

STATE OF WISCONSIN

---

# Tax Exemption Devices

---

2025 - 27



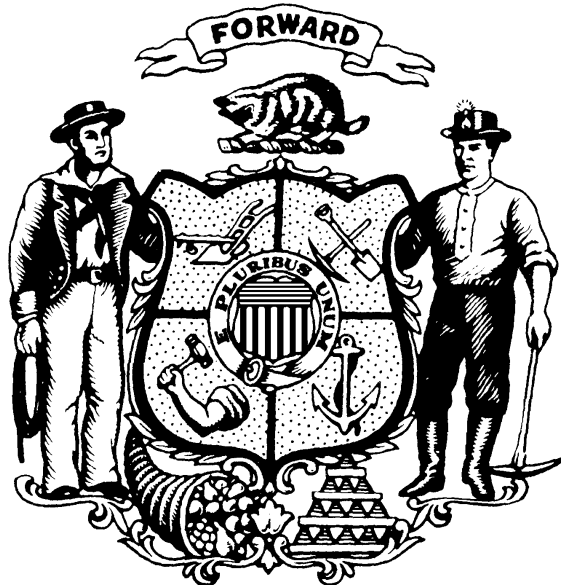
---

TONY EVERS, Governor

STATE OF WISCONSIN

**SUMMARY OF TAX  
EXEMPTION DEVICES**

TONY EVERS, GOVERNOR



FEBRUARY 2025

Division of  
Executive Budget and Finance  
DEPARTMENT OF ADMINISTRATION

Division of  
Research and Policy  
DEPARTMENT OF REVENUE



## State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK ROAD • Mail Stop 624A • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933 • 608-266-6466 • FAX (608) 266-5718  
<http://www.revenue.wi.gov>

*Tony Evers*  
Governor

*David M. Casey*  
Secretary of Revenue Designee

February 2025

To members of the 2025-27 Legislature:

Every two years, pursuant to section 16.425 of the Wisconsin Statutes, the Department of Revenue is required to prepare a report of existing tax exemption devices. This report provides a comprehensive review of tax exemption devices and their corresponding fiscal effects.

The report represents the efforts of staff in the Department of Revenue, Division of Research and Policy, with contribution from the Office of the Commissioner of Insurance. Diligent effort has been made to ensure that the report is as accurate and complete as possible.

The Department of Revenue hopes that you find the document to be a useful resource in the formulation of public policy decisions. Research staff in the department can answer any questions you may have concerning material in this document.

Sincerely,

A handwritten signature in cursive script that reads "David M. Casey".

David Casey  
Secretary of Revenue Designee

## TABLE OF CONTENTS

<b>Introduction .....</b>	<b>1</b>
<b>Individual Income Tax.....</b>	<b>5</b>
<b>Corporate Income and Franchise Tax.....</b>	<b>33</b>
<b>Economic Development Surcharge .....</b>	<b>57</b>
<b>Sales and Use Tax .....</b>	<b>59</b>
<b>Insurance Premium Taxes .....</b>	<b>81</b>
<b>Property Tax.....</b>	<b>87</b>
<b>Forest Crop and Managed Forest Laws.....</b>	<b>93</b>
<b>Real Estate Transfer Fee .....</b>	<b>99</b>
<b>Taxation of Public Utilities .....</b>	<b>105</b>
<b>Excise Taxes .....</b>	<b>109</b>

This report can also be found on the Internet at [www.revenue.wi.gov](http://www.revenue.wi.gov)

## INTRODUCTION

Wisconsin's state and local governments rely on tax revenues to fund valuable services to our citizens. Ensuring that our system of taxation is fair, equitable and efficient is vital to our economic success and quality of life. In setting tax policies, we must consider taxpayers' ability to pay, the impact of those policies on economic development and the interaction of tax policies with other policy goals.

Tax exemptions are an important component of Wisconsin tax policies. A tax exemption device is "...any tax provision that exempts, in whole or in part, certain persons, income, goods, services or property from the impact of established taxes."<sup>1</sup> Granting a tax exemption can be a powerful tool for providing economic development incentives or for mitigating the regressive qualities of certain tax types. However, exemptions always come with a cost. Exemptions reduce revenues otherwise available for programs or for tax relief for taxpayers who do not benefit from the exemption. Therefore, it is critical that policymakers understand both the costs of exemptions and their effectiveness at achieving their intended goal.

Recognizing the need for this information, the Legislature mandated that a report be presented biennially to the Legislature listing all tax exemption devices and their fiscal effects. First presented in 1975, this is the 25th report compiled by the Department of Revenue.

### Highlights of the Report

The report is organized by tax type. For each, it describes the various exemptions that are currently authorized and provides estimates of the fiscal effects in fiscal year 2023-24 (FY24) where data is available. Detailed explanations of each tax type are available on the Department of Revenue website at [www.revenue.wi.gov](http://www.revenue.wi.gov).

On a case-by-case basis, the estimates provide a valuable benchmark for discussion of whether the policy justifications warrant the loss in revenue or if other tools, such as direct expenditure programs, could be considered as alternatives. As the examples below demonstrate, determining the degree to which exemptions meet their policy objectives is challenging, due to the difficulty of quantifying the outcomes and, in some cases, the need to make assumptions regarding the underlying goal or goals.

#### *Individual Income Tax Exemptions*

The individual income tax is the largest generator of revenues for state government. In FY24, income tax collections of \$9.718 billion represented 45.6 percent of state general purpose revenue (GPR) tax collections. Exemptions from the income tax include deductions or exclusions from taxable income and tax credits.

- *Tax exclusions* are types of income that are not taxable and do not need to be reported on the tax return, such as income from qualifying scholarships.
- *Deductions* are amounts that are subtracted from total taxable income that is reported, such as a deduction for medical care insurance premiums and the standard deduction.
- *Credits* are a direct reduction in the tax liability that is owed.
- *Nonrefundable credits* are credits that cannot exceed total tax liability.
- *Refundable credits* can exceed tax liability and can result in a payment due to the taxpayer.

Many income tax exemptions are based on Wisconsin's consistency with federal tax policy. For example, Wisconsin conforms to the federal exclusion of payments received for sickness or injury benefits, which had an estimated cost of \$1.30 billion for Wisconsin in FY24. While this is clearly a high-cost exemption, removing the exemption would reduce the benefit of other policy programs such as worker's compensation, proceeds from insurance policies and allowance for injuries incurred in military action.

---

<sup>1</sup> Wisconsin Statutes Section 16.425(2).

Other income tax exclusions are unique to Wisconsin. For example, Wisconsin allows taxpayers to subtract from income 30 percent of the capital gains on assets held more than one year. This exclusion cost \$305 million in FY24.

An example of a refundable tax credit is the homestead credit that provides a credit to low-income renters and homeowners to offset a portion of property taxes. The cost of the program in FY24 was \$41.1 million.

### *Sales Tax Exemptions*

Wisconsin generated \$7.587 billion in FY24 from the 5 percent sales and use tax, which represented 35.6 percent of state GPR taxes. In addition, counties and select municipalities may collect additional sales tax from the same tax base. Sales tax exemptions result in lower revenues for both the state and local governments.

One of the largest exemptions from the sales tax is the exemption for food purchased for home consumption, which was estimated to reduce state revenues by \$920.0 million in FY24. Another significant exemption is for goods sold to other state and local governments and schools, which reduced revenues by an estimated \$476.7 million in FY24. Removing this exemption would result in a situation where one taxing authority imposes a tax on another.

In contrast to tangible goods that are taxed unless specifically exempt in statute, services are exempt unless they are singled out for taxation. Of those services that are exempt, the largest measurable exemptions are in the areas of professional services and business services. These exempt categories include a variety of services such as those provided by health professionals (accounting for \$919.7 million in foregone revenue in FY24).

### *Property Tax Exemptions*

The local property tax generates more revenue than either the state sales tax or the income tax. Property taxes collected in 2024 for taxes levied in 2023 totaled \$13.09 billion, which represents the combined levy of school districts, municipalities, counties, technical colleges and special districts. The state establishes policies regarding what real and personal property is subject to the local property tax, guided by the uniformity clause of the state constitution, which prohibits differential treatment of most property including partial exemptions.

Real property that is exempt from taxation includes property owned by religious establishments, educational and medical facilities, and low-income housing owned by nonprofit benevolent associations. In total, it is estimated that the value of exempt real property is \$41.03 billion. There are also a number of exemptions to personal property taxation, the combined value of which is estimated at \$40.57 billion.

If the exempt property examined in this report were taxable, property tax rates would be reduced by an estimated 7.31 percent statewide, ranging from an 8.32 percent average reduction in cities to a 5.71 percent average reduction in towns.

Property tax exemptions have implications for economic development and the state's health, housing and education policies. The impact of property tax exemptions should be evaluated with consideration to both the impact on the owners of remaining taxable property and policy goals.

### *Other Exemptions*

The report also discusses exemptions relating to the corporate income tax, insurance premium taxes, economic development surcharge, real estate transfer fees, public utility taxes, excise taxes, and forest crop and managed forest laws.

### **Limitations of the Report**

Readers should be aware of several limitations to the report.

The fiscal impacts of tax exemption devices are often difficult to measure and estimates of the effect of tax exemptions are subject to limitations and the need to make assumptions. Generally, in calculating each fiscal effect, it is assumed that only the provision in question is changed and that all other aspects of the tax system remain the same.

All the estimates in this report are presented as the impact of the exemption device in FY24. Changes in taxpayer behavior or economic activities since that time are not reflected.

Consistent with accepted revenue estimating practices, the estimates also assume that economic variables, taxpayer behavior and other factors would be unaffected by the repeal of an exemption device. For some tax exemption devices, these assumptions are open to question. For example, the removal of an income tax deduction could significantly alter spending or investment behavior.

In addition, the estimates are only as good as the data available. In some cases, the estimates are very reliable. In other cases, little data is available, and estimates must rely on external sources or indirect information. Therefore, the estimates should generally be viewed as indicative only of the order of magnitude of tax exemption costs. Discussion on the data sources and methodologies used in constructing the estimates are contained in the individual chapters of this report.

Due to these data limitations and interactions between various exemptions, it is not necessarily accurate to sum across the exemptions to arrive at a total fiscal impact. Each estimate is made in isolation. If two or more items were eliminated, the combined effect may be more or less than the sum of their respective estimates.

The descriptions of tax exemption devices included in this report should not be considered guidance documents for taxpayers to use in preparing and filing taxes. For official publications, fact sheets and instructions, visit the Department of Revenue website: [www.revenue.wi.gov](http://www.revenue.wi.gov).

## INDIVIDUAL INCOME TAX

### Introduction

The individual income tax is Wisconsin's largest state tax source, generating \$9.718 billion, or 44.9 percent of state general purpose revenue taxes in FY24. Wisconsin first enacted its income tax in 1911, two years before the federal income tax was imposed.

Wisconsin imposes the income tax on a base that generally conforms to the base for the federal income tax. Federal adjusted gross income (FAGI) is the starting point for the Wisconsin tax calculation. FAGI is calculated on the federal tax return by reporting the various kinds of income – for instance, wages and salaries, interest and dividends, business earnings, retirement income – and then making adjustments for certain kinds of exempt income or deductible expenses. Major adjustments and exemptions include:

- Certain contributions to retirement plans and exemptions for a portion of retirement income.
- Deductions for health insurance premiums paid by individuals and exemptions for health insurance benefits provided by employers.
- Trade and business expenses as well as certain employee job expenses that offset income from these sources.
- One-half of the self-employment tax paid for social security and Medicare coverage.
- Up to \$2,500 in interest on student loans when income does not exceed prescribed limits.

In the Wisconsin tax calculation, both additions and subtractions are made to FAGI in order to determine Wisconsin adjusted gross income (WAGI). Additions are types of income that are exempt from federal tax but subject to state tax or deductions allowed for federal but not Wisconsin purposes. The major addition is state and municipal bond interest, which the federal government may not tax. Several other additions reflect that certain state tax credits are a form of income and must be included as such.

Subtractions are types of income taxable under federal law but exempted by Wisconsin and certain expenses for which Wisconsin allows a deduction. Major subtractions include:

- 30 percent of capital gains on assets held for more than one year. These gains are fully included in federal taxable income, though long-term gains are taxable at lower rates than ordinary income.
- Interest on U.S. government bonds, which states may not tax.
- Pensions received by persons who were members of or retired from Milwaukee city and county retirement funds, the state teachers' retirement fund, and the civil service retirement system prior to January 1, 1964. In addition, veterans' pensions are exempt from Wisconsin income tax.
- All social security benefits that are taxable for federal purposes. Up to 85 percent of social security benefits are subject to federal tax, but Wisconsin does not tax social security benefits.
- A portion of unemployment compensation. Unemployment compensation is only subject to Wisconsin tax when income exceeds \$18,000 for married couples and \$12,000 for most other filers.
- Tuition payments to postsecondary institutions in Wisconsin and to schools in Minnesota covered under Minnesota-Wisconsin tuition reciprocity. For each qualified student, the subtraction is limited to two times the average amount charged to resident undergraduates by the University of Wisconsin System at four-year institutions.
- A portion of health insurance premiums not already excluded from federal income.



WAGI is reduced a standard deduction and personal exemptions to yield Wisconsin taxable income. Wisconsin provides a sliding scale standard deduction, equal to a maximum when income is below a specified level, this maximum deduction is phased down to \$0 as income increases. For instance, in 2024, the deduction for single persons was \$13,230 when WAGI was less than \$19,070, and it declined to \$0 as income increased from \$19,070 to \$129,320. The deduction parameters for each filing status are shown in Table 1; the maximum deduction and phase-out range are indexed annually for inflation. Unlike federal law, Wisconsin does not allow itemized deductions; instead, it provides an itemized deductions credit, discussed below, equal to 5 percent of certain deductions in excess of the standard deduction.

**TABLE 1  
WISCONSIN STANDARD DEDUCTIONS, 2024**

Filing Status	Maximum Deduction	Phase-Out Range	Phase-Out Rate
Single	\$13,230	\$19,070 - \$129,320	12%
Head of Household	\$17,090	\$19,070 - \$55,779*	22.515%
Married Filing Jointly	\$24,490	\$27,520 - \$151,344	19.778%
Married Filing Separately	\$11,630	\$13,060 - \$71,863	19.778%

\*Income at which head of household deduction equals the deduction for single filers. Above this income level, the deduction for heads of households is the same as that for single persons.

WAGI is also reduced by a personal exemption equal to \$700 for each tax filer, spouse and dependent. There is an additional exemption of \$250 for each tax filer and spouse age 65 or older.

Wisconsin taxable income, equal to WAGI less the standard deduction and personal exemptions, is the base to which statutory tax rates are applied to yield gross tax liability. As Table 2 shows, Wisconsin imposes a series of graduated tax rates, ranging from 3.5 percent to 7.65 percent in 2024. The top rate applies to filers with taxable income exceeding \$315,310 for single persons and \$420,420 for married couples filing jointly. Bracket ceilings are indexed for inflation.

**TABLE 2  
WISCONSIN TAX RATES AND BRACKETS, 2024**

Tax Rate	Taxable Income Brackets		
	Single	Married - Joint	Married - Separate
3.50%	\$0 - \$14,320	\$0 - \$19,090	\$0 - \$9,550
4.40%	\$14,320 - \$28,640	\$19,090 - \$38,190	\$9,550 - \$19,090
5.30%	\$28,640 - \$315,310	\$38,190 - \$420,420	\$19,090 - \$210,210
7.65%	More than \$315,310	More than \$420,420	More than \$210,210

Finally, gross tax is reduced by credits against the tax liability. Major nonrefundable credits, which are limited to the amount of income tax liability otherwise due, include:

- The itemized deductions credit, equal to 5 percent of the amount by which certain federal itemized deductions exceed the standard deduction. Deductions allowed for the credit are those for medical expenses, mortgage interest on a primary residence located in Wisconsin, investment interest on securities the income from which is subject to Wisconsin tax, charitable contributions, and certain casualty losses that are directly related to a presidentially declared disaster. Individuals may claim the itemized deductions credit even if they do not itemize their deductions on their federal tax return.
- The school property tax credit, equal to 12 percent of the first \$2,500 of property taxes, or rent constituting property taxes, for a maximum credit of \$300. Rent constituting property taxes equals 20 percent of rent if heat is included in rent and 25 percent if heat is not included.
- The married couple credit for joint filers when both spouses have earned income. The credit is equal to 3 percent of the earnings of the lower earning spouses, but not more than \$16,000 of earnings or \$480 of credit.

- Historic rehabilitation credits, including a supplement to the federal historic rehabilitation credit, equal to 20 percent of qualifying expenditures under the federal Internal Revenue Code and a state historic rehabilitation credit equal to 25 percent of qualified expenditures to substantially rehabilitate certified historic buildings.
- The manufacturing and agriculture credit, equal to 7.5 percent of income from qualified production activities attributable to manufacturing or agricultural operations.
- A credit for income taxes paid to other states on income that is also taxable to Wisconsin. No credit is allowed for income that falls under a Wisconsin reciprocity agreement. Under a reciprocity agreement, each state agrees not to tax the wages earned within its borders by residents of the other state. Wisconsin currently has reciprocity agreements with Illinois, Indiana, Kentucky and Michigan. Because the number of Wisconsin residents working in Illinois is substantially higher than the number of Illinois residents working in Wisconsin, Wisconsin makes annual payments to compensate Illinois for the net revenue loss incurred as a result of reciprocity.

In addition to nonrefundable tax credits, Wisconsin also offers refundable credits, which are paid to claimants in the form of a tax refund when the amount of the credit exceeds tax otherwise due. These credits are essentially subsidies provided to particular types of claimants through the tax system, but the amount of credit awarded is not tied specifically to the amount of tax due. These credits are:

- The homestead credit, which equals up to 80 percent of property taxes or rent constituting property taxes when household income does not exceed \$8,060. Maximum property taxes allowable under the credit are \$1,460, so the maximum credit is \$1,168. The credit is phased out as household income rises from \$8,060 to \$24,680. Rent constituting property taxes equals 20 percent of rent when heat is included in rent and 25 percent of rent when heat is not included. Individuals must be at least 62 years old, have a disability, or have earned income in order to qualify for the credit.
- The earned income tax credit (EITC), calculated as a percentage of the federal earned income tax credit depending on family size: 4 percent for persons with one child, 11 percent for persons with two children, and 34 percent for persons with three or more children. In 2024, the federal credit for persons with one child was equal to 34 percent of earnings up to \$12,390, for a maximum credit of \$4,213. The credit for single persons was phased out as the greater of FAGI or earnings rose from \$22,720 to \$49,082; the phase-out floor and ceiling were \$6,920 higher for married couples. For persons with two children, the federal credit was 40 percent of earnings up to \$17,400, for a maximum credit of \$6,960. The credit was phased out for single persons as income or earnings rose from \$22,720 to \$55,768; the phase-out floor and ceiling were \$6,920 higher for married couples. For persons with three or more children, the federal credit was 45 percent of earnings up to \$17,400, for a maximum credit of \$7,830. The credit was phased out for single persons as income or earnings rose from \$22,720 to \$59,899; the phase-out floor and ceiling were \$6,920 higher for married couples. Thus, the maximum Wisconsin credits were \$169 for persons with one child, \$766 for persons with two children, and \$2,662 for persons with three or more children.
- The Farmland Preservation credit is available for owners of farmland that was zoned exclusively for agricultural use or covered under a farmland preservation agreement with the state. The credit was revised and expanded beginning in tax year 2010. Under current law the credit may be claimed using either the old credit formula or the new credit formula depending on the claimants' farmland preservation agreements. The old credit is a percentage of a base amount determined using household income and the property taxes levied against the farmland. The new credit is a flat payment of \$12.50 or \$10 per acre of qualifying farmland.
- The veterans and surviving spouses' property tax credit equal to the amount of property taxes paid on the claimant's principal dwelling. This credit is available to certain resident disabled veterans and un-remarried surviving spouses of veterans who died while on active duty, during training, or had a service-connected disability rating of 100 percent or a 100 percent disability rating based on

individual unemployability at the time of death. In all cases, the veteran must have been a Wisconsin resident at the time of entry into service or a resident for any consecutive five-year period after entry into active-duty service. In the case of surviving spouses, the veteran must also have been a resident at the time of death. Surviving spouses may also qualify if they receive dependency and indemnity compensation.

### Estimates of Fiscal Effects

Estimates of individual income tax exemption devices are shown below and compiled in Table 3 at the end of this section. The tax exemptions are divided into four broad categories: (1) exclusions from federal gross income, (2) adjustments to federal gross income, (3) Wisconsin modifications to federal adjusted gross income and (4) Wisconsin state tax credits. The report identifies the exemption devices, indicates the statutory sections allowing the exemption devices, and provides estimates of the fiscal effects in FY24. In some cases, related exemption devices may appear in more than one section. For example, certain medical insurance premiums are excluded from federal gross income, while other amounts can be claimed as an adjustment to federal gross income or as a Wisconsin subtraction from federal adjusted gross income. In these cases, the component fiscal effects are listed separately in each section.

