



Legislative Fiscal Bureau

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TO: Members
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: State Tax and Fee Modifications Included in 2021 Wisconsin Act 58

The attached table provides a brief description of each state tax and fee modification included in 2021 Act 58 (the 2021-23 budget). The table consists of three parts: (a) tax decreases; (b) fee increases and decreases; and (c) enhanced collection measures. Each entry in the table includes the agency name, a brief summary of the modification, and an estimate of the revenue change due to the tax or fee modification.

In the table, GPR represents general fund revenue. Revenue to a program revenue account is signified by PR, and SEG signifies revenue to a segregated fund.

In summary, the changes included in Act 58 would decrease net taxes by \$2,085,572,000 (\$1,046,036,000 in 2021-22 and \$1,039,536,000 in 2022-23) and would increase net fees by \$6,538,500 (\$2,503,300 in 2021-22 and \$4,035,200 in 2022-23). In addition, it is estimated that measures included in Act 58 to enhance the collection of current taxes would generate an additional \$4,031,700 (\$1,745,800 in 2021-22 and \$2,285,900 in 2022-23).

The sum of these revenue changes in the 2021-23 biennium follows:

Net Tax and Fee Changes

	<u>2021-22</u>	<u>2022-23</u>	<u>Total</u>
GPR	-\$1,042,236,000	-\$1,034,136,000	-\$2,076,372,000
PR	3,000	22,500	25,500
SEG	<u>-1,299,700</u>	<u>-1,387,300</u>	<u>-2,687,000</u>
Total	-\$1,043,532,700	-\$1,035,500,800	-\$2,079,033,500

Enhanced Collection Measures

	<u>2021-22</u>	<u>2022-23</u>	<u>Total</u>
GPR	\$1,745,800	\$2,285,900	\$4,031,700

	2021-22	2022-23	Fund Source
TAX DECREASES			
GENERAL FUND TAXES			
Individual Income Tax Rate Reduction. Reduce the tax rate in the third individual income tax bracket from 6.27% to 5.30%, beginning in tax year 2021.	-\$1,019,200,000	-\$994,300,000	GPR
Individual Income Tax Credit for Child and Dependent Care Expenses. Create a nonrefundable individual income tax credit for household and dependent care expenses, beginning in tax year 2022, equal to 50% of the amount of the federal household and dependent care expenses credit. Sunset the current law deduction for household and dependent care expenses beginning in tax year 2022.	Minimal	-\$9,800,000	GPR
Individual Income Tax Exclusion for Federal Active Duty Military Income. Beginning in tax year 2021, specify that all basic, special, and incentive pay income received from the federal government by a member of the U.S. Armed Forces while that member is serving on active duty, including individuals who are called into active federal service under 10 USC 12304b of federal law relating to preplanned missions in support of the combatant commands, is excluded from taxable income. Sunset the current law armed forces member credit beginning in tax year 2021.	-\$20,200,000	-\$20,200,000	GPR
Creation of Individual Income Tax Exclusion for AmeriCorps Awards. Provide that any amount of a national service educational award certified by the Corporation for National and Community Service (including the AmeriCorps program) and disbursed under specific provisions of federal law is excluded from taxable income, beginning in tax year 2021.	-\$136,000	-\$136,000	GPR
Sales Tax Exemption for Sweetened Dried Fruit. Effective October 1, 2021, provide a sales and use tax exemption for sweetened dried fruit. Modify the definition of "candy" to exclude a preparation that has as its predominant ingredient dried or partially dried fruit, along with one or more sweeteners, and which may also contain other additives including oils, natural flavorings, fiber, or preservatives. Dried or partially dried fruits prepared with the following will not be exempt from the sales and use tax: (a) chocolate; (b) nuts; (c) yogurt; or (d) a confectionary coating or glazing. Additionally, dried or partially dried fruit will not include fruit that has been ground, crushed, grated, flaked, pureed, or jellied.	-\$400,000	-\$500,000	GPR
Refundable Research Credit. Modify the partially refundable research tax credit, as computed under current law, to increase the refundable portion from up to 10% of the credit amount to up to 15% of the credit amount for new research credit claims beginning in tax year 2021.	-\$2,300,000	-\$9,200,000	GPR
Refundable Tax Credits for Pass-Through Entities. Allow pass-through entities to claim the jobs, enterprise zone, and business development tax credits at the entity level for taxable years beginning after December 31, 2020, if the credit results from a contracted entered into with WEDC prior to December 22, 2017.	Minimal	Minimal	GPR

