

GOVERNOR'S VETO MESSAGE

March 29, 2024

To the Honorable Members of the Assembly:

I am vetoing **Assembly Bill 386** in its entirety.

This bill reduces the tax rate for the third individual income tax bracket from 5.3 percent to 4.4 percent beginning with tax year 2023. Additionally, the bill expands the current retirement income exclusion to subtract from taxable income, for individuals 67 or older, payments or distributions from qualified retirement plans and certain individual retirement accounts up to \$100,000 for single filers and \$150,000 for married-joint filers beginning in tax year 2023. The bill would reduce revenues in fiscal year 2023-24 by \$1.845 billion and by \$1.4 billion annually beginning in fiscal year 2024-25.

I have been proud to sign several income tax cuts during my time in office, including keeping—and, in fact, well exceeding—my promise to provide a ten percent, middle-class tax cut targeted to Wisconsin's working families. During my first term in office, I proudly signed one of the largest tax cuts in Wisconsin state history, which provided \$2 billion in individual income tax relief over the biennium and approximately \$1 billion annually going forward. Through this historic tax cut, combined with the tax cuts I signed during my first year in office alone, 86 percent of Wisconsin taxpayers have seen an income tax cut of 15 percent or more, with 2.4 million taxpayers receiving relief. Through the income tax cuts I have already signed into law during my time in office, Wisconsin taxpayers will see \$1.5 billion in tax relief annually, primarily targeted to the middle class. I was also recently proud to sign legislation to reduce annual child care costs for working families. Under that proposal—similar versions of which I have introduced for years—more than 110,000 Wisconsin taxpayers will see an average benefit of \$656 per filer, providing nearly \$73 million in annual tax relief.

The bipartisan effort to help reduce the tax burden for families working to afford child care by expanding the child and dependent care tax credit from 50 percent to 100 percent of the federal credit is a great example of meaningful, important work to provide tax relief to the middle class. I believe, as I have often said, when we deliver tax relief for the people of Wisconsin—just as we have—it should be real relief aimed at helping Wisconsin's working families afford rising costs, and it should be responsible and sustainable, ensuring we can keep taxes low now and into the future without causing devastating cuts to priorities like public schools and public safety down the road.

Unfortunately, this bill, similar to many before it, fails to balance these important obligations.

Making sound financial decisions and being prudent with Wisconsin taxpayer dollars remains a top priority and always will for me. I am vetoing this bill in its entirety because I object to fiscally irresponsible measures that would leave the State of Wisconsin unable to meet its basic obligations to adequately fund education, health care, public safety and aid to local governments in the 2025-27 biennium and beyond. This bill would reduce revenues by such a margin that it would likely force the state, even with ordinary revenue growth, to partially or fully drain the Budget Stabilization Fund just to provide bare minimum inflationary adjustments to key programs in the 2025-27 biennium.

Moreover, this bill could result in the state having to repay billions of dollars it received under the American Rescue Plan Act of 2021, completely reversing even under the best projected economic circumstances the progress we have made toward improving our state's fiscal condition.

Respectfully submitted,
TONY EVERS
Governor