Several approaches were used to generate the fiscal estimates. The estimates of exclusions from gross income, which are not reported on tax returns, were generally based on estimates of the fiscal effect of federal tax expenditures – i.e., federal tax exemption devices – contained in the annual budget document issued by the Executive Office of the President. Estimates prepared by the Congressional Budget Office and the staff of the Joint Committee on Taxation were also considered. Generally, Wisconsin's share of the federal fiscal effect was determined using the state's share of total federal adjusted gross income on all federal tax returns, and then adjustments were made to account for the differences in federal and Wisconsin tax rates.

Most of the other estimates were based on Wisconsin-specific data sources, including the 2022 Wisconsin individual income tax model, aggregate statistics from the 2023-24 tax processing year, aggregate statistics from tax year 2022 returns filed during calendar year 2023, and tax collection statistics for FY24. The tax model uses data either from aggregate statistics or derived from a statistically stratified sample of approximately 24,000 tax returns, weighted to reflect the statewide population of tax filers in 2022. This model was used to simulate the effect of tax exemption devices. The 2023-24 tax processing aggregate statistics were drawn from all tax returns processed from July 1, 2023, to June 30, 2024, while the 2022 tax year aggregate statistics were drawn from all 2022 tax returns processed during calendar year 2023.

It is important to note that the fiscal impacts for the exemption devices are calculated independently. In many cases, tax provisions have nontrivial impacts on each other. For example, an exclusion from gross income may allow a taxpayer to have income below the phase-out threshold of another deduction. Absent the exclusion, the fiscal effect of the deduction would be different. As such, the combined effect of two or more provisions may be higher or lower than the separately identified effects.

### **Exclusions from Federal Gross Income**

### **FY24 Fiscal Effect**

An exclusion is a type of income that is not included in federal gross income by provisions of the Internal Revenue Code or under the U.S. Constitution, or in Wisconsin income by provisions of the Wisconsin Statutes. Excluded income does not have to be reported on the income tax return.

<b>Gain from Sale or Exchange of Residence (Home), <a href="#">IRC 121</a></b>	<b>\$298,000,000</b>
--	----------------------

A taxpayer may exclude from income up to \$250,000 (\$500,000 for married couples filing jointly) of capital gain realized on the sale or exchange of a residence. The taxpayer generally must have owned and occupied the home as a principal residence for at least two of the five years prior to the sale. An individual not meeting the ownership or residence requirements is allowed a pro rata amount of the exclusion if the sale or exchange is due to a change in employment, health or other unforeseen circumstances. The exclusion is allowed on only one sale every two years, and it is not permitted on properties in which depreciation is allowed for rental or business use.

<b>Gain from Sale or Exchange of Qualified Small Business Stock, <a href="#">IRC 1202</a>, s. <a href="#">71.98(5)</a></b>	<b>\$6,400,000</b>
--	--------------------

For taxable years beginning after December 31, 2018, Wisconsin conforms to the federal exclusion for gains from small business stock. The qualifying stock must be held by individuals for more than five years, while the qualifying small business must have gross assets that do not exceed \$50 million at the time the stock is issued.

<b>Social Security Benefits, <a href="#">IRC 86</a></b>	<b>\$182,000,000</b>
---	----------------------

Old-age and survivors' insurance benefit payments, state old-age assistance payments, and Medicare benefits are generally excluded from the gross income of the person receiving such benefits. Federal law subjects up to 50 percent of benefits to tax when income exceeds a base amount and up to 85 percent of benefits when income exceeds an adjusted base amount. In this determination, income equals modified adjusted gross income plus one-half of social security.

The base amounts for determining tax on up to 50 percent of benefits are \$25,000 for single persons, including married persons filing separately who lived apart from their spouses for the full tax year; \$32,000 for married couples filing a joint return; and \$0 for married persons filing separately who lived with their spouses for at least part of the year. The adjusted base amounts for taxing up to 85 percent of benefits are \$34,000 for single persons, \$44,000 for married couples, and \$0 for married persons filing separately and living with their spouses for at least part of the year.

Wisconsin does not tax any social security benefits. Table 3 provides separate fiscal estimates of the state revenue loss resulting from the federal exclusion and the loss resulting from the additional state subtraction from FAGI.

<b>Railroad Retirement Annuities and Pensions, <a href="#">IRC 86</a></b>	<b>\$1,350,000</b>
---	--------------------

Annuities or pensions paid under the 1935 and 1937 Railroad Retirement Acts are generally excluded from gross income. Up to 50 percent of Tier 1 retirement benefits are taxable for federal tax purposes, but the Railroad Retirement Acts specifically prohibit state taxation of retirement benefits, so Tier 1 benefits are completely excluded from gross income for state purposes.

<b>Public Assistance, <a href="#">IRC 61</a></b>	<b>\$2,350,000</b>
--	--------------------

Assistance provided under the Wisconsin Works program, Medicaid, general relief and other public assistance to individuals and families is excluded from the gross income of the recipients.

<b>Sickness and Injury Benefits, <a href="#">IRC 104 to 106</a></b>	<b>\$1,300,000,000</b>
---	------------------------

Compensation for sickness or personal injury excluded from gross income includes the following:

- Amounts received under the worker's compensation and social security acts;
- Damages received as a result of a court suit or other legal settlement in a personal injury case;
- Proceeds received from an accident, health or medical insurance policy paid for by the taxpayer;
- A pension, annuity or similar allowance for sickness or injury sustained while active in the armed forces, the Coast and Geodetic Survey, the Public Health Service, or the Foreign Service, and disability income received by an employee of the United States for injuries incurred in a terrorist attack during the performance of duties outside the U.S.;
- Employer contributions to an accident or health plan designed to benefit the employee;
- Sick pay or employer-financed disability benefits, other than reimbursement for medical expenses deducted in the same year or a prior year, which is regarded as taxable income; and
- Earnings from medical savings accounts and health savings accounts.

<b>Distributions from Retirement Plans for Premiums for Health and Long-Term Care Insurance, <a href="#">IRC 402</a>, <a href="#">P.L. 109-280</a></b>	<b>\$2,520,000</b>
--	--------------------

Pension distributions from government retirement plans to retired public safety officers used to pay health insurance are excluded from income up to a maximum of \$3,000 annually.

<b>Group Term Life Insurance Purchased for Employees, <a href="#">IRC 79</a></b>	<b>\$18,100,000</b>
--	---------------------

The cost of group term life insurance provided to an individual under a policy carried by an employer is generally considered taxable income. However, the cost incurred in purchasing the first \$50,000 worth of coverage is excluded from the gross income of employees.

<b>Death Benefits, <a href="#">IRC 101</a></b>	<b>\$118,000,000</b>
--	----------------------

Amounts paid under a life insurance contract are excluded whether these sums are paid at one point or over time.

<b>Meals and Lodging to Employees, <a href="#">IRC 119</a></b>	<b>\$40,200,000</b>
--	---------------------

Employees may exclude from gross income the value of any meals or lodging provided to them for the convenience of the employer. Meals must be furnished on the employer's business premises and lodging must have been accepted by an employee as a condition of employment.

<b>Scholarships and Fellowships, <a href="#">IRC 117</a></b>	<b>\$24,000,000</b>
--	---------------------

Scholarships and fellowships are excluded from gross income when received by a degree candidate at an educational institution and when used to pay tuition and course-related fees or to purchase books, equipment and supplies. Amounts used for room and board, however, must be included in income. Scholarships and fellowships do not qualify for the exclusion if they are made either to compensate the recipient for services provided, or to allow the recipient to pursue studies or research that primarily benefit the person or institution paying the scholarship and fellowship.

<b>Awards and Prizes, <a href="#">IRC 74(b) and (c)</a></b>	<b>Minimal</b>
---	----------------

Awards or prizes received in recognition of religious, charitable, scientific, educational, literary or civic achievement may be excluded from gross income if the amount received is transferred to a government agency or a charitable organization. Further, the exclusion applies only if the recipient was selected without any action on his or her part to enter the competition for the award and only if the recipient is not required to render any substantial future services as a condition of receiving the award.

Employee awards for length of service or achievement are generally excludable from gross income to the extent of the deduction claimed by the employer. Deductions of such awards are limited.

<b>Rental Value of Parsonages, <a href="#">IRC 107</a></b>	<b>\$5,190,000</b>
--	--------------------

The allowance paid to a minister for the purpose of renting a home, or the rental value of the home furnished as part of compensation, is excluded from gross income. In both cases, the associated utility expenses are considered part of the allowance and, as such, excluded from gross income.

<b>Reduced Armed Forces Retirement Pay, <a href="#">IRC 122</a></b>	<b>Not Available</b>
---	----------------------

The amount deducted from retirement or retainer pay of members or former members of the United States armed forces under the Retired Serviceman's Family Protection Plan is excluded from gross income. The reduction in retirement pay is made by contract between the member of the service and the armed forces for the purchase of an annuity. This reduction is between 12.5 percent and 50 percent of retirement pay, but in no case less than \$25. If the person should die before the amount of the contract is paid, the survivor

receiving the annuity may exclude from gross income any reductions in annuity payments used to conclude the contract.

<b>Combat Pay and Other Armed Forces Exclusions, <a href="#">IRC 112</a> and <a href="#">134</a></b>	<b>\$161,000,000</b>
--	----------------------

The monthly compensation of members of the United States armed forces is excluded from gross income if the taxpayer served in a combat zone. The exclusion for commissioned officers is limited to the maximum amount that enlisted personnel may exclude. Currently designated combat zones and hazardous duty areas include:

- The Sinai Peninsula;
- Afghanistan, along with Uzbekistan, Kyrgyzstan, Pakistan, Tajikistan, Jordan, Yemen, Djibouti and Somalia;
- Kosovo area defined by executive order as the Federal Republic of Yugoslavia (Serbia/Montenegro), Albania, the Adriatic Sea and the Ionian Sea north of the 39th parallel; and
- The Arabian Peninsula, including the Persian Gulf, the Red Sea, the Gulf of Oman, the part of the Arabian Sea that is north of 10 degrees north latitude and west of 68 degrees east longitude, the Gulf of Aden, and the total land areas of Iraq, Kuwait, Saudi Arabia, Oman, Bahrain, Qatar, the United Arab Emirates, Jordan, Lebanon and Turkey east of 33.51 degrees east longitude.

Exclusions applicable to miscellaneous armed forces income are:

- All payments of benefits under any law administered by the Veterans' Administration (38 U.S. Code 3101);
- A pension of \$100 per month for all persons over the age 65 who are on the Army, Navy, Air Force or Coast Guard Medal of Honor roll (38 U.S. Code 562);
- Benefits under World War Adjusted Compensation Act;
- Benefits under World War Veterans' Act;
- Leave compensation payment under Armed Forces Leave Act;
- G.I. Bill educational benefits; and
- In-kind benefits provided to armed forces personnel.

<b>Life Insurance Dividends, <a href="#">IRC 7702</a></b>	<b>\$24,100,000</b>
---	---------------------

Dividends on matured insurance policies may be excluded from gross income for income tax purposes.

<b>Cancellation of Business Property Indebtedness, <a href="#">IRC 108(a)</a></b>	<b>Minimal</b>
---	----------------

A taxpayer need not recognize income when a debt of the taxpayer is fully or partially canceled if the individual incurred the debt in connection with property used in a trade or business. The taxpayer must agree to reduce the basis (cost) of the property if an economic benefit was realized as a result of the discharge of a debt for the purpose of determining future depreciation and capital gains or losses.

<b>Income Realized from Debt Cancellation through Bankruptcy, <a href="#">IRC 108</a></b>	<b>Not Available</b>
---	----------------------

When a debt is forgiven in connection with a bankruptcy proceeding, the income realized is not subject to tax unless the principal purpose of the bankruptcy plan is the evasion of income taxes.

<b>Interest on Certain State and Local Bonds, ss. <a href="#">66.1201(14)a</a>, <a href="#">66.1333(5)(a)4.c</a> and <a href="#">71.05(1)(c)</a></b>	<b>Not Available</b>
--	----------------------

In general, interest on obligations of state and local governments is subject to the Wisconsin income tax, even though such income may be exempt from federal taxation. However, interest on the following bonds is exempt:

- Bonds issued by a city housing authority, city redevelopment authorities, local exposition districts,

- sponsoring municipalities assisting local exposition districts and local cultural arts districts;
- Certain bonds issued by the Wisconsin Housing and Economic Development Authority (WHEDA);
- Wisconsin professional baseball park and football stadium district bonds;
- Wisconsin Housing Finance Authority (WHFA) bonds (that is, bonds issued before 1983, when WHFA became known as WHEDA);
- Bonds issued by the Government of Puerto Rico, Guam, the Virgin Islands, the Northern Mariana Islands, or for bonds issued after October 16, 2004, the Government of American Samoa;
- Wisconsin higher education bonds;
- Wisconsin Aerospace Authority bonds;
- Certain bonds issued by the Wisconsin Health and Educational Facilities Authority; and
- Specified conduit revenue bonds.

<b>Gifts and Inheritances, <a href="#">IRC 102</a></b>	<b>Not Available</b>
--	----------------------

The value of property received by gift, inheritance or bequest is excluded from gross income. This exclusion does not apply to the income from property received by gift or bequest, nor to a gift or bequest consisting of income from property rather than the property itself. No administrative records are available on the total value of property transferred by gift or inheritance, so a comprehensive estimate of the revenue loss has not been calculated.

<b>Appreciation of Property Held at the Time of Death, <a href="#">IRC 1014</a></b>	<b>\$195,000,000</b>
---	----------------------

Appreciation (gain) from property held at the time of death is not subject to tax for either the deceased or his or her heirs. The basis of inherited property generally is its fair market value at the time of the decedent's death, rather than its cost when the decedent acquired it. As a result, the appreciation of the property while it was held by the decedent – the difference in fair market value at the time of death and the decedent's cost of purchasing the property – is not taxed.

<b>Employer Contributions to Pension Plans and Net Pension Fund Earnings, <a href="#">IRC 401 to 404A, 406 to 407 and 409 to 417</a></b>	<b>\$1,070,000,000</b>
--	------------------------

Amounts contributed to qualified pension, profit-sharing, stock bonus, bond purchase and annuity plans by an employer on behalf of his or her employees are generally not treated as income taxable to the employees at the time the contributions are made. Further, employers may generally deduct these contributions from gross income, and the earnings that accrue on the contributions are excluded from the employee's income, so long as the assets are retained within a qualified plan.

Tax is imposed when distributions are made from the plan to employees in the form of pensions and annuities. At that time the taxable portion of the plan benefits must be included in the gross income of the recipient. The portion of the benefits representing the employee's contribution to the plan is not taxable upon distribution if the employee's contributions were included in income and subject to tax at the time the contributions were made.

Taxing employer contributions and earnings on pension plan assets at the time of withdrawal, rather than at the time of contribution, results in a deferral of revenue. Moreover, it may result in a revenue loss if the plan beneficiary pays tax at a lower rate after retirement.

<b>Employer Reimbursement of Employee's Educational Expenses, <a href="#">IRC 127</a></b>	<b>\$9,070,000</b>
---	--------------------

Up to \$5,250 of non-job-related employer-provided educational assistance may be excluded from gross income.

<b>Employer-Provided Child Care, <a href="#">IRC 129</a></b>	<b>\$4,270,000</b>
--	--------------------

The value of child or dependent care services provided by an employer under a nondiscriminatory plan is excluded from gross income to the extent that the amount excluded does not exceed \$5,000 (\$2,500 for



married separate filers). Further, the value of services excluded may not exceed the earned income of the employee or the earned income of an employee's lower-earning spouse.

<b>Employer-Provided Adoption Assistance, <a href="#">IRC 137</a></b>	<b>\$2,470,000</b>
---	--------------------

Up to \$16,810 per child in adoption assistance provided by an employer is excluded from gross income in tax year 2024. The \$16,810 exclusion is allowed for special needs adoption even if that amount exceeds actual expenses incurred. The exclusion is phased out for persons with modified adjusted gross income between \$252,150 and \$292,150. The amount excludable and the phase-out ranges are indexed for inflation.

<b>Individual Retirement Accounts (IRAs), <a href="#">IRC 408</a>, <a href="#">408A</a>, and <a href="#">530</a></b>	<b>\$147,000,000</b>
--	----------------------

Taxpayers may receive tax benefits from three different types of individual retirement accounts under federal law: the traditional IRA, the Roth IRA and the education IRA. The tax expenditure combines the impact of deductions of contributions to IRAs and exclusions/deferrals of earnings from IRAs.

#### 1. Traditional IRA

Persons contributing to a traditional IRA may claim a deduction for the amount contributed and are not taxed on the earnings that remain in a traditional IRA. IRA contributions and earnings on them are taxable when withdrawals are made from the account.

The full deduction for contributions is limited to persons who are not covered by an employer-provided retirement plan or who are covered by such plans but have adjusted gross income, for tax year 2024, less than \$77,000 for single persons, \$123,000 for married persons filing jointly or \$0 for married persons filing separately. The deduction is phased out over the next \$10,000 of income (\$20,000 for married persons filing jointly).

For tax year 2024, the deduction is generally limited to \$7,000 for each tax filer and spouse, but not more than the person's earnings. For married couples, the combined IRA deduction may not exceed combined earnings; in other words, a spouse with little or no earnings may still claim an IRA deduction if the other spouse has earnings in excess of his or her own IRA deduction. These maximum contributions are coordinated among the three types of IRAs; the combined contribution to all IRAs for any one person cannot exceed \$7,000 or the person's earnings. Further, taxpayers age 50 and older are allowed additional "catch-up" contributions of \$1,000 in 2024.

With limited exceptions, amounts in a traditional IRA cannot be withdrawn without penalty prior to age 59½. Early withdrawals must be included in gross income and are subject to an additional 10 percent federal penalty tax. The 10 percent early withdrawal penalty does not apply in cases of death and disability or when the withdrawals are used for qualified higher education expenses or first-time homeowner expenses (up to \$10,000). Wisconsin imposes a state penalty equal to 33 percent of the federal penalty. Amounts withdrawn from an IRA after age 59½ must be included in gross income in the year of the withdrawal. Withdrawals generally must begin after the individual reaches the age of 70½. Insufficient withdrawals after age 70½ are subject to a penalty tax.

Persons can make nondeductible contributions to their retirement accounts and the earnings on those nondeductible contributions can be excluded from income, as long as the assets are retained within the retirement account.

#### 2. Roth IRA

A Roth IRA is an account for which the contributions are not deductible when made, but qualified distributions, including earnings on contributions, are not taxable. In tax year 2024, persons whose adjusted gross income does not exceed \$146,000 if single, \$230,000 if married filing jointly, or \$0 if married filing separately may contribute up to \$7,000 per person per year to a Roth IRA. The amount of contribution permitted is phased out as income rises to \$161,000 for single filers, \$240,000 for married joint filers, and \$10,000 for married separate filers. Individuals who are married filing



separately and did not live with their spouses at any time during the year are treated as single for the purpose of contribution limits.

The increases in contribution limits and the catch-up contributions for taxpayers age 50 and older that apply to traditional IRAs also apply to Roth IRAs.

Distributions from a Roth IRA are not subject to tax if they are made no earlier than five years after the account is established and if the taxpayer has reached age 59½. Earlier distributions are not subject to tax if they are made because of the death or disability of the taxpayer or for first-time homebuyer expenses (up to \$10,000). Nonqualified distributions must be included in gross income and are subject to a 10 percent federal penalty tax and a state penalty equal to 33 percent of the federal penalty. Unlike a traditional IRA, distributions from a Roth IRA are not required upon reaching the age of 70½.

### 3. Education IRA

An education IRA (also known as a Coverdell Education Savings Account) is similar to a Roth IRA: contributions are not deductible, but qualified distributions are not subject to tax if they are used to pay the postsecondary expenditures of the beneficiary.

For tax year 2024, contributions of up to \$2,000 per child may be made to an education IRA when income is less than \$95,000 for single persons and \$190,000 for married couples filing jointly. The amount that may be deducted is phased out as income rises to \$110,000 for single filers and \$220,000 for married joint filers.

<b>Qualified Tuition and ABLÉ Programs, <a href="#">IRC 529</a> and <a href="#">529A</a></b>	<b>\$17,000,000</b>
--	---------------------

Individuals may contribute to qualified accounts established for the purpose of meeting the beneficiaries' specified higher education expenses in the case of tuition programs or qualified disability expenses in the case of ABLÉ programs. Contributions to qualified tuition and ABLÉ program accounts are not excluded from federal gross income. However, account earnings are excluded from income when distributions from the accounts are used for qualified expenses. Wisconsin also allows for a deduction for certain contributions to the Wisconsin sponsored qualified tuition programs and ABLÉ accounts (see College Savings Plans and ABLÉ accounts under Modifications to Federal Adjusted Gross Income).

<b>Self-Employed Retirement Plans, <a href="#">IRC 401</a> to <a href="#">404A</a>, <a href="#">406</a> to <a href="#">407</a>, and <a href="#">409</a> to <a href="#">417</a></b>	<b>\$194,000,000</b>
--	----------------------

A self-employed taxpayer may deduct from gross income contributions made on the taxpayer's behalf to a pension, profit-sharing, annuity or bond purchase plan. Contributions must be made from earned income. The amounts earned under the plans are not subject to tax until withdrawn from the qualified accounts.

