from a trade
16 or business" means the total wages, salary, ~~tips~~, unearned income, and net earnings
17 from a trade or business of both spouses.

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

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

ASSEMBLY BILL 38**SECTION 4**

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

2 71.05 **(6)** (b) 28. e. For an individual who is a nonresident or part-year
3 resident of this state, multiply the amount calculated under subd. 28. a., am., b., c.
4 or d. by a fraction the numerator of which is the individual's wages, salary, ~~tips~~,
5 unearned income and net earnings from a trade or business that are taxable by this
6 state and the denominator of which is the individual's total wages, salary, ~~tips~~,
7 unearned income and net earnings from a trade or business. In this subd. 28. e., for
8 married persons filing separately "wages, salary, ~~tips~~, unearned income and net
9 earnings from a trade or business" means the separate wages, salary, ~~tips~~,
10 unearned income and net earnings from a trade or business of each spouse, and for
11 married persons filing jointly "wages, salary, ~~tips~~, unearned income and net
12 earnings from a trade or business" means the total wages, salary, ~~tips~~, unearned
13 income and net earnings from a trade or business of both spouses.

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

15 71.05 **(6)** (b) 28. f. Reduce the amount calculated under subd. 28. a., am., b., c.,
16 d. or e. to the individual's aggregate wages, salary, ~~tips~~, unearned income and net
17 earnings from a trade or business that are taxable by this state.

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

19 71.05 **(6)** (b) 32. b. For an individual who is a nonresident or part-year
20 resident of this state, multiply the amount calculated under subd. 32. a. by a
21 fraction the numerator of which is the individual's wages, salary, ~~tips~~, unearned
22 income and net earnings from a trade or business that are taxable by this state and
23 the denominator of which is the individual's total wages, salary, ~~tips~~, unearned
24 income and net earnings from a trade or business. In this subd. 32. b., for married

ASSEMBLY BILL 38**SECTION 6**

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

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

8 71.05 (6) (b) 32. c. Reduce the amount calculated under subd. 32. a. or b. to the
9 individual’s aggregate wages, salary, ~~tips~~, unearned income and net earnings from
10 a trade or business that are taxable by this state.

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

12 71.05 (6) (b) 33. b. For an individual who is a nonresident or part-year
13 resident of this state, multiply the amount calculated under subd. 33. a. by a
14 fraction the numerator of which is the individual’s wages, salary, ~~tips~~, unearned
15 income and net earnings from a trade or business that are taxable by this state and
16 the denominator of which is the individual’s total wages, salary, ~~tips~~, unearned
17 income and net earnings from a trade or business. In this subd. 33. b., for married
18 persons filing separately “wages, salary, ~~tips~~, unearned income and net earnings
19 from a trade or business” means the separate wages, salary, ~~tips~~, unearned income
20 and net earnings from a trade or business of each spouse, and for married persons
21 filing jointly “wages, salary, ~~tips~~, unearned income and net earnings from a trade or
22 business” means the total wages, salary, ~~tips~~, unearned income and net earnings
23 from a trade or business of both spouses.

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

ASSEMBLY BILL 38**SECTION 9**

1 71.05 (6) (b) 33. c. Reduce the amount calculated under subd. 33. a. or b. to the
2 individual's aggregate wages, salary, ~~tips~~, unearned income and net earnings from
3 a trade or business that are taxable by this state.

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

5 71.05 (6) (b) 35. c. For an individual who is a nonresident or part-year
6 resident of this state, multiply the amount calculated under subd. 35. a. or b., by a
7 fraction the numerator of which is the individual's wages, salary, ~~tips~~, unearned
8 income, and net earnings from a trade or business that are taxable by this state and
9 the denominator of which is the individual's total wages, salary, ~~tips~~, unearned
10 income, and net earnings from a trade or business. In this subd. 35. c., for married
11 persons filing separately "wages, salary, ~~tips~~, unearned income, and net earnings
12 from a trade or business" means the separate wages, salary, ~~tips~~, unearned income,
13 and net earnings from a trade or business of each spouse, and for married persons
14 filing jointly "wages, salary, ~~tips~~, unearned income, and net earnings from a trade
15 or business" means the total wages, salary, ~~tips~~, unearned income, and net earnings
16 from a trade or business of both spouses.

