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# RON TUSLER

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STATE REPRESENTATIVE • 3<sup>rd</sup> ASSEMBLY DISTRICT

## Testimony in Support of Assembly Bill 38

August 21, 2025

## Assembly Committee on Ways and Means

Chairman O'Connor and members of the Assembly Committee on Ways & Means,

Thank you for the opportunity to testify in support of Assembly Bill 38, a common-sense, pro-worker proposal to exempt earned tips from state income tax in Wisconsin.

Tipped workers are a vital part of Wisconsin's economy, especially in the hospitality, restaurant, and tourism industries that help define our state's culture and strengthen our communities. These workers include high school students gaining their first job experience, college students working their way through school, and single parents stretching every dollar to support their families.

This legislation provides those workers with a raise—not by increasing costs for businesses or expanding government, but by simply allowing them to keep more of the money they already earned. That means more money for groceries, rent, gas, and other daily necessities.

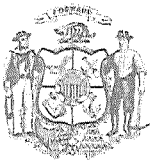
On July 4, 2025, President Donald Trump signed the One Big Beautiful Bill Act (OBBBA) into law. This landmark legislation fulfilled a bipartisan campaign promise to exempt earned tips from income taxes. The OBBBA created a federal tax deduction for "qualified tips," defined as cash or charged tips received in occupations recognized by the U.S. Internal Revenue Service (IRS). It allows workers in qualifying tipped occupations to deduct up to \$25,000 in tips from taxable income each year, with self-employed individuals limited to their net business income. The deduction phases out for higher earners, beginning at \$150,000 AGI for single filers and \$300,000 for joint filers. Additionally, this provision expires after tax year 2028 unless renewed.

Assembly Substitute Amendment 1 (ASA 1) to Assembly Bill 38 mirrors this federal deduction at the state level. Our goal was to align Wisconsin's policy with federal law, reducing complexity for workers and the Department of Revenue (DOR), which already relies on IRS reporting for state tax purposes. ASA 1 also includes a sunset provision, ensuring that if the federal government does not renew the deduction, DOR will not need to create new rules for state tax collection on tips.

This proposal is already a reality at the federal level. Why should hardworking Wisconsinites pay state income tax on tips when they are exempt at the federal level? As noted, this idea was endorsed by both Democrats and Republicans in the last election. It is a smart, bipartisan policy that delivers meaningful relief to working taxpayers.

At its core, this bill is about fairness, economic opportunity, and rewarding hard work. I respectfully urge the committee to advance Assembly Bill 38 and help thousands of Wisconsin workers keep more of what they earn.

Thank you for your consideration of this legislation. I am happy to answer any questions you may have.



## Testimony before the Assembly Committee on Ways and Means

*Senator André Jacque*

*August 21, 2025*

Chairman O'Connor and members of the Assembly Committee on Ways and Means:

Thank you for the opportunity to testify with Rep. Tusler as the Senate author of AB 38, which would help tipped employees by exempting income received in exchange for excellent service. In Wisconsin, tipped employees make up a large amount of the workforce in various service industries throughout the state, particularly in the hospitality and tourism sectors. Many of these employees are high school students, young adults working their way through college, and parents from single-income homes.

This bill is a reintroduction of 2019's Senate Bill 213/Assembly Bill 231 that I authored with former Rep. Cody Horlacher and substantial bi-partisan support, which would have made Wisconsin the first state in the country to create a state income tax exemption for tips paid to employees. As amended by Assembly Substitute Amendment 1 before you, the legislation positions Wisconsin to promptly conform its tax code to the federal tax exemption for tips recently signed into law by President Trump (passed unanimously by the U.S. Senate as standalone legislation) and publicly supported by both major parties' presidential candidates during the campaign. I am pleased that Gov. Evers included it within his initial budget proposal. I appreciate the considerable efforts of the Wisconsin Restaurant Association in support of this initiative as well.

As amended by the sub, the bill uses the definition of "qualified tips" from the Internal Revenue Code as cash or charged tips received by an individual in an occupation that traditionally and customarily received tips on or before the end of last year, 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. The exemption under the bill is limited to \$25,000 per tax year, except that it phases out for high income individuals. In order to conform with the federal law, under the sub, the exemption takes effect for tax year 2025 and would sunset after tax year 2028 unless extended.

This legislation would allow for a state income exemption on tips earned by an employee. This change would give a raise to Wisconsin workers by letting them keep more of their hard-earned money in their pocket. It would especially benefit hard working folks across Wisconsin's robust tourism, restaurant, and tavern industries, while providing businesses that use a tip structure as a

hiring incentive to recruit employees on the basis that they get to keep more of their own earned income.

In addition, this bill would not affect the day-to-day operation of businesses utilizing current federal tip tax credits, as the proposal only adjusts how individual employees would file their state taxes.

Thank you for your consideration of Assembly Bill 38. I'm happy to answer any questions committee members may have.





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August 21, 2025

TO: Assembly Committee on Ways and Means  
Representative Jerry O'Connor, Chair

FR: Susan Quam, Executive Vice President

RE: Key Points on AB 38 - an income tax exemption for cash tips paid to an employee

Thank you, Chair O'Connor and committee members, for hearing our member's testimony today on AB 38, income tax exemption for cash tips paid to an employee in its amended version.