The tax expenditure combines the impact of deductions of contributions to self-employed retirement plans and exclusions/deferrals of earnings from these accounts.

<b>Transportation and Other Fringe Benefits, <a href="#">IRC 132(a)</a></b>	<b>\$20,500,000</b>
---	---------------------

Employer-provided transportation in a commuter vehicle, transit passes and parking are excluded from income of the employee receiving these benefits. In 2024, the exclusion for commuter transportation or transit passes is limited to \$315 per month and the exclusion for parking is limited to \$315 per month. These amounts are indexed for inflation.

Other fringe benefits excluded from income include services provided by employers to employees at no additional cost to the employer, employee discounts, property or services for which an employee would be allowed a deduction if the employee provided that property or service, property or service of minimal value, reimbursement of moving expenses, and retirement planning services. Only the transportation benefits have a measurable fiscal effect.

<b>Foster Care Payments, <a href="#">IRC 131</a></b>	<b>\$2,720,000</b>
--	--------------------

Foster care payments to care providers by a state or local government or a foster care placement agency are excluded from income.

<b>Cancellation of Student Loans, <a href="#">IRC 108(f)</a></b>	<b>\$560,000</b>
--	------------------

The amount of a student loan funded by federal, state or local government programs that has been forgiven is not included in taxable income when the cancellation is contingent upon the beneficiary working for a specified period of time in a certain area or for a particular type of employer.

<b>Recovery of Tax Benefit Items, <a href="#">IRC 111</a></b>	<b>Minimal</b>
---	----------------

Certain actions, such as writing off a bad debt, can result in tax benefits. If the tax benefit item is recovered in a later year, then the recovery is taxable. For example, if a debt is written off in one year and repaid in a later year, then that repayment is taxable in the year it is received. However, if the taxpayer did not actually receive a tax benefit from the original action, any income from a subsequent recovery is not taxable.

<b>Foreign Earned Income, <a href="#">IRC 911</a></b>	<b>\$24,600,000</b>
---	---------------------

Qualified individuals who work abroad and receive earned income from foreign sources may elect to exclude up to \$126,500 of such income in 2024. The exclusion amount is adjusted to take into account employer-provided housing allowances, or housing expenses where allowances are not provided, and the maximum exclusion is reduced for taxpayers who work abroad for only part of a year.

<b>Natural Resource-Related Cost-Sharing Payments, <a href="#">IRC 126</a></b>	<b>Minimal</b>
--	----------------

Payments received by individuals primarily for the purpose of conserving soil and water resources, protecting or restoring the environment, improving forests, or providing a habitat for wildlife may be excluded from gross income.

<b>Passive Activity Losses, <a href="#">IRC 469</a></b>	<b>Not Available</b>
---	----------------------

In general, when the deductions exceed the income from a business activity, the resulting loss can be offset against other types of income. However, passive activity losses – those from business activities in whose management or operation taxpayers do not actively or materially participate – are subject to passive loss restrictions. Under the restrictions, passive losses can only be offset against other passive income. Passive losses subject to the restrictions can be carried forward indefinitely until used against other passive income or until the taxpayer disposes of the ownership interest in the passive business activity in a fully taxable transaction.

Certain activities are explicitly treated by the tax code as either passive or active. For example, interest, dividends, annuities, royalties and other portfolio income are not treated as income from a passive activity, so net losses generated from passive activities cannot be used to offset portfolio income.

A rental activity generally is treated as a passive activity, though a limited exception exists for rental activity losses incurred by a taxpayer who actively participates in the rental real estate venture and owns at least a 10 percent interest in the rental property. Under the exception, up to \$25,000 of losses from rental real estate may be used to offset income from nonpassive sources. The \$25,000 maximum is reduced (but not below zero) when the taxpayer's adjusted gross income exceeds \$100,000 and is completely phased out when AGI exceeds \$150,000. Special rules apply for married taxpayers who file separate returns and live apart. A taxpayer with a working interest in oil and gas activities is also exempt from the passive loss rules.

<b>Capital Gains on Opportunity Zone Investments, <a href="#">IRC 1400Z</a></b>	<b>\$9,500,000</b>
---	--------------------

States may nominate and the Secretary of the Treasury may designate a limited number of opportunity zones

in low-income communities in each state. Opportunity funds may then be created for the purpose of investing in qualified opportunity zone property. Income from capital gains reinvested in a qualified opportunity fund can be deferred from taxation. Moreover, the capital gains from the sale of investments in a qualified opportunity fund that are held for at least ten years are exempt from income tax.

### **Adjustments to Federal Gross Income**

**FY24 Fiscal Estimate**

An adjustment is an amount subtracted from gross income to arrive at adjusted gross income (AGI). After determining AGI, taxpayers apply personal exemptions and itemized deductions or a standard deduction to calculate federal taxable income. AGI is also the starting point for calculating Wisconsin state income tax liability.

<b>Capital Losses, <a href="#">IRC 1211</a>; s. <a href="#">71.05(10)(c)</a></b>	<b>\$2,300,000</b>
--	--------------------

Losses from the sale or exchange of capital assets may be used to offset gains from capital assets. If the amount of capital losses exceeds the amount of capital gains in the current year, the net capital loss may be used to offset up to \$3,000 of ordinary income for Wisconsin tax purposes. The amount of net capital loss not allowed as a deduction in the current year may be carried forward to future years to offset capital gains or ordinary income up to the \$3,000 limit, up to 15 years.

<b>Losses from the Sale or Exchange of Business Property, <a href="#">IRC 62 (a)(3)</a></b>	<b>\$7,780,000</b>
---	--------------------

Losses from the sale or exchange of property used in a business are deductible.

<b>Student Loan Interest, <a href="#">IRC 221</a></b>	<b>\$4,910,000</b>
---	--------------------

Persons who have taken out loans on behalf of themselves, their spouse or their dependents to pay for the cost of attending an eligible educational institution may deduct the interest they pay on these loans. The maximum deduction allowed is \$2,500. For 2024, the maximum deduction amount is reduced for single and head of household filers when modified FAGI is more than \$80,000 and is eliminated when modified FAGI exceeds \$95,000; for married joint filers the deduction is phased out between \$165,000 and \$195,000 of modified FAGI. Married separate filers and those filers claimed as dependents on another's return may not claim the deduction.

<b>Self-Employment Tax, <a href="#">IRC 164(f)</a></b>	<b>\$27,300,000</b>
--	---------------------

Self-employed persons are allowed to deduct the employer-equivalent portion of their self-employment taxes, which are paid for social security and Medicare coverage. This deduction equalizes treatment between self-employed and employed persons. For the employed, the social security tax is shared by the employer and the employee; the amount paid by the employer is not considered income to the employee and is deductible for the employer.

<b>Health Insurance of Self-Employed Persons, <a href="#">IRC 162(l)</a></b>	<b>\$30,200,000</b>
--	---------------------

Under federal law, self-employed persons can deduct up to 100 percent of premiums paid for health insurance. The deduction may not exceed the earned income from the trade or business for which the insurance plan was established. Wisconsin has its own deduction for up to 100 percent of the premiums paid for health insurance by self-employed persons, which was put in place when only a partial deduction was allowed under federal law. The Wisconsin deduction is also limited to net self-employment earnings, and it is not allowed for amounts already deducted in determining federal AGI.

<b>Educator Expenses, <a href="#">IRC 62</a></b>	<b>\$730,000</b>
--	------------------

Kindergarten through twelfth grade educators who worked in a school for at least 900 hours during a school year may deduct from income up to \$300 per educator of unreimbursed qualified classroom expenses that they paid during the year.

<b>Health Savings Accounts and Medical Savings Accounts, <a href="#">IRC 220</a> and <a href="#">223</a></b>	<b>\$11,600,000</b>
--	---------------------

A federal deduction is allowed for contributions to Archer Medical Savings Accounts (MSA) and Health Savings Accounts (HSA). Participation in the HSA or MSA program requires concurrent enrollment in a high deductible health plan, defined as a health plan with a higher annual deductible than typical health plans and with a maximum limit on the annual amount of out-of-pocket medical expenses that the participant must pay for covered expenses.

Employer contributions to HSAs or MSAs are excluded from gross income, and contributions by individuals are deductible from income. Distributions from the accounts are excluded from income if used to pay qualified medical expenses, including unreimbursed medical costs of an eligible participant, spouse or dependents. Distributions used for nonqualified expenses are subject to a 20 percent federal excise tax, unless the participant is disabled or is age 65 or older.

The \$11.6 million fiscal effect shown in Table 3 relates to the *adjustment to gross income* claimed for contributions to MSAs and HSAs. In contrast, to the extent that existing MSAs and HSAs earn interest or otherwise accumulate earnings, those amounts are *excluded from gross income*. Employer contributions to MSAs and HSAs on behalf of employees are also excluded from gross income rather than deducted as an adjustment to gross income. An additional \$58.2 million fiscal effect is included in the exclusion from gross income for sickness and injury benefits. The total fiscal effect for these accounts was \$69.8 million in FY24.

<b>Moving Expenses, <a href="#">IRC 217</a></b>	<b>Minimal</b>
---	----------------

A deduction from gross income is allowed for moving expenses when the move is related to starting work in a new location. Deductible moving expenses include the cost of transporting household goods and personal effects and the cost of travel to the new residence, including lodging, but not meals. The deduction was suspended for tax years 2018 through 2025 for all individuals except members of the U.S. armed forces.

<b>Alimony, <a href="#">IRC 62(a)(10)</a>, <a href="#">71</a> and <a href="#">215</a></b>	<b>\$10,900,000</b>
---	---------------------

For divorce or separation agreements executed before 2019, alimony, separate maintenance or similar periodic payments may be deducted from the gross income of the spouse or former spouse making the payments; however, they are deductible only to the extent that the payments are includible in the gross income of the recipient. Such payments must be made pursuant to a decree of divorce or separation. Child support and property settlements are not considered alimony.

<b>Penalty on Early Withdrawal of Savings, <a href="#">IRC 62(a)(9)</a></b>	<b>\$60,000</b>
---	-----------------

Penalties paid because of premature withdrawal of funds from time savings accounts or deposits may be deducted from gross income. The adjustment is allowed for amounts forfeited to a bank, mutual savings bank, savings and loan association, cooperative bank, or homestead association as a penalty for premature withdrawal of funds from a time savings account, certificate of deposit or similar class of deposit. The deduction is not allowed when the loss is incurred in a transaction connected with a trade or business.

### Modifications to Federal Adjusted Gross Income

A modification is an addition to or subtraction from federal adjusted gross income authorized by the Wisconsin Statutes to compute Wisconsin adjusted gross income (also referred to as Wisconsin income). In this report, with the exception of the capital gains add modification discussed in the previous section on "Adjustments to Federal Gross Income," only subtraction modifications are described because only they constitute tax exemption devices.

<b>Social Security Benefits: Difference in State and Federal Treatment, <a href="#">s. 71.05(6)(b)21</a></b>	<b>\$532,000,000</b>
--	----------------------

Wisconsin does not tax social security benefits, while up to 85 percent of those benefits are subject to federal

tax. A subtraction modification allows taxpayers with federally taxable social security to exclude those amounts from Wisconsin income. The \$532 million revenue loss for FY24 for this modification is in addition to the \$182 million revenue loss from the exclusion discussed in the "Exclusions from Federal Gross Income" section; the total fiscal effect of the state's tax treatment of social security is \$714 million.

<b>Interest on U.S. Obligations, s. <a href="#">71.05(6)(b)1</a></b>	<b>\$13,000,000</b>
--	---------------------

All interest and dividend income, less related expenses, received on obligations of the United States, its territories and the District of Columbia may be subtracted from federal adjusted gross income in determining Wisconsin adjusted gross income. The subtraction applies to interest on obligations issued directly by the federal government and obligations issued by independent agencies, which federal law prohibits states from taxing. The fiscal effect of this exemption is difficult to estimate because a significant portion of these bonds are held indirectly by individuals through mutual funds, partnerships and other investment vehicles. The FY24 estimate reflects only U.S. government interest explicitly deducted from Wisconsin income tax returns and does not reflect any amounts deducted as part of the distributive share of those investment vehicles.

<b>Capital Gains Exclusion, ss. <a href="#">71.05(6)(b)9</a> and <a href="#">9m</a></b>	<b>\$305,000,000</b>
---	----------------------

Wisconsin allows taxpayers to exclude from income 30 percent of the capital gains on assets held more than one year. A 60 percent exclusion is available for the capital gains on farm assets held more than one year.

Wisconsin also provides a full exclusion related to qualified Wisconsin businesses. Beginning with assets purchased in 2011, individuals may exclude the net capital gain on Wisconsin assets held more than five years. A Wisconsin asset is defined as real or tangible property located in the state and used in a Wisconsin business, stock in a Wisconsin business, or other ownership interest in a Wisconsin business. Qualifying businesses must register with DOR.

<b>Gains on Sales of Business Assets to Related Persons, s. <a href="#">71.05(6)(b)25</a></b>	<b>\$910,000</b>
---	------------------

Gains on sales of business assets, including assets used in farming, to persons related to the seller within the third degree of kinship are not subject to tax. These related persons include parents, children, grandparents, grandchildren, brothers and sisters, uncles and aunts, nephews and nieces, and great grandchildren.

<b>Certain Government Employee Pensions, ss. <a href="#">71.05(1)(a)</a>, <a href="#">(am)</a> and <a href="#">(an)</a></b>	<b>\$38,100,000</b>
---	---------------------

Payments received from the selected retirement systems by persons who were members of or retired from these systems prior to 1964 are excluded from Wisconsin income, to the extent the payments were included in federal income. The Milwaukee Public School Teachers, Milwaukee City Employees, Milwaukee County Employees, Milwaukee County Sheriff, Milwaukee City Police, Milwaukee Fire Fighters, and Wisconsin Public School Teachers retirement systems, and the U.S. Civil Service and Military Employee retirement system are covered by this exemption.

All payments from the U.S. military retirement system and all U.S. government pension payments received by retirees of the U.S. Coast Guard, the commissioned corps of the National Oceanic and Atmospheric Administration, and the commissioned corps of the public health service are exempt.

<b>Low-Income Retirement Income Exclusion, s. <a href="#">71.05(6)(b)54</a></b>	<b>\$120,000</b>
---	------------------

Up to \$5,000 in qualified pension and IRA income can be excluded from gross income for taxpayers who are 65 or older and have federal adjusted gross income less than \$15,000 for single filers or \$30,000 for married joint filers.

<b>State Legislators' Per Diem Expenses, s. <a href="#">71.05(1)(b)</a></b>	<b>Minimal</b>
---	----------------

Amounts received by state legislators as an allowance for expenses incurred while in Madison on legislative

business are excluded from Wisconsin adjusted gross income, provided a deduction for travel expenses is not claimed.

<b>Health Insurance Premiums of the Self-Employed and Certain Employees: Difference in State and Federal Treatment, ss. <a href="#">71.05(6)(b)19</a>, <a href="#">35</a>, <a href="#">38</a>, and <a href="#">42</a></b>	<b>\$111,000,000</b>
---	----------------------

To the extent that health insurance premium payments have not already been deducted or excluded from federal income, a subtraction is available for the full amount of premiums paid by individuals.

The \$111 million revenue loss is in addition to the revenue losses attributable to health insurance premiums that are excluded or deducted from federal income.

<b>Long-Term Care Insurance Expenses, s. <a href="#">71.05(6)(b)26</a></b>	<b>\$8,960,000</b>
--	--------------------

A deduction is allowed for premiums paid for long-term care insurance. This insurance provides coverage for convalescent or custodial care, or care for a chronic condition or terminal illness that is provided in a person's home, an institution or a community-based setting. Qualified expenses include expenses for policies that cover a taxpayer and his or her spouse. Qualified expenses subtracted from gross income in the calculation of federal adjusted gross income cannot be claimed for this deduction. Also, qualified expenses claimed for this deduction cannot be used to calculate the Wisconsin itemized deduction credit.

<b>Unemployment Compensation, s. <a href="#">71.05(6)(b)8</a></b>	<b>\$290,000</b>
---	------------------

Wisconsin excludes from income a portion of unemployment compensation when income falls below certain amounts. Taxable unemployment compensation equals the lesser of total unemployment compensation or 50 percent of the amount, if any, by which unemployment benefits plus the recipient's adjusted gross income (excluding unemployment compensation and certain disability benefits) exceed specified base amounts. The base amounts are: \$12,000 for single persons and married persons who file separately and lived apart from their spouses for the full tax year; \$18,000 for married persons filing a joint return; and \$0 for married persons who file separately but lived with their spouses for at least part of the tax year.

<b>Disability Income, s. <a href="#">71.05(6)(b)4</a></b>	<b>Minimal</b>
---	----------------

A subtraction is allowed for payments to disabled persons that are included in federal income but were excluded under sec. 105(d) of the Internal Revenue Code prior to its repeal in 1983. This exclusion is limited to individuals who are retired on permanent and total disability, are less than 65 years old, and have FAGI of less than \$20,200 (\$25,400 if married and both spouses are eligible).

<b>Adoption Expenses, s. <a href="#">71.05(6)(b)22</a></b>	<b>\$50,000</b>
--	-----------------

Adoptive parents may deduct adoption fees, court costs or legal fees relating to the legal adoption of a child. This subtraction from federal adjusted gross income is limited to \$5,000 of adoption expenses that occur during the tax year in which the adoption is finalized and the two prior tax years. Employer-paid adoption expenses that under federal law are excluded from gross income may not be used for the deduction.

<b>Higher Education Tuition Expenses, s. <a href="#">71.05(6)(b)28</a></b>	<b>\$12,100,000</b>
--	---------------------

The federal tax deduction for qualified tuition and fees does not apply in Wisconsin; however, state law does allow a tuition deduction. For tax year 2024 a deduction of up to \$7,333 per student per year is allowed for tuition that is paid to any university, college, technical college or a school approved by the Educational Approval Program that is located in Wisconsin. Tuition paid to a public vocational school or public institution of higher education in Minnesota under the Minnesota-Wisconsin reciprocity agreement also qualifies for the deduction. Eligible expenses include tuition for the education of the claimant, the claimant's spouse, and his or her dependent. The maximum deduction amount is phased out in specified ranges of federal adjusted gross income: between \$67,760 and \$81,320 for single and head of household filers, \$108,420 and \$135,530 for married joint filers, and \$24,210 and \$67,760 for married separate filers.



<b>College Savings Plans, ss. <a href="#">71.05(6)(b)23</a> and <a href="#">31 to 33</a></b>	<b>\$19,000,000</b>
--	---------------------

In 2024, a deduction of up to \$5,000 per year per beneficiary is allowed for contributions to an Edvest or Tomorrow's Scholar college savings account. To prevent double counting of the deduction, no deduction is allowed for any costs paid out using distributions from such a college savings or prepaid tuition plan. In particular, taxpayers cannot claim a deduction for tuition financed by a distribution from a college savings account when the contribution to that account was previously deducted.

In addition, any interest earnings on contributions to a plan may be deducted, to the extent these earnings are included in federal adjusted gross income and provided that the distributions from the plan are used for qualified educational purposes. Distributions from these plans are also exempt from federal tax (see Qualified Tuition Programs under "Exclusions from Federal Gross Income").

<b>Human Organ Donation Expenses, s. <a href="#">71.05(10)(i)</a></b>	<b>Minimal</b>
---	----------------

An individual who, while living, donates one or more of his or her human organs to another human being for human organ transplantation may subtract \$10,000 from federal adjusted gross income in the year in which the transplant occurs. The subtract modification may only be claimed for travel expenses, lodging expenses and lost wages that are incurred by the claimant and related to his or her organ donation.

<b>U.S. Armed Forces Active Duty Pay, ss. <a href="#">71.05(6)(b)34</a> and <a href="#">71.05(6)(b)56</a></b>	<b>\$12,100,000</b>
---	---------------------

Members of the U.S. armed forces on active duty may deduct basic, special and incentive pay received from the federal government under 37 USC chapters 3 and 5 while on active duty. Moreover, members of the reserves or National Guard components of the U.S. armed forces who are called to federal active duty, may deduct from FAGI the amount of military pay received that relates to the period of time during which they are on active duty. Military members who do not file a Wisconsin return are excluded from this fiscal effect.

<b>Private School Tuition, s. <a href="#">71.05(6)(b)49</a></b>	<b>\$10,100,000</b>
---	---------------------

Individuals may claim a deduction for tuition paid to send their dependent children to private school. The maximum deduction is \$4,000 for an elementary school pupil and \$10,000 for a secondary school pupil.

<b>Combat Zone Related Death, ss. <a href="#">71.05(6)(b)48</a> and <a href="#">48m</a></b>	<b>Minimal</b>
---	----------------

A deduction is allowed for the full amount of income received by an individual who died during the year while on active duty if the death occurred while he or she was serving in a combat zone. Individuals also qualify for the deduction if they died outside of the combat zone, but as a result of wounds, disease or injury incurred while serving in the combat zone. The deduction also applies to the previous year if the service member did not already file an income tax return.

