Legislative Fiscal Bureau

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TO: Representative Gae Magnafici
Room 7 West, State Capitol

FROM: Dan Spika, Fiscal Analyst

SUBJECT: Vetoed Bills Pertaining to General Fund Tax Reductions Since 2019-21 Session

This memorandum responds to your request for a list of bills since the beginning of the 2019-21 legislative session, including the 2021-23 legislative session to-date, that would have reduced taxes but were vetoed by the Governor. The list includes a brief description of the provisions included in each bill, as well as each bill's estimated fiscal effect at the time it was sent to, or vetoed by, the Governor.

2019 Assembly Bill 4: This bill would have increased the sliding scale standard deduction under the individual income tax, beginning in tax year 2020, by: (a) increasing the maximum deduction by 20.6% for each filer type; (b) increasing the income levels at which the deduction begins to phase out by 17.6%; and (c) modifying each of the phaseout percentages so that they are closer together. In addition, the bill would have directed the Department of Revenue (DOR) to adjust the withholding tables no later than January 1, 2020, to reflect the proposed changes to the sliding scale standard deduction. The bill was estimated to reduce individual income tax collections by $152.1 million in 2019-20 and $343.5 million in 2020-21. The bill was vetoed on February 20, 2019.

2019 Act 9: The 2019-21 biennial budget act included a provision that would have reduced the administrative allowance that a licensed motor vehicle fuel supplier may deduct when remitting the fuel tax on gasoline to DOR (which represents increased fuel taxes), but the allowance reduction would have taken effect on January 1, 2023. However, the Governor's veto made the provision effective on January 1, 2020. As a result, fuel tax revenues were estimated to increase, relative to the bill as passed by the Legislature, by $2.8 million in 2019-20 and $5.7 million in 2020-21. This veto was made on July 3, 2019.

2019 Senate Bill 821: The bill would have increased the maximum sliding scale standard deduction by 13.2% for each filer type and the income levels for beginning the deduction phaseout by 11.4%, and would have modified each of the phaseout percentages so that they are closer together, beginning in tax year 2020. This would have reduced individual income tax collections by an estimated $247.7 million in 2020-21 and $224.3 million annually beginning in 2021-22.

The bill would have exempted machinery, tools, and patterns assessed as personal property of manufacturers from the property tax effective with property assessed as of January 1, 2019 [the 2019(20) property tax levy]. The existing state aid program administered by DOR to make aid payments to each local taxing jurisdiction with exempt personal property under current law would have been expanded to include amounts equal to the property taxes levied by each taxing jurisdiction on the newly-exempt property in 2019(20). The bill would have specified that payments made to tax incremental financing districts would be made to the overlying municipality after the district is terminated. The estimated cost of the increased aid payments to local taxing jurisdictions, including tax incremental financing districts, would have been $44,700,000 annually, beginning in 2020-21 and would have been paid from the existing GPR sum-sufficient appropriation.

The bill would have specified that, if actual general fund revenues exceed the estimated amount in the budget act after the budget stabilization fund exceeds 5% of estimated general fund expenditures, 50% of the excess revenue would be used to reduce the certified amount of unpaid indebtedness in which general obligation or variable rate debt is paid from general purpose revenue from the appropriate general purpose debt service appropriations. Additionally, the bill would have required the Secretary of the Department of Administration, in coordination with the Building Commission and from the appropriate general purpose debt service appropriations, to reduce unpaid indebtedness in which general obligation or variable rate debt is paid from general purpose revenue by $100 million in 2020-21. The bill was vetoed on February 26, 2020.

2021 Assembly Bill 232: This bill would have made payments to every property taxpayer in Wisconsin on the basis of the property taxes levied on the taxpayer's real property in 2020. Each eligible taxpayer would have received an amount that represents approximately 10% of the net property taxes levied on the taxpayer's real property in 2020, as determined by DOR. The bill would have cost about $1.1 billion. The bill was vetoed on April 22, 2021.

2021 Assembly Bill 237: The bill would have required the Governor to allocate an estimated $305 million in federal monies to the unemployment insurance (UI) trust fund. This deposit would have allowed employers to remain at the lowest rate schedule (Schedule D) for purposes of UI taxation rather than allowing a higher-rate schedule to take effect for calendar year 2022, as is currently estimated to occur. The bill would have reduced UI tax revenue by about $60 million annually. The bill was vetoed on April 22, 2021.

I hope this memorandum is informative; please contact me with any questions.

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