	2021-22	2022-23	Fund Source
TRANSPORTATION			
Increase Licensed Motor Vehicle Fuel Supplier Administrative Allowance. Increase from 0.675% to 1.35% the administrative allowance that a licensed motor vehicle fuel supplier may deduct when remitting the fuel tax on gasoline to the Department of Revenue, effective on the first day of the third month beginning after publication of the bill.	-\$3,800,000	-\$5,400,000	SEG
SUBTOTAL -- TAXES -- DECREASES	-\$1,042,236,000 -\$3,800,000	-\$1,034,136,000 -\$5,400,000	GPR SEG
FEE INCREASES			
ETHICS COMMISSION			
Lobbying Fee Increase. Increase the principal registration fee from \$375 to \$385 and increase the lobbyist authorization fee from \$125 to \$135 per legislative session, beginning July 1, 2021. Fees will be deposited to the Commission's lobbying administration appropriation to support a deputy administrator position.	\$3,200	\$22,700	PR
NATURAL RESOURCES			
Waterfowl Stamp Fee. Increase the price of the waterfowl stamp from \$7 to \$12. The waterfowl stamp is required of any person at least 16 years old who must purchase a state license to hunt waterfowl. Revenues are credited to continuing appropriations in the fish and wildlife account of the SEG conservation fund for: (a) preserving or restoring wetland habitat, or producing waterfowl and related species; and (b) developing propagation areas in Canada to support bird populations through the state and the Mississippi River Flyway.	\$259,500	\$259,500	SEG
PUBLIC INSTRUCTION			
Public Library System Aid. Provide \$2,500,000 in 2021-22 and \$4,000,000 in 2022-23 above base level funding of \$16,013,100 for public library system aid. Funding would be from the universal service fund, which receives its funding through Public Service Commission assessments on annual gross operating revenues from intrastate telecommunications providers, which they can fully recover through pass-through assessments on subscribers.	\$2,500,000	\$4,000,000	SEG
Library Service Contracts. Provide \$12,900 in 2021-22 and \$25,300 in 2022-23 above base level funding of \$1,342,400 to fully fund the cost of statutorily-required library service contracts for resources of specialized library materials and other information. Funding would be from the universal service fund, which receives its funding through Public Service Commission assessments on annual gross operating revenues from intrastate telecommunications providers, which they can fully recover through pass-through assessments on subscribers.	\$12,900	\$25,300	SEG
SUBTOTAL -- FEES -- INCREASES	\$3,200 \$2,772,400	\$22,700 \$4,284,800	PR SEG

	2021-22	2022-23	Fund Source
FEE DECREASES			
NATURAL RESOURCES			
<p>Tippling Fee Exemption for Waste-To-Energy Facilities. Create an exemption from solid waste disposal tipping fees for facilities that incinerate solid waste for the purpose of energy recovery. Facilities meeting the requirements are exempt from tipping fees for residual waste sent to landfills in the state, but not more than 30% of the total weight of material accepted by the facility. It is expected that two facilities, one each in La Crosse and Barron Counties, qualify for the exemption. The provision reduces revenues to the segregated environmental fund and a PR appropriation for the Solid Waste Facility Siting Board.</p>	-\$200 -\$272,100	-\$200 -\$272,100	PR SEG
SUBTOTAL -- FEES -- DECREASES	-\$200 -\$272,100	-\$200 -\$272,100	PR SEG
ENHANCED COLLECTION MEASURES			
REVENUE			
<p>Statewide Debt Collection (SDC) Positions. Add 8.0 permanent SDC positions to replace the 8.0 expiring project positions. The positions will begin on October 1, 2021. DOR charges a fee for its collection activities, which is deposited into a program revenue appropriation account. At the end of each fiscal year, any remaining funds in the account are transferred to the general fund. The new positions are estimated to generate additional fees collected by DOR of \$2.2 million in 2021-22 and \$2.9 million in 2022-23. After deducting for the cost of the new positions (\$0.5 million in 2021-22 and \$0.6 million in 2022-23), it is estimated that the remaining fee revenue (\$1.7 million in 2021-22 and \$2.3 million in 2022-23) will transfer to the general fund.</p>	\$1,745,800	\$2,285,900	GPR
SUBTOTAL -- ENHANCED COLLECTION MEASURES	\$1,745,800	\$2,285,900	GPR