<b>Physician or Psychiatrist Grant, s. <a href="#">71.05(6)(b)51</a></b>	<b>Minimal</b>
--	----------------

A deduction is allowed for the amount received by a physician or psychiatrist from the Wisconsin primary care and psychiatry shortage grant program. The grant program is intended to encourage primary care physicians and psychiatrists to practice primary care medicine or psychiatry in underserved areas in the state.

<b>ABLE Accounts, s. <a href="#">71.05(6)(b)52</a></b>	<b>\$80,000</b>
--	-----------------

Individuals may claim a deduction for the amount contributed to qualified ABLE (Achieving a Better Life Experience) accounts. The beneficiary of an ABLE account must be a person with a disability. Distributions from the accounts must be used to pay the qualified disability expenses of the beneficiary. The total maximum subtraction that may be claimed by all contributors to the account for 2024 is \$18,000.

<b>Out-of-State Employees Disaster Relief Work, s. <a href="#">71.05(1)(g)</a></b>	<b>Not Available</b>
--	----------------------

Qualifying out-of-state businesses and out-of-state employees are allowed an exemption from certain Wisconsin registration and tax reporting requirements, if the qualifying employer or employee is in Wisconsin solely to perform disaster relief work in connection with a state of emergency declared by the Governor. Compensation paid to qualifying out-of-state employees who are performing disaster relief work is not taxable.

<b>Olympic, Paralympic and Special Olympic Medals and Prize Money, s. <a href="#">71.05(6)(b)53</a></b>	<b>Minimal</b>
---	----------------

An exemption is allowed for the value of any Olympic, Paralympic or Special Olympics medal won by an individual in an Olympic, Paralympic or Special Olympics competition, and the amount of any payment such an individual receives from the U.S. Olympic Committee or from the Special Olympics Board of Directors. Because a similar exemption already exists under federal law as adopted by Wisconsin, this exemption only applies to amounts not already claimed on the individual's federal tax return. The federal provision does not allow an exclusion for individuals with more than \$1 million of federal adjusted gross income and does not allow exclusions related to the Special Olympics.

<b>AmeriCorps Education Awards, s. <a href="#">71.05(6)(b)55</a></b>	<b>Minimal</b>
--	----------------

AmeriCorps education awards disbursed under 42 USC 12604 and used to pay for qualified student loans, educational expenses, or to participate in approved school-to-work programs may be deducted from income to the extent that the amounts have not already been excluded from federal adjusted gross income.

***Deductions and Exemptions from Adjusted Gross Income***

***FY24 Fiscal Effect***

A deduction is an amount subtracted from Wisconsin adjusted gross income (or total income) to yield Wisconsin taxable income – the amount to which the tax rates are applied. Federal taxpayers may claim either a standard deduction or an itemized deduction. Wisconsin taxpayers are allowed a standard deduction only, though taxpayers may be eligible for an itemized deductions credit, explained in the next section. Wisconsin also provides a personal exemption that is subtracted from Wisconsin adjusted gross income.

<b>Standard Deduction, s. <a href="#">71.05(22)</a></b>	<b>\$843,000,000</b>
---	----------------------

Wisconsin provides a sliding scale standard deduction that decreases as income increases. For tax year 2024, the standard deduction for single persons was \$13,230 when Wisconsin adjusted gross income (WAGI) was less than \$19,070, and it was phased out as WAGI rose from \$19,070 to \$129,320. For heads of households, mostly single parents, the deduction was \$17,090 when WAGI was less than \$19,070, and it was phased down to the level of the standard deduction of single filers as WAGI rose from \$19,070 to \$55,779. When WAGI exceeded \$55,779, heads of households received the same deduction as single filers. For joint filers, the standard deduction was \$24,490 when WAGI was less than \$27,520 and was phased out when WAGI was between \$27,520 and \$151,344. For married persons filing separately, the standard deduction was \$11,630 when WAGI was less than \$13,060 and was phased out when WAGI was between \$13,060 and \$71,863. These amounts are indexed for inflation.

The estimate of revenue loss for the standard deduction does not reflect the amount of the itemized deductions credit that would be claimed by persons not currently claiming it if the standard deduction was eliminated; the credit cannot be calculated because the amount of their itemized deductions is not known for all taxpayers.

<b>Personal Exemption and Additional Elderly Exemption, s. <a href="#">71.05(23)</a></b>	<b>\$164,000,000</b>
--	----------------------

Wisconsin provides an exemption equal to \$700 for each tax filer, spouse and dependent, plus an additional exemption of \$250 for each taxpayer and spouse age 65 and older.



**Credits****FY24 Fiscal Effect**

A credit is an amount that is subtracted directly from the taxpayer's Wisconsin gross tax liability (i.e., the amount determined by applying the Wisconsin tax rates to Wisconsin taxable income) to determine the Wisconsin net tax liability. A credit can be nonrefundable or refundable. A nonrefundable credit is limited to the amount of income tax otherwise due; it cannot be used to reduce taxes to less than \$0. Taxpayers may carry forward most unused nonrefundable credits to offset future years' liabilities. A refundable credit is paid to claimants in the form of a refund check when the amount of the credit exceeds the tax otherwise due.

<b>Itemized Deductions Credit, s. <a href="#">71.07(5)</a></b>	<b>\$296,000,000</b>
--	----------------------

Federal law allows itemized deductions to be subtracted from federal adjusted gross income when these deductions exceed the federal standard deduction. Wisconsin does not allow itemized deductions, but instead has a nonrefundable credit for some of the expenses for which federal itemized deductions may be claimed. This credit is equal to 5 percent of the eligible itemized deductions in excess of Wisconsin's sliding scale standard deduction. The eligible expenses include medical expenses, interest, charitable contributions and certain casualty losses related to a federally declared disaster. No credit is allowed for the federal itemized deductions for state and local taxes and miscellaneous expenses.

The expenses used in calculating the Wisconsin itemized deductions credit are described below, and their fiscal effects are estimated. The sum of these estimates for each particular expense exceeds the total fiscal effect for the itemized deductions credit because of interaction effects.

1. Medical Expenses

Health expenses can be claimed as an itemized deduction to the extent that the total amount of medical expenses not compensated for by insurance exceeds 7.5 percent of the taxpayer's federal adjusted gross income. Eligible expenses include: fees for doctors, dentists, health practitioners and hospital services; amounts spent for prescription medicine and drugs; premiums paid on medical or health insurance policies; costs of medical equipment (e.g., motorized wheelchairs, hearing aids, dentures, eye glasses); and the cost of transportation, meals and lodging for needed medical care. The credit for medical expenses reduced tax revenues by \$25.5 million in FY24.

2. Interest

Mortgage interest on a primary personal residence located in Wisconsin qualifies for the state's itemized deductions credit. Wisconsin also allows the credit for interest paid on indebtedness related to investments to the extent that the investment interest is offset by the taxpayer's net investment income and to the extent that income is subject to Wisconsin tax. The revenue loss from the credit for interest expense was \$147 million in FY24.

3. Charitable Contributions

Contributions to recognized charitable organizations or activities can be claimed as an itemized deduction. In general, a recognized charity is any governmental body, or any public or private corporation, trust, or foundation organized and operated principally for charitable, religious, scientific, literary or educational purposes. Certain limitations apply on contributions of property or the taxpayer's personal services. Additional limitations apply on the total amount of charitable contributions that can be deducted within a single year. The revenue loss from the credit for charitable contributions was \$132 million in FY24.

4. Casualty Losses

Only casualty losses directly related to a federally declared disaster can be claimed for purposes of the itemized deduction credit. The revenue loss from the credit for casualty losses was \$100,000 in FY24.

<b>Child and Dependent Care Credit, s. <a href="#">71.07(9g)</a></b>	<b>\$27,900,000</b>
--	---------------------

Individuals who qualify for the federal credit for child and dependent care expenses generally qualify for the Wisconsin credit as well. The credit is available to individuals who paid someone to care for their qualifying children under age 13 or their disabled spouse or other disabled person. The federal credit is capped at \$3,000 of expenses for one qualifying person or \$6,000 for two or more qualifying persons. The Wisconsin credit was equal to 50 percent of the federal credit in 2022 and 2023. Beginning in 2024, the Wisconsin credit rate was increased to match the federal rate. Moreover, the qualifying expenses for the state credit were increased to \$10,000 for one qualifying person or \$20,000 for two or more qualifying persons.

<b>School Property Tax Credit, s. <a href="#">71.07(9)</a></b>	<b>\$461,000,000</b>
--	----------------------

The school property tax credit is equal to 12 percent of the first \$2,500 of property taxes or rent constituting property taxes paid on a person's primary residence and contiguous land, up to a maximum credit of \$300. For renters, "rent constituting property taxes" means 25 percent of rent if heat is not included or 20 percent of rent if heat is included in rent. No credit is allowed for property taxes or rent that is deductible as a trade or business expense. The credit is nonrefundable.

<b>Historic Preservation Credits, ss. <a href="#">71.07(9m)</a> and <a href="#">(9r)</a></b>	<b>\$3,150,000</b>
--	--------------------

Two nonrefundable credits are provided to encourage the rehabilitation of historic buildings in Wisconsin.

1. Supplement to the Federal Historic Rehabilitation Credit

The supplement to the federal historic rehabilitation credit may be claimed for projects eligible for the federal credit. The credit is equal to 20 percent of qualified rehabilitation expenditures. Qualified rehabilitation expenditures, defined under sec. 48(g) of the Internal Revenue Code, are expenditures to substantially rehabilitate certified historic buildings for use in a trade or business. The rehabilitation work must meet historic preservation standards, and the expenditures must exceed the taxpayer's adjusted basis in the building. Unused amounts of the credit may be carried forward for up to 15 years. The credit applies only to property located in Wisconsin. Taxpayers must reduce their Wisconsin adjusted basis in the building by the amount of the credit claimed. The reduced basis will result in lower depreciation deductions and will have the result that taxpayers may have an increased taxable gain from the sale or exchange of the property.

For rehabilitation projects undertaken by a partnership, tax-option corporation or limited liability company (LLC), the credit is passed through to the individual partners, shareholders or members in proportion to their ownership interest in the partnership, corporation or LLC. Though the credit is generated by specifically approved rehabilitation projects, the credit amount is transferable. Individuals and corporations may buy or sell credits from each other. Most credits are generated by partnerships, but corporations tend to be the primary purchasers and claimants of the credits.

2. State Historic Rehabilitation Credit

The state historic rehabilitation credit is equal to 25 percent of qualified expenditures to substantially rehabilitate certified historic buildings for noncommercial use. The credit applies to owner-occupied personal residences, provided that the residence is not used in the course of a trade or business. The credit cannot be claimed for rehabilitation of a personal residence if the person has already claimed a rehabilitation credit for another personal residence within the preceding five years. The rehabilitation work must meet historic preservation standards, and the expenditures must exceed \$10,000. The maximum credit amount is \$10,000 (\$5,000 for married persons filing separately). Unused amounts of credit can be carried forward for up to 15 years. The credit applies only to property located in Wisconsin.

Taxpayers must reduce their Wisconsin adjusted basis in the building (or entire property, if not a building) by the amount of the credit claimed. The reduced basis will have the result that taxpayers may have an increased taxable gain from the sale or exchange of the property.

<b>Working Families Credit, s. <a href="#">71.07(5m)</a></b>	<b>\$110,000</b>
--	------------------

The working families credit equals a taxpayer's net tax liability, defined as gross tax less the itemized deductions, armed forces member, school property tax and historic rehabilitation credits, when income is less than \$18,000 for married couples filing jointly and \$9,000 for other tax filers. Essentially, the credit eliminates tax liability when income is below these ceilings. The credit is phased out over the next \$1,000 of income above these ceilings. The credit is limited to full-year residents, and no credit is allowed for persons who are claimed as a dependent on another filer's tax return. It is nonrefundable.

<b>Manufacturing and Agriculture Credit, s. <a href="#">71.07(5n)</a></b>	<b>\$362,000,000</b>
---	----------------------

The manufacturing and agriculture credit is available to businesses engaged in manufacturing and agricultural production activities. The credit is equal to 7.5 percent of income attributable to qualified production activities. It is nonrefundable, but unused credit amounts may be carried forward for up to 15 years. This credit is discussed in more detail in the "Corporate Income and Franchise Taxes" chapter of this report.

<b>Research Expense Credits, ss. <a href="#">71.07(4k)</a> and <a href="#">(4n)</a></b>	<b>\$25,100,000</b>
---	---------------------

The research expense credits are available to individuals and pass through entities for increasing research activities in Wisconsin. Qualified research must be undertaken for discovering information that is technological in nature, and its application must be intended for use in developing a new or improved business component. Substantially all of the activities of the research must be elements of a process of experimentation relating to a new or improved function, performance, reliability or quality. The standard credit is equal to 5.75 percent of the amount by which the claimant's qualified research expenses for the taxable year exceed 50 percent of the average qualified research expenses for the three taxable years immediately preceding the taxable year for which the claimant claims the credit. If the claimant had no qualified research expenses in any of the three taxable years immediately preceding the taxable year for which the claimant claims the credit, the claimant may claim an amount equal to 2.875 percent of the qualified research expenses for the taxable year for which the credit is claimed. For research related to designing internal combustion engines for vehicles and for research related to energy efficient products, the credit is equal to 11.5 percent of the amount by which the claimant's qualified research expenses for the taxable year exceed 50 percent of the average qualified research expenses for the three taxable years immediately preceding the taxable year for which the claimant claims the credit. If the claimant had no qualified research expenses in any of the three taxable years immediately preceding the taxable year for which the claimant claims the credit, the claimant may claim an amount equal to 5.75 percent of the qualified research expenses for the taxable year for which the credit is claimed.

Prior to 2018 the credits were entirely nonrefundable, but credit amounts could be carried forward for up to 15 years. Beginning in 2018, up to 10 percent of new unused credits could be claimed as a refundable credit, allowing credits to exceed the taxpayer's liability. The refundable portion of the credit was increased to 15 percent beginning in 2021 and 25 percent beginning in 2024. The tax expenditures for the nonrefundable and refundable portions of the credit are listed separately in Table 3. The total fiscal effect above is the sum of both components. This credit is discussed in more detail in the "Corporate Income and Franchise Taxes" chapter of this report.

<b>Community Rehabilitation Program Credit, s. <a href="#">71.07(5k)</a></b>	<b>\$140,000</b>
--	------------------

The credit is available to persons who enter into a contract with a community rehabilitation program to have the program perform work for the claimant's business. The maximum tax credit that can be claimed is \$25,000 for each community rehabilitation program for which the claimant has a contract. Unused credit amounts can be carried forward up to 15 years to offset future tax liabilities. This credit is discussed in more detail in the "Corporate Income and Franchise Taxes" chapter of this report.

<b>Employee College Savings Account Contribution Credit, s. <a href="#">71.07(10)</a></b>	<b>Minimal</b>
---	----------------

The credit is available to a partner of a partnership, a member of a limited liability company (LLC), a corporation or a shareholder of a tax option (S) corporation that is an employer and contributes to an employee's college savings account. The employer may contribute up to 25 percent of the amount an individual contributor could deduct, and the employer may claim a credit equal to 25 percent of the contribution they make. Unused credit amounts can be carried forward up to 15 years to offset future tax liabilities.

<b>Low-Income Housing Credit, s. <a href="#">71.07(8b)</a></b>	<b>Minimal</b>
--	----------------

The credit is available to qualifying taxpayers who are allocated tax credits by the Wisconsin Housing and Economic Development Authority (WHEDA). WHEDA may allocate the credit to individuals or entities based on the development of a qualified low-income housing project under section 42 (g) of the Internal Revenue Code that is financed with tax-exempt bonds and located in Wisconsin.

<b>Married Persons Credit, s. <a href="#">71.07(6)</a></b>	<b>\$262,000,000</b>
--	----------------------

Wisconsin provides a nonrefundable credit for married persons when both spouses are working to offset the marriage tax penalty facing two-earner couples. A penalty occurs when a married person pays more tax than what they would if the two spouses were taxed as two single filers. The credit equals 3 percent of the first \$16,000 of earnings of the spouse with the lowest wages, resulting in a maximum credit of \$480.

<b>Manufacturing Sales Tax Credit, s. <a href="#">71.07(3s)</a></b>	<b>Minimal</b>
---	----------------

Until 2006, a nonrefundable credit could be claimed for the amount of Wisconsin sales tax paid on fuel and electricity consumed in manufacturing tangible personal property in the state. The credit was designed to be the equivalent of a sales tax exemption. Unused amounts of credit could be carried forward and offset against tax liability over the next 20 years. Corporations were required to increase their net income by the amount of credit claimed in lieu of reducing their deduction for the sales tax portion of the expense of fuel and electricity.

Beginning in 2006, fuel and electricity used in manufacturing became exempt from the sales tax and the credit for sales tax was repealed. Manufacturers that meet certain conditions may continue to use manufacturers' sales tax credit carried forward from prior years to offset income in the future (see the description for the Manufacturing Investment Credit). Manufacturers with up to \$25,000 of unused credit could take up to 50 percent in tax years 2006 and 2007. Manufacturers with more than \$25,000 of unused credit were allowed to deduct from income 50 percent of the amount that was added back to income when the credits were claimed in tax year 2007 and 50 percent in tax year 2008.

<b>Manufacturing Investment Credit, s. <a href="#">71.07(3t)</a></b>	<b>\$370,000</b>
--	------------------

Beginning in 2008, businesses whose unused credit for sales tax on fuel and electricity used in manufacturing was greater than \$25,000 on January 1, 2006, were able to claim a manufacturing investment credit, provided they met certain job retention, investment or other tests. The credit is equal to the unused manufacturers' sales tax credit, amortized over 15 years.

<b>Dairy and Livestock Farm Investment Credit, s. <a href="#">71.07(3n)</a></b>	<b>\$3,840,000</b>
---	--------------------

For taxable years beginning after 2005 and before 2014, a nonrefundable credit is available for 10 percent of certain expenditures to modernize or expand a dairy or livestock farm. The credit was sunset in 2014, so all remaining claims are carryovers from prior years. Unused credits may be carried forward up to 15 years to offset future tax liabilities. This credit is discussed in more detail in the "Corporate Income and Franchise Taxes" chapter of this report.

<b>Development Zone and Technology Zone Credits, ss. <a href="#">71.07(2dm)</a>, <a href="#">(2dx)</a> and <a href="#">71.07(3g)</a></b>	<b>Minimal</b>
--	----------------

Development zone and technology zone credits are available to taxpayers who are certified by the Wisconsin Economic Development Corporation (WEDC) to participate in these Wisconsin zone-based programs. Credits awarded to noncorporate entities are generally passed through to their owners in proportion to their ownership interest in the entity and may be claimed on the owner's individual income tax return. These credits are nonrefundable, so they are limited to tax liability otherwise due; however, unused amounts may be carried forward. These programs and the credits are more fully discussed in the chapter on "Corporate Income and Franchise Taxes."

<b>Economic Development Credit, s. <a href="#">71.07(2dy)</a></b>	<b>\$160,000</b>
---	------------------

Under the economic development tax credit program, a business may apply to WEDC for certification to claim tax benefits. WEDC may certify a business that conducts or intends to conduct at least one eligible activity. The eligible activities include:

- Creating and maintaining, for a period of time established by WEDC, full-time jobs in addition to any existing full-time job.
- Making a significant investment in new equipment, machinery, real property or depreciable personal property.
- Making significant investments in the training or reeducation of employees for the purpose of improving the productivity or competitiveness of the business.
- Locating or retaining a corporate headquarters in Wisconsin or retaining employees holding full-time jobs in Wisconsin.

This credit is discussed in more detail in the "Corporate Income and Franchise Taxes" chapter of this report.

<b>Angel Investment Credit and Early Stage Seed Investment Credit, ss. <a href="#">71.07(5d)</a> and <a href="#">71.07(5b)</a></b>	<b>\$5,420,000</b>
--	--------------------

The angel investment credit is available to individuals for investments in qualified new business ventures certified by WEDC. A credit for 25 percent of the investment may be claimed in the taxable year the investment was made.

The early stage seed investment credit is available for businesses and individuals for 25 percent of qualified investments. The maximum annual amount that may be claimed by all claimants is \$30 million combined between the early stage seed credit and the angel investment credit

<b>Income Taxes Paid to Other States/Income Tax Reciprocity, ss. <a href="#">71.07(7)</a> and <a href="#">71.10(7e)</a></b>	<b>\$592,000,000</b>
---	----------------------

If a person lives in one state and is employed in another, income may be subject to taxation in both states. To alleviate this double taxation, the state in which the taxpayer resides may allow a credit for income taxes paid to another state. Alternatively, two states may enter into a reciprocity agreement whereby the taxpayer is only required to pay state income taxes to the home state. Currently, Wisconsin has reciprocity agreements with Illinois, Indiana, Kentucky and Michigan.

1. Credit for Taxes Paid to Other States.

Wisconsin residents may reduce their Wisconsin income tax by the amount of income taxes paid to other states (or the District of Columbia). The credit is not allowed for taxes paid on personal service income if that income is earned in states having reciprocity agreements with Wisconsin. The revenue loss from this credit was \$458 million in FY24. The credit is nonrefundable, and unused amounts may not be carried forward.