- Eliminating income taxes on tips would put cash back in the pocket of a significant number of workers in the restaurant and hospitality industry and could help restaurant operators recruit the industry workforce. A no tax on tips bill is sensible legislation that will support our employees. The WRA supports this bill as amended and thanks Representative Tusler and Senator Jacque for bringing it back this session.
- Wisconsin eating and drinking establishments employ 216,800 team members, of which 90,240 work in full-service restaurants, where the majority of tips are earned.
  - Nationally, tipped employees earn an average of \$27 per hour and we have had operators report to us that their servers are their highest paid employees, many times earning over \$100/hour on busy evenings
  - While the majority of tipped team members in our industry are part time or seasonal, 31 percent of servers and 45 percent of bartenders are full-year, full-time employees
  - It should also be noted that since the pandemic, many counter service restaurants also allow voluntary tips to be given to their counter employees. While tips are not as large a portion of these employee's income, they would be eligible to take advantage of this bill's state income tax treatment provisions, as long as the tips are voluntarily given
- As part of the federal Budget Reconciliation Bill – aka One Big Beautiful Bill – a No Tax on Tips provision was included. Here's a quick look at the key details of the federal tax changes for tips:
  - The first \$25,000 a person earns in tips will not be subject to federal income tax. The benefit decreases once a person earns more than \$151,000/per year
  - This tax relief will be realized by employees when they file their annual tax returns – no changes to withholding tables are planned by the IRS for 2025. The \$25,000 deduction is "above the

line," meaning it reduces a worker's adjusted gross income (AGI) before they even apply the standard or itemized deduction. This directly lowers their taxable income

- All tips must still be reported by employees – as was current law prior to the reconciliation bill. It is critical for employees to demonstrate income to build credit and pay into Social Security and Medicare
- FICA Tip Tax Credit for employers remains unchanged
- Employers will report qualifying tips earned on employee's W-2's.
  - Cash tips are defined to include all voluntary tips received from customers, including charged tips (for example, credit and debit card charges and mobile payments)
  - Mandatory service charges for larger tables or catered events are not considered tips under current law and will not be included
- The US Treasury Department will determine the traditionally tipped industries/workers, which will include restaurants and hospitality. Some employees, such as back of the house workers that are currently not defined as tipped workers, may not be able to take advantage of the tax deduction, if they are part of tip pools
- These federal changes are in effect for four years, sunseting in 2028.

Thank you again for the opportunity to provide our input on AB 38

*The Wisconsin Restaurant Association (WRA) represents over 7,000 restaurant locations statewide and represents all segments of the restaurant and hospitality industry. Our membership includes food establishments of all types and sizes, such as seasonal drive-ins, supper clubs, diners, bars, locally owned franchisees, fine-dining, and hotels/resorts. The majority of our members have alcohol licenses. Over 75 percent of our membership are independent restaurants or restaurant groups. Regardless of ownership type, all restaurants are the cornerstones of their neighborhoods and communities. Restaurants not only provide great food, drink, and hospitality, they support schools, teams, charities and churches with fundraising and donations. They provide meeting places to celebrate, mourn and organize, or just provide a safe, tasty meal for a busy family.*





**To:** Assembly Committee on Ways and Means  
Representative Jerry O'Connor, Chair

**From:** Krissy Sigmund  
Chula Vista Resort Vice President  
WHLA Secretary-Treasurer

**Date:** August 21, 2025

**Re:** Support for AB 38, No Tax on Tips

Hello Chair O'Connor and committee members, my name is Krissy Kaminski-Sigmund; I'm a proud member of the 4th generation of owners, and operators, of Chula Vista Resort in the Wisconsin Dells. Our family has had the privilege of providing Hospitality to both visitors, and employees alike, since 1951. On behalf of the Wisconsin Hotel & Lodging Association, I'm here today to express our support for Assembly Bill 38 in its amended version.

As you know, this legislation would align Wisconsin's tax treatment of tips with the federal "One Big Beautiful Bill Act," which allows a deduction of up to \$25,000 in reported tips from federal taxable income. Exempting tips from state income taxes would significantly benefit Wisconsin employees and support the state's tourism economy. My business proudly employs over 100 team members that have full time, or part-time jobs, that can earn tips. Passing this legislation would provide direct financial relief to them, and foster a stronger workforce within our resort, as well as hotels and resorts across the state.

This legislation is a critical tool for workforce recruitment and retention in the hotel sector. As the largest employer in our county, Adams County, creating opportunity for our employees is one of the biggest responsibilities that myself, and my family, hold very close. The hospitality industry, like many others, faces challenges in attracting and retaining dedicated employees. Allowing employees to keep more of their hard earned money would make hotel employment more attractive. This enables the recruitment of talented individuals for roles such as housekeepers and food service staff. These individuals contribute greatly to the guest experience, often being one of the many reasons they visit our community, leading to a more stable and experienced workforce and a higher quality of service for visitors. In my role as a business owner, I get the privilege of speaking with our guests who are often telling us that it's our staff that bring them the most comfort when traveling - whether its a good meal while on the road, or a friendly conversation with a staff member over a cocktail they've made, its people that make Hospitality such a rewarding industry.

This legislation aims to empower Wisconsin's workforce and acknowledge their vital contribution to the economy. It is a sensible approach that would financially benefit employees and enhance the industry's ability to attract and retain talent, which suffered greatly due to the effects of the COVID-19 Pandemic, which many businesses are still struggling to recover from. By improving the livelihoods of hotel workers, this bill will also bolster the economic well-being of communities across the state. Most importantly, financially stable employees reinvest in their community; whether that's purchasing a home, getting involved in community action, or potentially starting a new business - just like my great grandfather did all those years ago - all fostering the American Dream. We urge support for this legislation, as it will positively impact both Wisconsin's hotel and lodging industry and its vital workforce.

I know that others have shared the details with you on how this legislation works, but I wanted to be sure to be here today to answer any questions you may have on how this would impact the lodging industry, and to be sure that you are aware of our strong support for the legislation.

Thank you for your time and consideration.