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

18 71.05 (6) (b) 35. d. Reduce the amount calculated under subd. 35. a., b., or c. to
19 the individual's aggregate wages, salary, ~~tips~~, unearned income, and net earnings
20 from a trade or business that are taxable by this state.

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

22 71.05 (6) (b) 38. c. For an individual who is a nonresident or part-year
23 resident of this state, multiply the amount calculated under subd. 38. a. or b., by a
24 fraction the numerator of which is the individual's wages, salary, ~~tips~~, unearned

ASSEMBLY BILL 38**SECTION 12**

1 income, and net earnings from a trade or business that are taxable by this state and
2 the denominator of which is the individual's total wages, salary, ~~tips~~, unearned
3 income, and net earnings from a trade or business. In this subd. 38. c., for married
4 persons filing separately "wages, salary, ~~tips~~, unearned income, and net earnings
5 from a trade or business" means the separate wages, salary, ~~tips~~, unearned income,
6 and net earnings from a trade or business of each spouse, and for married persons
7 filing jointly "wages, salary, ~~tips~~, unearned income, and net earnings from a trade
8 or business" means the total wages, salary, ~~tips~~, unearned income, and net earnings
9 from a trade or business of both spouses.

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

11 71.05 (6) (b) 38. d. Reduce the amount calculated under subd. 38. a., b., or c. to
12 the individual's aggregate wages, salary, ~~tips~~, unearned income, and net earnings
13 from a trade or business that are taxable by this state.

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

15 71.05 (6) (b) 42. c. For an individual who is a nonresident or part-year
16 resident of this state, multiply the amount calculated under subd. 42. a. or b., by a
17 fraction the numerator of which is the individual's wages, salary, ~~tips~~, unearned
18 income, and net earnings from a trade or business that are taxable by this state and
19 the denominator of which is the individual's total wages, salary, ~~tips~~, unearned
20 income, and net earnings from a trade or business. In this subd. 42. c., for married
21 persons filing separately "wages, salary, ~~tips~~, unearned income, and net earnings
22 from a trade or business" means the separate wages, salary, ~~tips~~, unearned income,
23 and net earnings from a trade or business of each spouse, and for married persons
24 filing jointly "wages, salary, ~~tips~~, unearned income, and net earnings from a trade

ASSEMBLY BILL 38**SECTION 14**

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

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

4 71.05 (6) (b) 42. d. Reduce the amount calculated under subd. 42. a., b., or c. to
5 the individual’s aggregate wages, salary, ~~tips~~, unearned income, and net earnings
6 from a trade or business that are taxable by this state.

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

8 71.05 (6) (b) 43. f. An individual who is a nonresident or part-year resident of
9 this state and who claims the subtraction under this subdivision shall multiply the
10 amount calculated under subd. 43. a., b., c., or d. by a fraction the numerator of
11 which is the individual’s wages, salary, ~~tips~~, unearned income, and net earnings
12 from a trade or business that are taxable by this state and the denominator of which
13 is the individual’s total wages, salary, ~~tips~~, unearned income, and net earnings from
14 a trade or business. In this subd. 43. f., for married persons filing separately
15 “wages, salary, ~~tips~~, unearned income, and net earnings from a trade or business”
16 means the separate wages, salary, ~~tips~~, unearned income, and net earnings from a
17 trade or business of each spouse, and for married persons filing jointly “wages,
18 salary, ~~tips~~, unearned income, and net earnings from a trade or business” means
19 the total wages, salary, ~~tips~~, unearned income, and net earnings from a trade or
20 business of both spouses.

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

23 71.63 (6) (n) In the form of tips paid to employees ~~if~~.

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