2. Income Tax Reciprocity

Since there are more Wisconsin residents employed in Illinois than residents of Illinois working in Wisconsin, the income tax revenue foregone by Illinois exceeds the taxes foregone by Wisconsin as a result of reciprocity. Either state could capture these additional revenues by eliminating reciprocity, but that would require individuals living in one state and working in the other to file income tax returns with both states. To avoid this and to eliminate the need for credits for taxes paid to the other state, Wisconsin has agreed to pay Illinois an amount equal to the tax the state foregoes in excess of the amount of tax Wisconsin foregoes as a result of reciprocity. The FY24 payment amount was \$134 million.

<b>Earned Income Credit, s. <a href="#">71.07(9e)</a></b>	<b>\$89,300,000</b>
---	---------------------

Wisconsin allows low-income workers with dependents to claim a Wisconsin earned income credit equal to a percentage of the federal earned income tax credit, depending on family size. The credit is refundable; any amount of the credit in excess of taxes otherwise due is rebated to the taxpayer.

The Wisconsin credit is 4 percent of the federal credit for persons with one child, 11 percent for persons with two children, and 34 percent for persons with three or more children. For persons with one child, the 2024 federal credit was 34 percent of the first \$12,390 of earnings; for persons with two children the credit was 40 percent of the first \$17,400 of earnings, and for persons with three or more children the credit was 45 percent of the first \$17,400 of earnings. These federal credits were phased out as the greater of earnings or federal adjusted gross income rose from \$22,720 to \$49,082 for single persons with one child, from \$22,720 to \$55,768 for single persons with two children, and from \$22,720 to \$59,899 for single persons with three or more children. The phase-out floors and ceilings are \$6,920 higher for married couples who are joint filers. The maximum credit and the range over which the credit is phased out are indexed to inflation.

Federal law also allows a credit for low-income workers without children; Wisconsin has no similar credit.

<b>Farmland Preservation Credit and Farmland Preservation Credit 2010 and Beyond, ss. <a href="#">71.07(3)</a>, <a href="#">71.57</a> to <a href="#">71.61</a>, <a href="#">71.07(3)</a> and <a href="#">71.613</a></b>	<b>\$20,700,000</b>
---	---------------------

Owners of farmland zoned exclusively for agriculture use or covered under a farmland preservation agreement with the state may be able to claim a farmland preservation credit. The credit was revised and expanded beginning in tax year 2010. Under current law the credit may be claimed using either the old credit formula or the new credit formula depending on the claimants' farmland preservation agreements.

The original Farmland Preservation Credit was determined by a formula using household income and the property taxes levied against the farmland. The new Farmland Preservation Credit, 2010 and Beyond, is calculated by multiplying the claimant's qualifying acres by one of the following amounts:

- \$12.50 if the qualifying acres are located in a farmland preservation zoning district and are also subject to a farmland preservation agreement that is entered into after July 1, 2009;
- \$10.00 if the qualifying acres are located in a farmland preservation zoning district but are not subject to a farmland preservation agreement that is entered into after July 1, 2009; or
- \$10.00 if the qualifying acres are subject to a farmland preservation agreement that is entered into after July 1, 2009, but are not located in a farmland preservation zoning district.

<b>Repayment Credit, s. <a href="#">71.07(1)</a></b>	<b>\$170,000</b>
--	------------------

A taxpayer who repays income in the current year that had been subject to tax in a previous year may claim a refundable credit for the amount of tax paid on that income in the previous year.



<b>Homestead Credit, ss. <a href="#">71.07(4)</a> and <a href="#">71.51</a> to <a href="#">71.55</a></b>	<b>\$41,100,000</b>
--	---------------------

Low-income homeowners and renters may qualify for a refundable income tax credit based on household income and property taxes or rent constituting property taxes. To qualify, the person:

1. Must be
  - at least 62 years old, or
  - at least 18 years old and have earned income, or
  - at least 18 years old and have a disability;
2. Must not be claimed as a dependent on anyone else's federal income tax return (unless the claimant is 62 years of age or older);
3. Must be a legal resident of Wisconsin for the entire calendar year; and
4. Must have household income (of the claimant and spouse) of less than \$24,680. Household income includes both taxable and nontaxable sources.

In addition, persons are ineligible for the credit if they:

1. Live in a nursing home and receive medical assistance (Title XIX) at the time of filing the claim;
2. Live the entire year in housing that is exempt from property taxes;
3. Claim the farmland preservation credit or the veterans and surviving spouse property tax credit for their home; or
4. Receive general relief payments of \$400 or more for each month of the year of claim, or public assistance (Aid to Families with Dependent Children or Temporary Assistance for Needy Families) for the entire year of claim.

For renters, property taxes are assumed to be 20 percent of rent if heat is included in the rent or 25 percent of rent if heat is not included. In computing household income, a claimant may deduct \$500 for each dependent living with the claimant.

The amount of credit is determined as follows:

1. If household income is \$8,060 or less, the credit is 80 percent of property taxes up to \$1,460; thus, the maximum credit is \$1,168.
2. If household income exceeds \$8,060 but was no more than \$24,680, the credit is 80 percent of the amount by which property taxes exceeds 8.785 percent of household income in excess of \$8,060. That is, the credit is 80 percent of property taxes up to a maximum credit of \$1,168. The credit is phased out at a rate of 7.028 percent (80 percent multiplied by 8.785 percent) when household income exceeds \$8,060.
3. If household income exceeds \$24,680, no homestead credit is allowed.

<b>Veterans and Surviving Spouses Property Tax Credit, s. <a href="#">71.07(6e)</a></b>	<b>\$61,100,000</b>
---	---------------------

Eligible veterans and surviving spouses may claim this refundable credit in the amount of the property taxes paid during the year on the claimant's principal dwelling in Wisconsin. To be eligible for the credit, veterans must be verified by the Wisconsin Department of Veterans Affairs as having served in the U.S. armed forces, having been a Wisconsin resident at the time of entry into service or for any five-year period after entry into service, currently being a Wisconsin resident for the purpose of veterans benefits, and having a service-connected disability rating of 100 percent or a 100 percent disability rating based on individual unemployability. An eligible surviving spouse must be an un-remarried surviving spouse of an individual who was a Wisconsin resident at the time of entry into service, was a Wisconsin resident at the time of death and

died while on active duty, or would be otherwise considered an eligible veteran at the time of death. Surviving spouses may also be able to claim the credit if, following the veteran's death, the surviving spouse began to receive, and continues to receive, dependency and indemnity compensation, as defined in 38 USC 101(14).

<b>Enterprise Zone Jobs Credit, s. <a href="#">71.07(3w)</a></b>	<b>\$13,000,000</b>
--	---------------------

A refundable enterprise zone jobs credit is available for certified businesses located in a designated enterprise zone. WEDC may certify businesses for tax benefits based on activities in the designated zones, including beginning operations, expanding operations, making capital investments or retaining jobs. This credit is discussed in more detail in the "Corporate Income and Franchise Taxes" chapter of this report.

<b>Jobs Tax Credit, s. <a href="#">71.07(3g)</a></b>	<b>Minimal</b>
--	----------------

In order to claim the jobs tax credit, businesses must be certified by WEDC. WEDC may award jobs tax credits to businesses that are operating or intending to operate in Wisconsin and pursuant to a contract with WEDC. The credit is based on the amount of wages paid to eligible employees in the taxable year, subject to a maximum amount of 10 percent of such wages, and the costs incurred by the claimant to undertake training activities in the current year. This credit is discussed in more detail in the "Corporate Income and Franchise Taxes" chapter of this report.

<b>Business Development Credit, s. <a href="#">71.07(3y)</a></b>	<b>\$3,150,000</b>
--	--------------------

The refundable business development credit is available to individuals or entities that operate or intend to operate a business in Wisconsin and enter into a contract with WEDC to increase the business' net employment in Wisconsin. Pursuant to the contract with WEDC, the credit claim may be:

- Up to 10 percent of the wages paid to an eligible employee in the tax year.
- Up to 5 percent of the wages paid to an eligible employee located in an economically distressed area.
- Up to 50 percent of the claimant's training costs to enhance an eligible employee's general knowledge, employability and flexibility in the workplace; to develop skills unique to the claimant's workplace or equipment; or to develop skills that will increase the quality of the claimant's product.
- Up to 3 percent of personal property investment and up to 5 percent of real property investment in a capital investment project that involves a total capital investment of at least \$1,000,000 or, if less than \$1,000,000, involves a capital investment equal to at least \$10,000 per eligible employee employed on the project.
- A percentage of the wages paid to an eligible employee in the tax year if the position was created or retained in connection with the location or retention of the claimant's corporate headquarters in Wisconsin.

<b>Electronics and Information Technology Manufacturing Zone Credit, s. <a href="#">71.07(3wm)</a></b>	<b>None</b>
--	-------------

WEDC may designate one electronics and information technology manufacturing zone in Wisconsin for up to 15 years. The refundable electronics and information technology manufacturing zone credit is equal to 17 percent of the wages paid to full-time employees for work performed in Wisconsin and for the benefit of operations within the zone. A claimant may also claim up to 15 percent of their significant capital expenditures in the zone. WEDC may not certify more than \$1.5 billion of credit for payroll expenses or more than \$1.35 billion of credit for capital expenditures.



**TABLE 3  
INDIVIDUAL INCOME TAX EXEMPTION DEVICES SUMMARY**

Exemption Device	Statutory Reference*	FY24 Fiscal Effect
<b>Exclusions from Federal Gross Income</b>		
Gain from Sale or Exchange of Residence (Home)	<a href="#">IRC 121</a>	298,000,000
Gain from Sale or Exchange of Qualified Small Business Stock	<a href="#">IRC 1202</a> , s. <a href="#">71.98(5)</a>	6,400,000
Social Security Benefits	<a href="#">IRC 86</a>	182,000,000
Railroad Retirement Annuities and Pensions	<a href="#">IRC 86</a>	1,350,000
Public Assistance	<a href="#">IRC 61</a>	2,350,000
Sickness and Injury Benefits	<a href="#">IRC 104</a> to <a href="#">106</a>	1,300,000,000
Distributions from Retirement Plans for Premiums for Health and Long-Term Care Insurance	<a href="#">IRC 402 P.L. 109-280</a>	2,520,000
Group Term Life Insurance Purchased for Employees	<a href="#">IRC 79</a>	18,100,000
Death Benefits	<a href="#">IRC 101</a>	118,000,000
Meals and Lodging to Employees	<a href="#">IRC 119</a>	40,200,000
Scholarships and Fellowships	<a href="#">IRC 117</a>	24,000,000
Awards and Prizes	<a href="#">IRC 74(b)</a> and <a href="#">(c)</a>	Minimal
Rental Value of Parsonages	<a href="#">IRC 107</a>	5,190,000
Reduced Armed Forces Retirement Pay	<a href="#">IRC 122</a>	Not Available
Combat Pay and Other Armed Forces Exclusions	<a href="#">IRC 112</a> and <a href="#">134</a>	161,000,000
Life Insurance Dividends	<a href="#">IRC 7702</a>	24,100,000
Cancellation of Business Property Indebtedness	<a href="#">IRC 108(a)</a>	Minimal
Income Realized from Debt Cancellation Through Bankruptcy	<a href="#">IRC 108</a>	Not Available
Interest on Certain State and Local Bonds	ss. <a href="#">66.1201(14)a</a> , <a href="#">66.1333(5)(a)4.c</a> and <a href="#">71.05(1)(c)</a>	Not Available
Gifts and Inheritances	<a href="#">IRC 102</a>	Not Available
Appreciation of Property Held at the Time of Death	<a href="#">IRC 1014</a>	195,000,000
Employer Contributions to Pension Plans and Net Pension Fund Earnings	<a href="#">IRC 401</a> to <a href="#">404A</a> , <a href="#">406</a> to <a href="#">407</a> and <a href="#">409</a> to <a href="#">417</a>	1,070,000,000
Employer Reimbursement of Employee's Educational Expenses	<a href="#">IRC 127</a>	9,070,000
Employer-Provided Child Care	<a href="#">IRC 129</a>	4,270,000
Employer-Provided Adoption Assistance	<a href="#">IRC 137</a>	2,470,000
Individual Retirement Accounts (IRAs)	<a href="#">IRC 408</a> , <a href="#">408A</a> , and <a href="#">530</a>	147,000,000
Qualified Tuition and ABLE Programs	<a href="#">IRC 529</a> and <a href="#">529A</a>	17,000,000
Self-Employed Retirement Plans	<a href="#">IRC 401</a> to <a href="#">404A</a> , <a href="#">406</a> to <a href="#">407</a> and <a href="#">409</a> to <a href="#">417</a>	194,000,000
Transportation and Other Fringe Benefits	<a href="#">IRC 132(a)</a>	20,500,000
Foster Care Payments	<a href="#">IRC 131</a>	2,720,000
Cancellation of Student Loans	<a href="#">IRC 108 (f)</a>	560,000
Recovery of Tax Benefit Items	<a href="#">IRC 111</a>	Minimal
Foreign Earned Income	<a href="#">IRC 911</a>	24,600,000
Natural Resource-Related Cost-Sharing Payments	<a href="#">IRC 126</a>	Minimal
Passive Activity Losses	<a href="#">IRC 469</a>	Not Available
Capital Gains on Opportunity Zone Investments	<a href="#">IRC 1400Z</a>	9,500,000
<b>Adjustments to Federal Gross Income</b>		
Capital Losses	<a href="#">IRC 1211</a> , s. <a href="#">71.05(10)(c)</a>	2,300,000
Losses from the Sale or Exchange of Business Property	<a href="#">IRC 62(a)(3)</a>	7,780,000
Student Loan Interest	<a href="#">IRC 221</a>	4,910,000
Self-Employment Tax	<a href="#">IRC 164(f)</a>	27,300,000
Health Insurance of Self-Employed Persons	<a href="#">IRC 162(l)</a>	30,200,000
Educator Expenses	<a href="#">IRC 62</a>	730,000
Health Savings Accounts / Medical Savings Accounts	<a href="#">IRC 220</a> and <a href="#">223</a>	11,600,000
Moving Expenses	<a href="#">IRC 217</a>	Minimal
Alimony	<a href="#">IRC 62(a)(10)</a> , <a href="#">71</a> and <a href="#">215</a>	10,900,000
Penalty on Early Withdrawal of Savings	<a href="#">IRC 62(a)(9)</a>	60,000

Exemption Devices	Statutory Reference*	FY24 Fiscal Effect
<b>Modifications to Federal Adjusted Gross Income</b>		
Social Security Benefits: Difference in State and Federal Treatment	s. <a href="#">71.05(6)(b)21</a>	532,000,000
Interest on U.S. Obligations	s. <a href="#">71.05(6)(b)1</a>	13,000,000
Capital Gains Exclusion	ss. <a href="#">71.05(6)(b)9</a> and <a href="#">9m</a>	305,000,000
Gains on Sales of Business Assets to Related Persons	s. <a href="#">71.05(6)(b)25</a>	910,000
Certain Government Employee Pensions	ss. <a href="#">71.05(1)(a)</a> , <a href="#">(am)</a> and <a href="#">(an)</a>	38,100,000
Low-Income Retirement Income Exclusion	s. <a href="#">71.05(6)(b)54</a>	120,000
State Legislators' Per Diem Expenses	s. <a href="#">71.05(1)(b)</a>	Minimal
Health Insurance Premiums: Difference in State and Federal Treatment	ss. <a href="#">71.05(6)(b)19</a> , <a href="#">35</a> , <a href="#">38</a> , and <a href="#">42</a>	111,000,000
Long-Term Care Insurance Expenses	s. <a href="#">71.05(6)(b)26</a>	8,960,000
Unemployment Compensation	s. <a href="#">71.05(6)(b)8</a>	290,000
Disability Income	s. <a href="#">71.05(6)(b)4</a>	Minimal
Adoption Expenses	s. <a href="#">71.05(6)(b)22</a>	50,000
Higher Education Tuition Expenses	s. <a href="#">71.05(6)(b)28</a>	12,100,000
College Savings Plans	ss. <a href="#">71.05(6)(b)23</a> and <a href="#">31</a> to <a href="#">33</a>	19,000,000
Human Organ Donation Expenses	s. <a href="#">71.05(10)(i)</a>	Minimal
U.S. Armed Forces Active Duty Pay	ss. <a href="#">71.05(6)(b)34</a> and <a href="#">71.05(6)(b)56</a>	12,100,000
Private School Tuition	s. <a href="#">71.05(6)(b)49</a>	10,100,000
Combat Zone Related Death	ss. <a href="#">71.05(6)(b)48</a> and <a href="#">48m</a>	Minimal
Physician or Psychiatrist Grant	s. <a href="#">71.05(6)(b)51</a>	Minimal
ABLE Accounts	s. <a href="#">71.05(6)(b)52</a>	80,000
Out-of-State Employees Disaster Relief Work	s. <a href="#">71.05(1)(g)</a>	Not Available
Olympic, Paralympic and Special Olympic Prizes	s. <a href="#">71.05(6)(b)53</a>	Minimal
AmeriCorps Education Awards	s. <a href="#">71.05(6)(b)55</a>	Minimal
<b>Deductions and Exemptions from Adjusted Gross Income</b>		
Standard Deduction	s. <a href="#">71.05(22)</a>	843,000,000
Personal Exemption and Additional Elderly Exemption	s. <a href="#">71.05(23)</a>	164,000,000
<b>Credits</b>		
Itemized Deductions Credit	s. <a href="#">71.07(5)</a>	296,000,000
Child and Dependent Care Credit	s. <a href="#">71.07(9g)</a>	27,900,000
School Property Tax Credit	s. <a href="#">71.07(9)</a>	461,000,000
Historic Preservation Credits	ss. <a href="#">71.07(9m)</a> and <a href="#">(9r)</a>	3,150,000
Working Families Credit	s. <a href="#">71.07(5m)</a>	110,000
Manufacturing and Agriculture Credit	s. <a href="#">71.07(5n)</a>	362,000,000
Research Expense Credits	ss. <a href="#">71.07(4k)</a> and <a href="#">71.07(4n)</a>	25,100,000
Community Rehabilitation Program Credit	s. <a href="#">71.07(5k)</a>	140,000
Employee College Savings Account Contribution Credit	s. <a href="#">71.07(10)</a>	Minimal
Low-Income Housing Credit	s. <a href="#">71.07(8b)</a>	Minimal
Married Persons Credit	s. <a href="#">71.07(6)</a>	262,000,000
Credits, Cont.		
Manufacturing Sales Tax Credit	s. <a href="#">71.07(3s)</a>	Minimal
Manufacturing Investment Credit	s. <a href="#">71.07(3t)</a>	370,000
Dairy and Livestock Farm Investment Credit	s. <a href="#">71.07(3n)</a>	3,840,000
Development and Technology Zone Credits	ss. <a href="#">71.07(2dm)</a> , <a href="#">(2dx)</a> , and <a href="#">(3g)</a>	Minimal
Economic Development Credit	s. <a href="#">71.07(2dy)</a>	160,000
Angel and Early Stage Seed Investment Credits	ss. <a href="#">71.07(5d)</a> and <a href="#">(5b)</a>	5,420,000
Income Tax Paid to Other States/Income Tax Reciprocity	ss. <a href="#">71.07(7)</a> and <a href="#">71.10(7e)</a>	592,000,000
Earned Income Credit	s. <a href="#">71.07(9e)</a>	89,300,000
Farmland Preservation Credit	ss. <a href="#">71.07(3)</a> and <a href="#">71.57</a> to <a href="#">71.613</a>	20,700,000

<b>Credits, cont.</b>	s. <a href="#">71.07(1)</a>	170,000
Repayment Credit		
Homestead Credit	ss. <a href="#">71.07(4)</a> and <a href="#">71.51</a> to <a href="#">71.55</a>	41,100,000
Veterans' and Surviving Spouses' Property Tax Credit	s. <a href="#">71.07(6e)</a>	61,100,000
Enterprise Zone Jobs Credit	s. <a href="#">71.07(3w)</a>	13,000,000
Jobs Tax Credit	s. <a href="#">71.07(3q)</a>	Minimal
Business Development Credit	s. <a href="#">71.07(3y)</a>	3,150,000
Electronics and IT Manufacturing Zone Credit	s. <a href="#">71.07(3wm)</a>	None
* These are references to sections of the 2021-22 Wisconsin Statutes, except "IRC" indicates a reference to a section of the federal Internal Revenue Code authorizing the exemption device.		

## CORPORATE INCOME AND FRANCHISE TAX

Taxation of corporate income was enacted in Wisconsin in 1911, at the same time the individual income tax was created. Since its initial enactment, the corporate tax has undergone some noteworthy changes.

1. Flat Rate. In 1981, a series of rates and brackets were replaced with a single flat rate of 7.9 percent.
2. Federalization. Under the federalized state corporate tax in effect since 1987, corporate taxpayers are subject to tax on the Wisconsin apportioned share of their federal net taxable income, with a number of adjustments for the remaining federal/state law differences and the ongoing effects of previous law differences. Corporations that conduct business in more than one state must apportion their net income among the states with jurisdiction to tax the income.
3. Single-Sales Factor Apportionment. Until 2006, Wisconsin apportioned income with a formula based on three factors — property, payroll and sales. In the formula, the sales factor was double-weighted (50 percent) and the property and payroll factors were single-weighted (25 percent each). For taxable years beginning in 2006, an apportionment formula based solely on the sales factor was phased in, with full implementation of the single sales formula beginning in 2008.
4. Combined Reporting. Effective for taxable years beginning on or after January 1, 2009, Wisconsin law requires groups of corporations with common ownership that are engaged in a unitary business to file a single return (referred to as a combined report) to compute their Wisconsin taxable income. In brief, the corporations required to use combined reporting are those which are both commonly controlled (generally speaking, this means 50 percent common ownership) and engaged in the same unitary business.

Corporations are actually subject to one of two state taxes. The corporate *income* tax, imposed since 1911, is a tax on the net income of corporations doing business in the state. The corporate *franchise* tax, imposed since 1965, is a tax on the privilege of doing business in the state. Corporate net income is used as the measure or base for the franchise tax. The distinction between the two taxes is a subtle one, relating primarily to the restrictions under federal law on the types of income that states can tax with an income tax (e.g., interest from U.S. obligations). The vast majority of corporations pay the franchise tax. The income tax applies to corporations whose business in Wisconsin consists entirely of foreign or interstate commerce and corporations that are filing their final return before dissolution. Because both levies employ the same rate and the same general rules for determining corporate net income (although interest income from U.S. obligations cannot be taxed under the income tax), the two taxes are usually considered as one.

Wisconsin also imposes an economic development surcharge equal to 3 percent of the gross tax liability of regular (C) corporations and 0.2 percent of the net income of tax-option (S) corporations. The surcharge and its exemptions are treated in a separate chapter.

Wisconsin provides for differential tax treatment of business income depending on the form of organization under which a business or organization operates. The business income of proprietorships and partnerships is reported and taxed on the individual income tax returns filed by the owners of the business. Tax-option or Subchapter S corporations are corporations that have elected under Subchapter S of the Internal Revenue Code (IRC) to have their business income taxed to the individual owners of the business in essentially the same manner as a partnership. 2017 Wisconsin Act 368 allows S corporations to elect to be taxed at the entity level as of tax years beginning after December 31, 2017, and for partnerships to be taxed at the entity level for tax years beginning after December 31, 2018. Both S corporations and partnerships that make the election pay the corporate rate of 7.9 percent of taxable income.

Businesses that are organized as regular subchapter C corporations pay the corporate income/franchise tax. In addition, under certain circumstances, the business income of nonprofit organizations and certain types of trusts can be subject to the state corporate tax.

1993 Wisconsin Act 112 authorized the formation of a new form of business organization, the limited liability company (LLC). LLCs combine the limited liability protection afforded to owners of corporations with the flow-through tax benefits provided to owners of S corporations and partners in partnerships. Generally, business income of LLCs is reported and taxed on the individual income tax returns of the owners (called members) of the business. However, some LLCs choose to be taxed as corporations and their business income is reported on the corporate return.

### Collections

In FY24, corporate tax collections were \$2.7 billion or 13.1 percent of total general purpose revenue (GPR) tax collections of \$21.3 billion. Corporate tax collections are the third largest source of general fund revenue for the state after individual income taxes (\$9.4 billion) and sales taxes (\$7.6 billion). Corporate collections are as volatile as corporate profits themselves and highly dependent on economic conditions. Over the previous ten years, corporate income taxes have varied to between 5.2 percent and 14.6 percent of general tax revenue.

### Data Sources

Tax exemption devices applicable to the corporate income tax are grouped into five categories: exemptions, exclusions, special treatments, deductions and credits. The following data sources were used to estimate the fiscal effects of these exemption devices:

1. Wisconsin Corporate Income Tax Model. Fiscal estimates were based in part on data and analysis provided by a computerized corporate income and franchise tax model. The corporate income tax model depends on statistically selected samples of returns from state taxpayers. The model contains detailed information from more than 13,400 corporate returns for tax year 2020, weighted to reflect the corporate tax filing population. The data for the model is compiled from state and federal tax returns. Where possible, data is captured electronically, either from electronically filed returns or by scanning the returns as they are initially processed. In addition, data that is not available electronically is entered into the database manually by full-time department staff and limited term employees. Finally, the department has developed systems to facilitate data entry and to model the fiscal effect of changes to federal and state tax laws.
2. Wisconsin Corporate Tax Collection Statistics. Department of Revenue annual aggregate statistics of corporate tax collections and data from every corporate return were also used to estimate fiscal effects. The most current data is for tax year 2021.
3. Income Tax Processing System Data. Data pulled directly from the department's income tax processing system was used for certain select estimates. The most current year for which complete tax data is available is 2021.
4. Federal Tax Expenditure Estimates. The Congressional Budget Act of 1974 requires preparation of a federal tax expenditure budget annually. These "expenditures" reflect the cost in lost federal revenues of the wide variety of exemptions and incentives contained in the Internal Revenue Code. Using Congressional Budget Office, Joint Tax Committee and U.S. Department of Treasury figures, estimates of the fiscal effect of comparable provisions contained in state law were generated. The procedure followed was first to apportion the federal tax expenditure to Wisconsin and then to adjust for the difference in state and federal tax rates and fiscal years.
5. Statistics of Income, Corporation Income Tax Returns. Published annually by the Internal Revenue Service, this data source provides aggregate data for income and deduction amounts reported on federal returns. Fiscal effects are derived by apportioning federal amounts to Wisconsin based on the proportion of Wisconsin taxable income to federal taxable income.
6. Miscellaneous Sources. Federal and state government agencies that publish data relating to the corporate sector provided additional information.

Several methodological issues complicate the estimation of the revenue loss associated with corporate tax exemption devices. The major obstacle is the lack of useful data. When data are available, they often only approximate the exempt income or deductible expenses for which an estimate is being made. Data may be several years old, which reduces its usefulness given the potential volatility in economic conditions across the nation, within the state or within a particular economic sector. Interest rates, price levels, industrial reorganizations and many other factors contribute to this volatility. Further, the corporate tax is imposed on corporate profits, which can be highly variable. Finally, the estimation process requires assumptions, for example, on Wisconsin's share of some national aggregate or the profitability of corporations operating in Wisconsin relative to firms nationwide. Frequently there is limited information on which to base these assumptions, so they may introduce errors into calculations. Additional programming is required each time the model is used to estimate a fiscal effect for a specific proposed law change.

The fiscal effects shown below relate only to the reduction in revenue under the corporate income and franchise tax. Many of the provisions are also available to individual income taxpayers who may be sole proprietors of businesses or owners or members of a pass-through entity such as a partnership or LLC. The fiscal effects for these taxpayers are shown in the individual income tax section of this report.

**Exclusions from Income**

**FY24 Fiscal Effect**

An exemption allows certain types of organizations, or certain activities related to those organizations, to be free of Wisconsin corporate franchise or income taxes.

<b>Governmental Units, s. <a href="#">71.26(1)(b)</a> and <a href="#">(bm)</a></b>	<b>None</b>
--	-------------

All political units are exempt from income taxation. This includes the federal and state governments, counties, cities, towns, villages, school districts, technical college districts, and special governmental districts like sewerage treatment districts and family care districts. Also exempt are quasi-governmental districts formed for some special public purpose, including local exposition, professional baseball park and local cultural arts districts.

Under the provisions of the United States Constitution, states cannot tax the assets or income-generating activities of the federal government. The state does not tax the assets or income-generating activities of local governments. Defining the net income of local government activities would be difficult, since such activities are generally not trades or businesses. In the case of activities that could be considered trades or businesses, such as municipal water utilities or public golf courses, the activities rarely result in net income to the local government.

<b>Nonprofit Corporations or Associations, s. <a href="#">71.26(1)(a)</a> Nonprofit Organizations Private Foundations</b>	<b>None \$94,300,000</b>
---	------------------------------

All religious, scientific, educational, benevolent or other corporations or associations not organized or operated for profit are exempt from taxation on income from activities related to their tax-exempt purpose. Examples include college alumni groups, scouting organizations, religious and other not-for-profit nursing homes, community-based fund-raising drives for the needy, public interest research groups, and foundations.

Nonprofit organizations are not subject to tax on income from contributions and business activities related to their tax-exempt purpose because this income is used to provide the public services for which these organizations exist. The fiscal effect from this exemption is shown to be zero to the extent that these organizations devote their earnings and assets directly to the conduct of tax exempt purposes and hence do not generate profit.

Nonprofit organizations with income from business activities that are not related to their tax-exempt purpose are subject to a corporate-level unrelated business income tax (UBIT) similar to the federal UBIT. Certain types of income, such as royalties, are not included in UBIT.

Private foundations are treated differently since their activities tend to be more restricted than tax-exempt nonprofit organizations. Foundations generally do not conduct activities; rather, they provide grants to other organizations to conduct the activities. Thus, the investment income of foundations greatly exceeds their low amount of operating costs. The net investment income of these private foundations is exempt from the income and franchise taxes under Wisconsin law. Since 1969, the federal government has imposed an annual excise tax on the net investment income of private foundations and a series of penalty levies linked to the failure of foundations to meet certain specified operating requirements. The state does not impose a similar annual excise tax on private foundations.

<b>Cooperatives, s. <a href="#">71.26(1)(c)</a>, <a href="#">Chapter 185</a></b>	<b>None</b>
--	-------------

Cooperatives organized under Chapter 185 of the Wisconsin Statutes are exempt from income taxation, provided they operate without profit to any shareholder or member and distribute their proceeds according to the procedures set out in sec. 185.45, Wis. Stats. Cooperatives may be organized for any lawful purpose except banking or insurance.

Agricultural cooperatives engaged in marketing farm products for producers and cooperative associations or corporations that process and market farm products exclusively for such cooperatives are exempt from income taxation. To retain their exempt status, cooperatives must: (1) have at least 25 members, (2) return to producers the net proceeds resulting from sale of their products and (3) in the preceding five years have limited payments of members' dividends to no more than 8 percent of the value of the stock per year. In order to be tax exempt, corporations that process and market farm products for agricultural cooperatives are additionally required to deal solely in farm products and cannot charge more than a sufficient amount to cover the costs of: (1) marketing and processing, (2) payment of dividends not to exceed 8 percent of the value of the cooperative's stock per year and (3) a maximum of 5 percent addition to their surplus reserve fund.

Because cooperatives, by definition, do not operate for profit, they would not have a taxable net income if subject to tax. Thus, the exemption has no fiscal effect. Distributions made by cooperatives to the cooperative members may be taxable, depending on the nature of the distribution (see the discussion of patronage dividends under the section on "Deductions from Gross Income").

<b>Credit Unions, s. <a href="#">71.26(1)(a)</a></b>	<b>\$66,500,000</b>
--	---------------------

Federally-chartered credit unions are exempt from state taxation under federal law. Wisconsin exempts state-chartered credit unions from taxation, except for the portion of their net income attributable to public deposits from the state or local governments. There are approximately 130 credit unions operating in Wisconsin; most of them are state chartered.

<b>Insurance Companies, ss. <a href="#">71.43(2)</a> and <a href="#">71.45(1)</a></b>	<b>Not available</b>
---	----------------------

The following insurance companies are exempt from income taxation:

- Insurance companies exempted under sec. 501(c)(15) of the IRC. This section exempts companies other than life insurance companies whose gross receipts do not exceed \$600,000 and more than 50 percent of gross receipts are from premiums. Mutual insurance companies are only exempt if exempt gross receipts do not exceed \$150,000 and more than 35 percent of the gross receipts are from premiums.
- Town mutual companies organized under Chapter 612 of the Wisconsin Statutes.
- Foreign insurance companies, i.e., any insurance company organized outside the state of Wisconsin.
- Domestic life insurance companies engaged exclusively in life insurance.
- Domestic insurance companies insuring against losses relating to mortgages.

In general, only domestic insurers pay the corporate franchise tax to the Department of Revenue, based on the portion of their net income attributable to lines of insurance other than life insurance.

Approximately 80 insurance companies filed a corporate income and franchise tax return in tax year 2019 and paid net taxes of approximately \$21.3 million. Other insurance companies pay a premium tax (\$195.9 million in collections in FY24) to the Office of the Commissioner of Insurance, based on the amount of premiums written in Wisconsin. According to the 2019 annual report of the Office of the Commissioner of Insurance, as of December 31, 2019, there were 2,008 insurance companies with operations in the state, of which 329 were domestic companies. Of the domestic companies, 51 were town mutual companies. The fiscal effect of this exemption is unknown since it is not clear how income subject to tax would be defined.

A more complete description of the insurance premiums tax and the related exemption devices are contained in the Insurance Premiums Tax section of this report.

<b>Banks under Liquidation, s. <a href="#">71.26(1)(d)</a></b>	<b>Minimal</b>
--	----------------

Banks placed in the hands of the Division of Banking of the Wisconsin Department of Financial Institutions for liquidation under sec. 220.08, Wis. Stats., are exempt from tax if such taxation would diminish the financial assets needed to make full payment to depositors. There have been relatively few bank liquidations in Wisconsin since the Depression in the 1930s. Because of the small number of banks undergoing liquidation in fiscal year 2021-22, the fiscal effect of this exemption device is not available so as to protect the confidentiality of the banks.

<b>Assets Distributed to the Menominee Indian Tribe, s. <a href="#">71.26(1)(e)</a></b>	<b>Not available</b>
---	----------------------

Assets distributed by the U.S. government to members of the Menominee Indian Tribe, or any corporations or organizations created by the tribe are exempt from state taxation. In addition, stocks, bonds and other securities issued by tribal corporations or organizations are exempt from state tax.

Under federal law, states generally do not have the authority to tax business activities of Indian tribes provided that the activities are conducted on reservation property or property held in tribal trust.

<b>Activities of Out-of-State Publishers and Certain Foreign Corporations, s. <a href="#">71.23(3)</a></b>	<b>Not Available</b>
--	----------------------

Under federal law, the state has jurisdiction to tax the Wisconsin-apportioned share of the net income of an out-of-state corporation only if the corporation has nexus – that is, a business presence – in Wisconsin. A corporation generally has nexus in Wisconsin if it has property or employees (i.e., payroll) in the state on a regular basis. Certain exceptions to the nexus rules exist so that some out-of-state corporations are not subject to the Wisconsin income and franchise tax.

Wisconsin allows the following exemptions from nexus:

- The storage of property with a firm in this state for purposes of fabricating, processing, manufacturing or printing the property for an out-of-state corporation.
- The storage of property on the premises of a Wisconsin firm when the intent is to distribute the goods outside the state.
- The printing, storage and distribution of books, magazines and other publications for out-of-state publishing companies that contract with Wisconsin printing firms.

The storage of property in Wisconsin for no more than 90 days by foreign corporations, provided the property is stored at a site not owned by the foreign corporation and is transferred and used in the state for fabricating, processing, manufacturing or printing on the site where the property is stored. Further, the assessed property value of the site where the property is stored and transferred must be at least \$10 million but not more than \$11 million on January 1, 1999.

These out-of-state corporations usually have no payroll or plant and equipment in Wisconsin. Thus, the act of storing property in the state for processing, printing or other temporary purposes would have been the only factor establishing nexus, and in turn, a Wisconsin tax liability for the corporations, in the absence of these exemptions.



<b>Veterans Service Organizations, s. <a href="#">71.26(1)(am)</a></b>	<b>Minimal</b>
--	----------------

2007 Wisconsin Act 20 created an exclusion from the corporate income and franchise tax for income of a federally-chartered veterans service organization. This provision first applied to tax year 2008. The fiscal effect of this provision is minimal, as under prior law most income of veterans service organizations was already exempt under federal and state law. Only unrelated business income (i.e., income from activities not substantially related to the activity for which they were granted the exemption) would have been taxed. This income is now exempt.

<b>Interest on Conduit Revenue Bonds, s. <a href="#">71.26(1m)(k)</a></b>	<b>Minimal</b>
---	----------------

2009 Wisconsin Act 205 authorized two or more political subdivisions to enter into an agreement to create a commission to issue conduit revenue bonds. Under the act, a commission is designed to act as a "conduit" for a developer to obtain bonding. Bonds issued by a commission are not public debt. Unless otherwise expressly provided in the bond resolution, bonds issued by a commission are payable solely from revenues derived by the project to be financed or from a contract entered into in connection with the bonds and pledged to the payment of the bonds. The bonds issued by a commission are not debts of either the state or one of the political subdivisions creating the commission and neither would be obligated to levy a tax or make an appropriation for the repayment of the bonds.

Under the act, interest on bonds issued by a commission is exempt from state income taxation if any of the following apply:

- The bonds could have been issued by Wisconsin Housing and Economic Development Authority and are used to fund multifamily affordable housing or elderly housing projects.
- The bonds could have been issued by Wisconsin Health and Educational Facilities Authority and are used by a health facility to fund the acquisition of information technology hardware or software.
- The bonds could have been issued under sec. 66.1201, 66.1333 or 66.1335, Wis. Stats., relating to housing authorities, blight and slum clearance, and housing and community development authorities, respectively.

The exemption only applies to the corporate income tax. Interest from conduit bonds would not be exempt from taxation under the corporate franchise tax.

### ***Exclusions from Income***

### ***FY24 Fiscal Effect***

An exclusion is an item that is not included in the definition of gross income. Excluded income normally does not have to be reported on the tax return.

<b>Life Insurance Proceeds, <a href="#">IRC 101</a></b>	<b>Minimal</b>
---	----------------

Amounts received by a corporation from an insurance company or any other insurer as payment for a death claim are exempt from income taxation. For example, if a company took out policies on the lives of its board members and was paid the value of insurance on the life of one of the board members upon his or her death, the insurance benefit would not be included in the income of the corporation subject to tax. However, the company could not claim a business expense deduction for the premiums it paid on the policy.

Companies are believed to represent a small proportion of all beneficiaries. Further, because insurance compensation is usually paid on the deaths of individuals past retirement age, the effect of this provision is thought to be small.

<b>Exchanges of Corporate Property or Stock, IRC <a href="#">1031-1033</a> and <a href="#">1036-1038</a> Like-Kind Exchanges Other Exchanges</b>	<b>\$2,900,000 Not Available</b>
--	--------------------------------------

In general, a gain is recognized as a result of an exchange or disposition of property to the extent that any cash proceeds plus the taxpayer's basis in new property exceed the taxpayer's basis in the old property. However, gains from the following types of transactions are excluded from gross income:

- Exchange of property held for productive use in a trade or business or held for investment for like-kind (i.e., similar) property. Examples of like-kind exchanges are an exchange of a delivery truck for a delivery van and an exchange of one real property for another real property. The nonrecognition of gain does not apply to exchanges involving inventory and intangible investments, such as stocks and bonds, or to any exchanged property disposed of within two years by either party, with exceptions for death or involuntary conversions.
- Exchange of stock in the corporation for property. For example, a shareholder might contribute property to a corporation for additional shares of stock.
- Involuntary conversions. There is no recognition of gain from involuntary conversions of property provided that the property is converted into similar property or if it is converted into money used to acquire similar property.
- Exchange of common or preferred stock in a corporation for similar stock in the same corporation. For example, a shareholder might be allowed to convert 100 shares of old stock into 200 shares of new stock.
- Certain exchanges of United States obligations. There is generally no recognition of gain if United States obligations must be surrendered in exchange solely for other United States obligations.
- Certain reacquisitions of real property. There is generally no recognition of gain if the seller of real property reacquires a real property in exchange for satisfaction of indebtedness secured by the real property.

The fiscal effects of these exemption devices generally are small because they represent a postponement of income that will eventually be taxed. In general, the taxpayer's basis in the new property is equal to the basis in the old property or otherwise reduced to take into account the fact that the property was acquired in a tax-free transaction.

<b>Recovery of Bad Debts, Prior Taxes and Delinquency Amounts, <a href="#">IRC 111</a></b>	<b>Minimal</b>
--	----------------

Receipts generated by the recovery of bad debts, prior taxes or delinquency amounts are excluded from gross income to the extent that they did not reduce income tax liability when deducted in a prior year. The portion of a recovery amount that gave rise to a tax benefit in prior years is taxable.

<b>Natural Resource-Related Cost-Sharing Payments, <a href="#">IRC 126</a></b>	<b>Minimal</b>
--	----------------

Payments received by corporations primarily for the purpose of conserving soil and water resources, protecting or preserving the environment, improving forests, or providing a habitat for wildlife may be excluded from gross income. Under the federal Tax Relief and Health Care Act of 2006, escrow funds established after May 17, 2006, for hazardous waste sites under agreement with the U.S. Environmental Protection Agency under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 are exempt so long as the funds are controlled by a government agency.

<b>Interest on Certain Bonds Issued by the Wisconsin Health and Educational Facilities Authority, ss. <a href="#">71.26(1m)(i)</a> and <a href="#">71.45(1t)(i)</a></b>	<b>Minimal</b>
---	----------------

2007 Wisconsin Act 20 provided an exemption from corporate income taxes for interest paid on certain bonds issued by the Wisconsin Health and Educational Facilities Authority (WHEFA), starting with taxable years beginning on or after January 1, 2008. This exemption would apply if the proceeds of the bonds or notes are

used by a health facility to fund the acquisition of information technology hardware or software. Interest on the bonds is not exempt under the corporate franchise tax.

### Special Treatment

Certain corporate entities are subject to tax provisions that are substantially different from those provided for most corporations. While these entities pay corporate income or franchise taxes, the method used to compute the tax liability is different from that afforded other corporate taxpayers.

<b>Limit on Tax Liability of Insurers, s. <a href="#">71.46(3)</a></b>	<b>Minimal</b>
--	----------------

The tax liability of insurance companies subject to the state income/franchise tax (see the discussion under the section on "Exemptions") is limited to 2 percent of the gross premiums derived from non-life lines of insurance in Wisconsin. The fiscal effect measures the difference between what the tax liability of the insurance companies subject to the 2 percent of gross premiums limitation would have been under the 7.9 percent tax rate applied to other corporations and what their tax liability was with the 2 percent limitation.

<b>Urban Mass Transportation Companies, s. <a href="#">71.39</a></b>	<b>None</b>
--	-------------

Any corporation deriving 50 percent or more of its gross income from urban mass transportation is assessed a special tax equal to 50 percent of its taxable income. For the purpose of this special tax, taxable income is net of deductions for federal taxes and an amount equal to 8 percent of the amount by which the cost of property exceeds accumulated depreciation plus interest paid. No revenue has been collected under this special tax levy since 1974.

There are 23 county or municipality-owned urban mass transportation companies in Wisconsin, with the vast majority of revenues coming from operations in Milwaukee, Madison, Racine, Eau Claire and Green Bay. Because each of these companies generally register losses or no net income, this exemption has no fiscal effect.

<b>RICs, REITs and REMICs, IRC <a href="#">851-860</a> and <a href="#">860A-860G</a> s. <a href="#">71.26(2)(b)</a></b>	<b>Minimal</b>
---	----------------

Certain types of corporations are substantially or fully exempt from tax at the corporate level provided that they meet certain percentage requirements for distributions to shareholders. These corporations are generally organized as investment vehicles and do not carry on a trade or business other than the investment activities.

A regulated investment company (RIC) must derive its income primarily from interest, dividends and gains from the disposition of stock and securities. Most mutual funds are organized as RICs. At least 90 percent of a RIC's income must be distributed to its shareholders each year. If so, the corporation is allowed a deduction for the distributions to shareholders. This deduction reduces the corporation's net taxable income to a minimal amount and effectively eliminates any corporate tax liability. Failure to meet the distribution requirements results in the denial of the deduction and a substantial corporate tax liability.

A real estate investment trust (REIT) specializes in real estate investments and must derive its income primarily from rents from real property, other real property income, interest, dividends and gains from the disposition of stock and securities. At least 90 percent of a REIT's income must be distributed to its shareholders each year. The taxation of REITs is essentially the same as the taxation of RICs in that a deduction for distributions to shareholders is allowed if the corporation meets the distribution requirement.

A real estate mortgage investment conduit (REMIC) is an entity that holds a fixed pool of mortgages and issues multiple classes of ownership interests to investors. In general, a REMIC is treated in a manner similar to a partnership. Thus, the net income of a REMIC is taxable to the holders of the interests in the REMIC.

For these entities, any income not taxed to the corporation is generally taxed to the shareholders. Thus, the fiscal effect of this exemption device is minimal.

<b>"Throwback" Sales, s. <a href="#">71.25(9)(dh)</a></b>	<b>Not Available</b>
---	----------------------

A multistate corporation subject to tax in Wisconsin is required to treat certain "throwback" sales as Wisconsin sales when calculating its sales factor using the multistate apportionment formula. Throwback sales are sales originating in Wisconsin made to the federal government and shipped outside of Wisconsin and sales originating in Wisconsin to customers located in states where the seller is not subject to tax because of the nexus standards defined by federal law and interpreted by the Wisconsin Administrative Code.

Under the nexus standards, a corporation must have some type of operations in a state, generally in the form of property or employees, before its income can be taxed by that state. Without nexus, a state cannot tax a corporation. The throwback rule ensures that a corporation's entire income is subject to apportionment by the states with jurisdiction to tax. Without the throwback rule, sales to destination states in which the seller does not have nexus would not be included in the numerator of the sales factor of any state and a portion of a corporation's income would be tax exempt.

Prior to tax year 2009, sales of both tangible personal property and sales of intangibles such as services and the use of computer software were required to be thrown back if they met the criteria for throwback sales. Beginning in tax year 2009 only sales of tangible personal property must be thrown back if they meet the criteria. Sales of services and sales of the use of computer software are not thrown back. Therefore, the numerator of the sales factor is lower than it would be if these sales were thrown back, thus reducing the tax liability of businesses that make sales of services or sales of the use of computer software to states where they would not be taxed. Because these sales are now not included, there is no data available to estimate the fiscal effect of this exemption device.

<b>Tax-Option Corporations, IRC <a href="#">1361-1368</a> and <a href="#">1374</a>, ss. <a href="#">71.32-71.365</a></b>	<b>Not Available</b>
--	----------------------

A tax-option corporation is a corporation with not more than 100 individual shareholders (family members owning shares in the same Subchapter S corporation are together counted as a single shareholder) that elects Subchapter S treatment under sec. 1362 of the Internal Revenue Code. Under Subchapter S, the corporation is exempt from tax at the corporate level, and the net income is taxed to the individual shareholders under the individual income tax on a pro rata basis. The net income is taxed to the shareholders regardless of whether the corporation makes any actual distributions to the shareholders. In general, Subchapter S corporations are treated in a manner similar to partnerships and items of income retain their character as they flow through to the shareholders.

Most federal Subchapter S corporations are automatically treated as tax-option corporations for state purposes. However, Subchapter S corporations can elect to be treated as regular corporations for state purposes under certain conditions. Regular corporations converting to Subchapter S or tax-option treatment are subject to a special tax on built-in gains for both federal and state purposes. 2017 Act 368 allows Subchapter S corporations to elect to be taxed at the entity level for tax years beginning after December 31, 2017.

<b>Limited Liability Companies, s. <a href="#">71.19-71.21</a> and <a href="#">Ch. 183</a></b>	<b>Not available</b>
--	----------------------

Limited liability companies (LLCs) are a type of business entity that may be taxed similar to corporations or partnerships, depending on how they are structured. If taxable as a partnership, owners of an LLC (called members) are taxed on the flow-through income of the company at lower individual rates, rather than at the higher corporate rate. However, if taxable as a corporation, an LLC is taxed at the entity level using the corporate income tax rate.

<b>Unincorporated Cooperative Associations (UCA), <a href="#">Ch. 193</a></b>	<b>None</b>
---	-------------

2005 Wisconsin Act 441 authorized the creation of a new type of business organization called an unincorporated cooperative association (UCA). A UCA may be organized to market or process agricultural products; to manufacture products; to provide products, supplies or services; or for any other lawful purpose.

A UCA may be organized by one or more organizers, or it may be organized by converting from another form of business entity. The tax treatment of a UCA is similar to that of other pass-through entities, in that profits or losses are passed through to the UCA's members. Income and losses would be included on the owner's tax return and taxed at the owner's rate.

### **Deductions from Gross Income**

### **FY24 Fiscal Effect**

A deduction is an amount subtracted from Wisconsin gross income (or total income) to establish Wisconsin taxable income – the amount to which the tax rate is applied.

Sec. 71.23, Wis. Stats., subjects corporations to a tax on or measured by their net income. Net income is defined as gross income less allowable deductions. Thus, the very nature of the corporate tax requires that income be reduced by certain current expenses and allocated costs. These expenses include wages and salaries, taxes, repairs, rents, interest, and the cost of employee benefits. These expenses are generally legitimate business outlays and thus are not considered a tax exemption device.

<b>Amortization and Other Special Cost Recovery Allowances, IRC <a href="#">169</a>, <a href="#">173-175</a>, <a href="#">178</a>, <a href="#">180</a>, <a href="#">190</a>, <a href="#">193-195</a>, <a href="#">263(c)</a>, <a href="#">291</a>, <a href="#">611</a>, <a href="#">612</a>, <a href="#">616</a>, and <a href="#">617</a></b>	
<b>Circulation Expenditures</b>	<b>Minimal</b>
<b>Research and Development Expenditures</b>	<b>\$58,100,000</b>
<b>Soil and Water Conservation Expenditures</b>	<b>Not Available</b>
<b>Lease Acquisition</b>	<b>Not Available</b>
<b>Reforestation Expenditures</b>	<b>Minimal</b>
<b>Start-Up Expenditures</b>	<b>Minimal</b>
<b>Mine Exploration and Development</b>	<b>Minimal</b>

The cost associated with the consumption of an asset can be recovered in several ways. When an asset has a fixed life, costs are generally recovered through depreciation, which is discussed later in this section. For assets with indeterminate lives, the cost recovery methods include amortization, depletion and special cost recovery allowances. In addition, special cost recovery provisions apply for other types of costs that otherwise would not be recovered until the asset is disposed of, income is received for the product or service for which the cost was incurred, or the corporation is dissolved. The following costs are eligible for recovery techniques that allow taxpayers to recover costs sooner than would otherwise be allowed.

1. Circulation expenditures. Costs (other than costs to acquire land, depreciable property, and part of the business of other newspapers or periodicals) to establish, maintain or increase the circulation of newspapers and periodicals are deductible in the year paid.
2. Research and development expenditures. Costs of noncapital research and experimental activities are deductible in the year paid or amortized over a period of five years (see also the discussion of noncapital expenditures under the Research Expenditures Credit in the section on "Credits").
3. Soil and water conservation expenditures. Taxpayers engaged in farming can deduct, in the year paid, the costs of soil and water conservation practices that are consistent with a conservation plan approved by the Soil Conservation Service of the U.S. Department of Agriculture. The deduction cannot exceed 25 percent of gross income from farming.
4. Lease acquisition. The cost of acquiring a lease, including renewal options, is deductible in the year paid if certain requirements are met.
5. Reforestation expenditures. Up to \$10,000 of costs to reforest qualified timber property can be amortized over a period of seven years.
6. Start-up expenditures. Costs of incorporating the taxpayer's business and issuing stock for the business can be amortized over a period of five years.
7. Mine exploration and development. A portion of the costs of exploring for energy and mineral deposits and developing such deposits for mining or drilling can be deducted in the year paid. The

remaining portion is amortized over a period of five years. The fiscal effect includes only that which comes from nonfuel mining expenses, as there are no fuel-based mines in Wisconsin.

Depletion allowances are provided to allow taxpayers to recover the costs of capital investment in natural resources. Under the cost depletion method, the acquisition costs are divided by the estimated number of units that the deposit or resource will produce. Taxpayers are allowed an annual deduction equal to the current year's production multiplied by the per unit depletion cost. Federal law also allows taxpayers the option of using percentage depletion, which provides taxpayers with an annual deduction equal to a percentage of the gross income from the current year's production. For taxable years beginning on or after January 1, 2014, the IRC in effect for the year the property is placed in service will apply for Wisconsin purposes.

The special expensing provision for depreciable property under sec. 179 of the Internal Revenue Code is discussed under Depreciation in this section.

<b>Charitable Contributions, IRC <a href="#">170</a></b>	<b>\$12,100,000</b>
--	---------------------

Contributions by corporations to the following charities are deductible from gross income:

- The state or any other political subdivision, as long as the gift is for strictly public purposes.
- A corporation, trust, or community chest, fund or foundation operating for strictly religious, charitable, scientific, literary or educational purposes; or for fostering national or international sports competition; or for the prevention of cruelty to children or animals.
- Veterans' organizations and an auxiliary unit, society, trust or foundation of such organizations.
- Member-owned or nonprofit cemetery corporations chartered solely for burial purposes.

Certain limitations apply to the amount of contributions that can be claimed as a deduction and to the amount that can be deducted for contributions of property. In general, the deduction for charitable contributions cannot exceed 10 percent of a corporation's taxable income. Amounts of contributions not deductible in the current year can be carried forward for five years and claimed as a deduction.

<b>Depreciation – Modified Accelerated Cost Recovery Systems and Expensing Election, IRC <a href="#">167</a>, <a href="#">168</a>, and <a href="#">179</a></b>	
<b>Accelerated Recovery Section 179 Expensing</b>	<b>Not Available \$1,800,000</b>

Depreciation deductions are allowed to reflect the reasonable expenses incurred by taxpayers for exhaustion and wear and tear of property used in a trade or business or held for the production of income. Effective for tax year 1987, the state adopted the Modified Accelerated Cost Recovery System (MACRS), enacted as part of the federal Tax Reform Act of 1986. However, property placed in service prior to that time must continue to be depreciated according to the state restrictions in effect at the time the property was placed into service. Wisconsin has adopted all federal depreciation and amortization provisions in effect on January 1, 2014, with the exception of provisions under Section 179 of the IRC (discussed below). Subsequent changes to federal law regarding depreciation and amortization made after January 1, 2014, will not be in effect for Wisconsin without additional legislation.

Under MACRS, eligible property is generally assigned to a depreciation recovery class of 3 years, 5 years, 7 years, 10 years, 15 years or 20 years, 25 years, 27.5 years, 31.5 years, or 39 years, depending upon the type of property. The cost of the property is recovered using statutory recovery methods and conventions.

With some restrictions, sec. 179 rules of the Internal Revenue Code in effect prior to December 31, 2000, allow taxpayers to expense up to \$25,000 of the cost of eligible assets purchased and put into use in the current year. The deduction begins to be phased out once the taxpayer has purchased \$200,000 in eligible property in the taxable year. To qualify as sec. 179 property, the property must be acquired by purchase for use in the active conduct of a trade or business (sec. 1245 depreciable property). The total cost of the property expensed under this election cannot exceed the total amount of taxable income derived from the active conduct of any trade or business during the tax year. However, excess amounts may be carried forward



an unlimited number of years, subject to the ceiling each year. For taxable years beginning on or after January 1, 2014, Wisconsin has permanently adopted all federal Section 179 provisions, including any subsequent changes in federal law.

<b>Dividends, IRC <a href="#">591</a> and <a href="#">1382</a>, s. <a href="#">71.26(3)(j)</a></b>	
<b>Dividends Received</b>	<b>\$251,600,000</b>
<b>Patronage Dividends</b>	<b>Not Available</b>
<b>Depositor's Dividends</b>	<b>Not Available</b>

Dividends paid are generally not deductible by the payor corporation except for:

- Amounts paid as dividends or earnings to depositors' accounts by savings and loan associations, mutual loan corporations, or mutual savings banks.
- Amounts distributed to patrons of businesses operating on a cooperative basis in proportion to their patronage, rather than stock or ownership. This type of dividend amounts to a delayed discount for purchases made.

Dividends received are deductible in full by the recipient corporation if the payor corporation is a controlled subsidiary in which the recipient parent corporation owns at least 70 percent of the voting stock, or at least 50 percent of the voting stock if the payor and recipient corporations are members of the same combined group. The payor corporation is not allowed to subtract the dividends paid in determining its Wisconsin taxable income. The fiscal effect relates to the revenue impact of disallowing the deduction of dividends received from corporate affiliates. Data are not available to estimate the fiscal effect for allowing the deduction of patronage or depositors' dividends.

<b>Bad Debt Reserves of Financial Institutions, IRC <a href="#">585</a> and <a href="#">593</a></b>	<b>Minimal</b>
---	----------------

In general, corporations can deduct bad debts only as the debts become worthless. Savings and loan associations, mutual savings banks, and other savings institutions may deduct additions to a reserve account for bad debts in lieu of deducting bad debts as they are experienced. Banks are also allowed to deduct additions to bad debt reserves, provided that the assets of the bank do not exceed \$500 million.

The deduction for additions to bad debt reserves is generally based on the average ratio of bad debts actually incurred to total loans outstanding for the five preceding taxable years. The tax benefit from this provision is that financial institutions using the reserve method can deduct bad debts before they actually become worthless.

<b>Net Operating Loss Carryforward, s. <a href="#">71.26(4)</a></b>	<b>\$202,000,000</b>
---	----------------------

Wisconsin authorizes corporations to carry net operating losses incurred in the current year forward for up to 20 years to offset net income in future years. In contrast, federal law allows losses to be carried forward indefinitely; however, corporations may only cover 80 percent of their income. This treatment acts to smooth out fluctuations in corporate profits, which may change dramatically with economic conditions. Losses from the earliest years are always used first. The fiscal effect relates to the difference in tax liability without the carryforward provision relative to actual liability under current law.

<b>Income from Out-of-State Businesses Performing Disaster Relief Work, s. <a href="#">71.26(2)(a)12</a></b>	<b>None</b>
--	-------------

Qualifying out-of-state corporations are allowed an exemption from Wisconsin tax reporting requirements, if the qualifying employer or employee is in Wisconsin solely to perform disaster relief work in connection with a state of emergency declared by the Governor. An "out-of-state business" corporation, whether operated for profit or not for profit, is a corporation that is not organized under the laws of Wisconsin and that, except for disaster relief work during a disaster period, was not doing business in Wisconsin during the three taxable years immediately preceding the disaster period or the current taxable year in which the declared state of emergency occurs.

If an out-of-state corporation is required to be included in a combined group because it meets the requirements of sec. 71.255(2), Wis. Stats., when computing the net income of the corporation, the income received by the out-of-state corporation for performing disaster relief work may be subtracted when determining the income subject to taxation. In addition, for purposes of determining the portion of income taxable to Wisconsin by an out-of-state business, gross receipts from the sale of property or services related to performing disaster relief work are not considered sales for purposes of the sales factor.

An out-of-state business that wishes to claim the exemption must notify the department no later than 90 days after the last day of the disaster period. There is no fiscal effect for this exemption, as to date the department has not received any required notifications.

### Credits

A credit is an amount subtracted directly from the taxpayer's Wisconsin gross tax liability (i.e., the amount determined by applying the Wisconsin tax rate to Wisconsin taxable income) to determine the Wisconsin net tax liability. Nonrefundable credits reduce a corporation's tax liability otherwise due. If the amount of credit exceeds the corporation's tax liability, the excess credit can be carried forward to offset tax liability in future years. A refundable credit also reduces a corporation's tax liability, but if the amount of credit exceeds the corporation's tax liability, a refund is issued in the amount of the excess credit.

The fiscal effect for nonrefundable credits results from a loss of revenue that otherwise would be collected. Refundable credits require an appropriation, and the fiscal effect for these credits is expressed as an increase in appropriations, even though some or all of the credit may be used to offset taxes otherwise due in the current tax year or applied to offset taxes due in a subsequent tax year.

The corporate tax forms for tax year 2022 show a total of 30 nonrefundable credits available. Of those, 17 credits are no longer being awarded but the credit is still listed on the form so that taxpayers may claim credits earned in prior tax years. In addition, the 2022 corporate tax forms show a total of six refundable credits available. The total corporate income and franchise tax revenue reduction from nonrefundable credits for FY24 is an estimated \$192.6 million. In addition, refundable credits claimed by corporations led to expenditures of \$71.6 million in FY24.

<b>Manufacturer's Sales Tax Credit, ss. <a href="#">71.28(3)</a> and <a href="#">71.47(3)</a></b>	<b>Minimal</b>
---	----------------

Until 2006, a nonrefundable credit could be claimed for the amount of Wisconsin sales tax paid on fuel and electricity consumed in manufacturing tangible personal property in the state. The credit was designed to be the equivalent of a sales tax exemption. Unused amounts of credit could be carried forward and offset against tax liability over the next 20 years.

Beginning in 2006, fuel and electricity used in manufacturing are exempt from the sales tax and the income and franchise tax credit for sales tax was repealed. Manufacturers with up to \$25,000 in credit carryforwards as of January 1, 2006, may continue to use manufacturers' sales tax credits carried forward from prior years to offset taxes in the future. The fiscal effect reflects the current tax liability reduction from the use of credits carried forward by businesses that had \$25,000 or less in credit as of January 1, 2006.

<b>Manufacturing Investment Credit, ss. <a href="#">71.28(3t)</a> and <a href="#">71.47(3t)</a></b>	<b>\$2,000,000</b>
---	--------------------

Beginning in tax year 2008, businesses whose unused carryforwards of the manufacturer's sales tax credit were greater than \$25,000 on January 1, 2006, are able to claim a manufacturing investment credit, provided they met certain job retention, investment or other tests. The credit, which is nonrefundable, is equal to the unused manufacturers' sales tax credit and is to be amortized over 15 years. Claimants must have been certified by the former Wisconsin Department of Commerce as eligible to claim the credit. In order to be certified, the claimant must have satisfied one of the following requirements:

- Retention of 100 percent of the full-time (at least 35 hours per week) jobs employed by the company as of December 23, 2003.



- Average annual investment since January 1, 2003, equal to 2 percent of total book value of the company's depreciation assets in Wisconsin-based plants and facilities or \$5 million.

<b>Research Expenditures Credit, ss. <a href="#">71.28(4)</a> and <a href="#">71.47(4)</a></b>	<b>\$84,500,000</b>
--	---------------------

A nonrefundable research expenditures credit for noncapital expenditures for research-related activities conducted in Wisconsin is available. Qualifying expenditures are defined by reference to the rules established under Section 41 of the IRC with certain exceptions. Qualified research expenses cover in-house expenses for the taxpayer's own research (wages, supplies and computer use charges) and 65 percent of amounts paid or incurred for qualified research done by a person other than an employee of the taxpayer.

The credit is equal to 5.75 percent of the amount by which the claimant's qualified research expenses for the taxable year exceed 50 percent of the average qualified research expenses for the three taxable years immediately preceding the taxable year for which the claimant claims the credit. If the claimant had no qualified research expenses in any of the three taxable years immediately preceding the taxable year for which the claimant claims the credit, the claimant may claim an amount equal to 2.875 percent of the qualified research expenses for the taxable year for which the credit is claimed.

The credit applies only to research expenditures that are undertaken to discover information that is technological in nature and intended to be useful in the development of a new or improved business component. Qualified research expenses cover in-house expenses for the taxpayer's own research (wages, supplies and computer use charges) and 65 percent of amounts paid or incurred for qualified research done by a person other than an employee of the taxpayer. For corporations in a combined group, unused research credits may be shared with other members of the combined group.

For tax years beginning after December 31, 2023, up to 25 percent of the research credit is refundable.

<b>Research Facilities Credit, ss. <a href="#">71.28(5)</a> and <a href="#">71.47(5)</a></b>	<b>\$1,000,000</b>
--	--------------------

For taxable years beginning before January 1, 2014, a research facilities credit was available. The credit applies to capital investments to construct and equip new research facilities or to expand existing facilities located in Wisconsin. The credit is equal to 5 percent of the amount of qualified investment in tangible depreciable property that is not replacement property. A similar credit exists for capital investments to construct and equip new research facilities or to expand existing facilities in Wisconsin engaging in internal combustion engine research or energy efficient products research. The credit is equal to 10 percent of the amount of qualified investment in tangible depreciable property that is not replacement property.

The rules relating to the credit are similar to the rules for the research expenditures credit. Unused amounts of credit may be carried forward and offset against tax liability for 15 years from the year the credit is computed. Corporations must increase their net income by the amount of credit claimed in lieu of reducing their deduction for research expenses or reducing their basis in the property. For corporations in a combined group, unused research facilities credits may be shared with other members of the combined group.

<b>Internal Combustion Engine Research Credit, ss. <a href="#">71.28(4)</a> and <a href="#">71.47(4)</a></b>	<b>\$10,000,000</b>
--	---------------------

The credit for expenses is equal to 11.5 percent of the amount by which the claimant's qualified research expenses for the taxable year exceed 50 percent of the average qualified research expenses for the three taxable years immediately preceding the taxable year for which the claimant claims the credit. If the claimant had no qualified research expenses in any of the three taxable years immediately preceding the taxable year for which the claimant claims the credit, the claimant may claim an amount equal to 5.75 percent of the qualified research expenses for the taxable year for which the credit is claimed. Unused credits may be carried forward for 15 years. Members of a combined group may share unused engine research credits.

For tax years beginning after December 31, 2020, up to 15 percent of the engine research credit is refundable.

<b>Energy Efficient Products Research Credit, ss. <a href="#">71.28(4)</a> and <a href="#">71.47(4)</a></b>	<b>Minimal</b>
---	----------------

The credit for expenses is equal to 11.5 percent of the amount by which the claimant's qualified research expenses for the taxable year exceed 50 percent of the average qualified research expenses for the three taxable years immediately preceding the taxable year for which the claimant claims the credit. If the claimant had no qualified research expenses in any of the three taxable years immediately preceding the taxable year for which the claimant claims the credit, the claimant may claim an amount equal to 5.75 percent of the qualified research expenses for the taxable year for which the credit is claimed.

For tax years beginning after December 31, 2020, up to 15 percent of the energy efficient products research credit is refundable.

<b>Supplement to Federal Historic Rehabilitation Credit, ss. <a href="#">71.28(6)</a> and <a href="#">71.47(6)</a></b>	<b>\$42,900,000</b>
--	---------------------

A nonrefundable credit is available to encourage the rehabilitation of certified historic structures in Wisconsin. This supplement to the federal historic rehabilitation credit can be claimed only for projects that are eligible for the federal historic rehabilitation credit. The rehabilitation work must meet historic preservation standards, and the expenditures must exceed the taxpayer's adjusted basis in the building. Unused amounts of the credit can be carried forward for up to 15 years. Beginning July 1, 2018, the Wisconsin Economic Development Corporation (WEDC) may not certify a person to claim more than a total of \$3,500,000 in supplement to the federal historic rehabilitation tax credits for all projects undertaken on the same parcel.

The credit is equal to 20 percent of the qualified rehabilitation expenditures if the cost of the expenditures is at least \$50,000, the property is placed in service after December 31, 2013, and the claimant is certified by WEDC. To be certified by WEDC, the claimant must submit evidence to WEDC that the rehabilitation was recommended by the U.S. Secretary of the Interior before physical work of construction, or destruction in preparation for construction, began and the rehabilitation was approved by the state historic preservation officer.

Credits certified for taxable years beginning on or after January 1, 2014, for 20 percent of the qualified rehabilitation expenditures may be sold or transferred to any other Wisconsin taxpayer if the transferor notifies the department in writing and submits a copy of the transferring documents. The department must certify ownership of the credit with each transfer. Nonprofit entities may be awarded credits and may transfer those credits to other entities with a Wisconsin tax liability.

<b>Development Zone and Development Opportunity Zone Credits, ss. <a href="#">71.28(1dx)</a> and <a href="#">71.47(1dx)</a></b>	<b>Minimal</b>
---	----------------

The Development Zone program provides credits to taxpayers that locate or expand a trade or business activity within a development zone. A development zone is an economically distressed area designated as a development zone by WEDC or the former Wisconsin Department of Commerce. The corporation is authorized to designate 22 zones. All 22 zones have been designated, with authorized tax credits of \$38.155 million. These zone designations are in effect for a period of seven to ten years. The first of these zone designations expired in September 2009 and the last expired in September 2021. Certified businesses are provided with a maximum amount of tax benefits and may claim the development zone credits up to that amount.

Under the Development Opportunity Zone program, businesses conducting economic activities in a zone may claim nonrefundable development opportunity zone credits allocated to them by WEDC. Nine zones with a total of \$46.4 million in tax credits have been authorized. The designation for six zones has expired. New zones in Janesville and Kenosha were authorized in 2009 Wisconsin Act 28 with a total credit available of \$5 million each over the life of the zone. In addition, 2011 Wisconsin Act 37 authorized an additional zone for the city of Beloit, also for a total credit amount of \$5 million over the life of the zone. For all three of these new zones, if the original \$5 million is allocated within five years, the zones can be extended for an additional five years with an additional \$5 million each. The designation for the new zones will be effective for 60 months from the date

of designation. To date, only the Janesville zone has been allocated the additional \$5 million and five additional years.

Businesses locating or expanding their operations within the development opportunity zones are eligible to claim a job creation credit based on the number of new, full-time positions created; an environmental remediation credit that equals up to 50 percent of eligible environmental remediation costs; and an investment credit equal to 2.5 percent of the purchase of depreciable tangible personal property (or 1.75 percent of the price if the property has been expensed under section 179 of the IRC). Unused credit amounts may be carried forward for 15 years.

A *capital investment credit* is also available for certain businesses located in the new zones in Kenosha, Beloit and Janesville equal to 3 percent of qualified purchases of depreciable tangible personal property and amounts expended to acquire, construct, rehabilitate or remodel qualified real property. Unused credit amounts may be carried forward for 15 years.

<b>Enterprise Zone Jobs Credit, ss. <a href="#">71.28(3w)</a> and <a href="#">71.47(3w)</a></b>	<b>\$48,300,000</b>
---	---------------------

A refundable enterprise zone jobs credit is available for certified businesses located in a designated enterprise zone. WEDC may certify for tax benefits a business that begins operations in an enterprise zone if the business offers compensation and benefits to its employees working in the zone for the same type of work that are at least as favorable as those offered to its employees working outside the zone. WEDC may also certify a business that expands operations in an enterprise zone, if the business will increase its personnel by at least 10 percent or the business makes a capital investment in property located in the enterprise zone equal to at least 10 percent of the business' gross revenues in the preceding tax year attributable to business activities in Wisconsin. Finally, WEDC may certify a business that retains existing jobs in an enterprise zone if the business makes a significant capital investment in property located in the zone, and at least one of the following applies: (1) the business is an original equipment manufacturer with a significant supply chain in Wisconsin, as determined by WEDC; or (2) more than 500 full-time employees are employed by the business in the enterprise zone.

WEDC is authorized to designate no more than 30 enterprise zones, with three of the zones being areas comprising political subdivisions whose population totals less than 5,000 and at least two areas comprising political subdivisions whose population is greater than 5,000 but less than 30,000. A designation may be in effect for no more than 12 years. In determining whether to designate an area as an enterprise zone, WEDC must consider indicators of the area's economic need, infrastructure and energy support, the rate of business development, existing resources available to the area, and the effect of designation on other initiatives and programs to promote economic and community development in the area, such as job training and the creation of high-paying jobs.

The credit has five components:

1. A credit based on changes in the claimant's zone payroll over a base year, up to 7 percent of the base change. Eligible wages are those paid to new employees whose annual wages are greater than the amount determined by multiplying \$2,080 by 150 percent of the federal minimum wage in a Tier I county or municipality, or greater than \$30,000 in a Tier II county or municipality.
2. An additional credit based on up to 7 percent of wages paid to existing zone employees. Eligible wages are those paid to employees whose annual wages are greater than the amount determined by multiplying \$2,080 by 150 percent of the federal minimum wage in a Tier I county or municipality, or greater than \$30,000 in a Tier II county or municipality. The total number of employees must be equal to or greater than the number of employees in the base year. Credit claims are limited to five consecutive years.
3. A credit based on the amount paid for training to upgrade the job-related skills of full-time employees who work in the enterprise zone.
4. A credit of up to 10 percent of significant capital expenditures in the zone.

5. For taxable years beginning after December 31, 2009, a credit equal to 1 percent of the amount the claimant paid in the taxable year for goods or services from Wisconsin vendors, not including capital expenditures for which the credit is claimed.

An additional credit for one financial service corporation is based on whether a claimant has retained the minimum number of full-time employees and maintained average zone payroll for the taxable year equal to or greater than the base year. The amount of the credit is a percentage, as determined by WEDC, of the claimant's full-time employees in the enterprise zone. No more than one financial service technology business may receive the credit.

<b>Economic Development Credit, ss. <a href="#">71.28(1dy)</a> and <a href="#">71.47(1dy)</a></b>	<b>\$4,300,000</b>
---	--------------------

For tax years beginning after December 31, 2008, and before January 1, 2016, an economic development tax credit is available. The nonrefundable credit may be claimed against the corporate income and franchise tax or against the insurance premiums tax. The amount of credit available is limited to \$103.2 million, which is the amount of available credit that had not been allocated by the former Wisconsin Department of Commerce in the five zone-based programs that this credit replaces, plus an additional \$100 million. Commerce's successor, WEDC, is authorized to award up to \$164.2 million in credit, with WEDC able to request an additional \$39 million from the Joint Committee on Finance. Unused tax credit amounts may be carried forward up to 15 years to offset future tax income and franchise tax liabilities.

Under the program, a business may apply to WEDC for certification to claim tax benefits. WEDC may certify a business that conducts or intends to conduct at least one eligible activity. The eligible activities include:

- Creating and maintaining, for a period of time established by WEDC, full-time jobs.
- Making a significant investment in new equipment, machinery, real property or depreciable personal property.
- Making significant investments in the training or reeducation of employees for the purpose of improving the productivity or competitiveness of the business.
- Locating or retaining a corporate headquarters in Wisconsin or retaining employees holding full-time jobs in Wisconsin.

WEDC may authorize additional tax benefits for certified claimants if the claimant conducts at least one eligible activity in an area designated by WEDC as economically distressed, or if the claimant creates, retains or trains members of certain targeted groups.<sup>1</sup>

For taxable years beginning on or after January 1, 2014, the credit may be transferred to another taxpayer who can use the transferred credit to offset income and franchise taxes under Chapter 71 or insurance premium fees under Chapter 76. The credit may only be transferred in exchange for a nonmonetary consideration. The claimant seeking to transfer the credit must apply to WEDC.

The economic development tax credit may not be computed for taxable years beginning on or after January 1, 2016; however, if WEDC has allocated tax benefits to the claimant in a contract executed before December 31, 2015, or in a letter of intent to enter into a contract before that date, the claimant may compute the credit for taxable years beginning after December 31, 2015, for as long as the contract specifies.

---

<sup>1</sup> "Member of a targeted group" means a person who resides in an area designated by the federal government as an economic revitalization area, a person who is employed in an unsubsidized job but meets the eligibility requirements for a Wisconsin Works employment position, a person who is employed in a trial job, as defined in s. 49.141 (1) (n), or in a real work, real pay project position under s. 49.147 (3m), a person who is eligible for child care assistance, a person who is a vocational rehabilitation referral, an economically disadvantaged youth, an economically disadvantaged veteran, a supplemental security income recipient, a general assistance recipient, an economically disadvantaged ex-convict, a dislocated worker, as defined in 29 USC 2801 (9), or a food stamp recipient, if the person has been certified in the manner under 26 USC 51 (d) (13) (A) by a designated local agency, as defined in 26 USC 51 (d) (12).

Unused tax credit amounts may be carried forward up to 15 years to offset future tax income and franchise tax liabilities.

<b>Early Stage Seed Investment Credit, ss. <a href="#">71.28(5b)</a> and <a href="#">71.47(5b)</a></b>	<b>Minimal</b>
--	----------------

Effective for taxable years beginning after 2004, an early stage seed investment credit is available equal to 25 percent of investments paid to a fund manager that invests the funds in qualified new business ventures that are certified by WEDC. The credit may be claimed against the income and franchise tax as well as against the insurance premiums tax. The maximum annual amount that may be claimed by all claimants is \$30 million combined between the early stage seed credit and the angel investment credit (the angel investment credit is discussed in the Individual Income Tax section of this report).

If the investment is held for less than three years, any previously claimed credits must be repaid to the Department of Revenue unless during the three-year period the investment becomes worthless as determined by WEDC, or if a bona fide liquidity event occurs after the investment has been held for 12 months. In addition, if the investor has invested in the business prior to the business being certified as a qualified new business venture, investments after certification by this investor are not eligible for credit. Unused credit amounts may be carried forward for 15 years.

For tax years beginning on or after January 1, 2009, a claimant may transfer unused credits to another entity. The transferor is required to obtain prior authorization from the fund manager, and the fund manager is required to notify the Department of Revenue and WEDC.

To be qualified to receive investments that are eligible for the credit, a qualified new business venture must, at the time it is certified, have its headquarters in the state; have less than 100 employees, at least 51 percent of whom are employed in the state; and have been in business for not more than ten consecutive years, and must not have received aggregate private equity investments of cash of more than \$10 million. A qualified new business venture must also be engaged in one of the following:

- Manufacturing.
- Biotechnology.
- Nanotechnology.
- Communications.
- Agriculture.
- Clean energy creation or storage technology.
- Processing or assembling products, including medical devices, pharmaceuticals, computer software, computer hardware, semiconductors, any other innovative technology products or other products that are produced using manufacturing methods that are enabled by applying differentiating technology.
- Precommercialization activity related to differentiating technology that includes conducting research, developing a new product or business process.
- Developing a service that is principally reliant on applying differentiating technology.

The business may not be primarily engaged in real estate development, insurance, banking, lending, lobbying, political consulting, professional services provided by attorneys, accountants, business consultants, physicians, health care consultants, wholesale or retail trade, leisure, hospitality, transportation or construction, except construction of power production plants that derive energy from a renewable resource.

WEDC may transfer any unallocated early stage seed credits in any calendar year to the refundable business development credit (discussed below).

<b>Dairy and Livestock Farm Investment Credit, ss. <a href="#">71.28(3n)</a> and <a href="#">71.47(3n)</a></b>	<b>Minimal</b>
--	----------------

For taxable years beginning before January 1, 2014, a nonrefundable credit is available for 10 percent of expenses to modernize or expand a dairy or livestock farm. Dairy animals include heifers raised as

replacement dairy animals. Livestock includes cattle (not including dairy animals), swine, poultry including farm raised pheasants but not including other farm raised game birds or ratites, fish that are raised in aquaculture facilities, sheep, and goats. The aggregate amount of credit that a taxpayer may claim is \$75,000 for expenses to construct, improve and acquire buildings or facilities and equipment, for dairy animal housing, confinement, feeding, milk production and waste management, except that no more than \$50,000 may be based on expenses that are incurred prior to May 27, 2010. The credit may be claimed for dairy farm modernization or expansion for taxable years beginning after December 31, 2003, and for livestock farm modernization or expansion for taxable years beginning after December 31, 2005. Both credits are repealed for tax years beginning on or after January 1, 2014. A taxpayer may carry forward credits for 15 years for those credits computed for taxable years beginning before December 31, 2013.

<b>Farmland Preservation Credit, 2010 and Beyond, s. <a href="#">71.613</a></b>	<b>Minimal</b>
---	----------------

Beginning in tax year 2010, a refundable per-acre farmland preservation credit is available under which a claimant may claim as a credit against income and franchise taxes an amount calculated by multiplying the claimant's qualifying acres by one of the following amounts:

- \$10 if the qualifying acres are located in a farmland preservation zoning district and are also subject to a farmland preservation agreement that is entered into after July 1, 2009;
- \$7.50 if the qualifying acres are located in a farmland preservation zoning district but are not subject to a farmland preservation agreement that is entered into after July 1, 2009; or
- \$5 if the qualifying acres are subject to a farmland preservation agreement that is entered into after July 1, 2009, but are not located in a farmland preservation zoning district.

<b>Insurance Security Fund Assessments, s. <a href="#">646.51(7)</a></b>	<b>None</b>
--	-------------

Chapter 646 of the Wisconsin Statutes provides a credit against state taxes, including the corporate income and franchise tax, for certain assessments levied on insurance companies by the Wisconsin Insurance Security Fund. The fund is designed to protect policyholders in cases where their insurance company has failed and is in the process of liquidation. Where the available assets and reserves of failed insurers are inadequate to meet claims, the fund may assess insurance companies doing business in the state, with some exceptions (e.g., fraternal benefit societies). Such assessments are eligible for a 100 percent tax credit if they cannot be recovered through higher premiums. This can occur if premiums are fixed for a particular line of business. Credits claimed by foreign insurance companies and domestic life companies would be offset against the premiums tax. Thus, the only offsets against the income and franchise tax would be for credits claimed by domestic property and casualty companies. The tax credit is nonrefundable and must be claimed in equal installments over a five-year period, beginning with the year following the one in which the assessment is made.

<b>Health Insurance Risk-Sharing Plan (HIRSP) Assessments Credit, ss. <a href="#">71.28(5g)</a> and <a href="#">71.47(5g)</a></b>	<b>Minimal</b>
---	----------------

An income and franchise tax credit and a license fee credit were available for insurers that pay assessments for HIRSP. HIRSP offered health insurance to Wisconsin residents who either were unable to find adequate health insurance coverage in the private market due to their medical conditions or who lost their employer-sponsored group health insurance. Applicants were required to meet HIRSP eligibility criteria to qualify. The credit is equal to a percentage of the amount of assessments paid by the insurer in the taxable year under HIRSP. The Department of Revenue, in consultation with the Office of the Commissioner of Insurance, determines the credit percentage for each year, and the insurer's credit amount is the percentage times \$5 million in total credit available. For taxable years beginning after December 31, 2013, and before January 1, 2015, the total amount of credit available is \$1.25 million.

The HIRSP assessment credit is repealed for taxable years beginning on or after January 1, 2015. Credits computed for taxable years beginning before January 1, 2015, may be carried forward for 15 years from the taxable year in which they were computed.



<b>Biodiesel Fuel Production Credit, ss. <a href="#">71.28(3h)</a> and <a href="#">71.47(3h)</a></b>	<b>None</b>
--	-------------

For tax years beginning on or after January 1, 2012, and before January 1, 2014, a nonrefundable credit was available that is equal to 10 cents per gallon for biodiesel fuel produced in Wisconsin for producers that produce at least 2.5 million gallons of biodiesel fuel per year. The maximum credit that a claimant may claim in a taxable year is \$1 million. Credits computed for taxable years beginning before January 1, 2014, may be carried forward for 15 years from the taxable year in which they were computed.

<b>Electronic Medical Records Credit, ss. <a href="#">71.28(5i)</a> and <a href="#">71.47(5i)</a></b>	<b>Minimal</b>
---	----------------

For tax years beginning on or after January 1, 2012, and before January 1, 2014, a nonrefundable electronic medical records credit was available. The credit was equal to 50 percent of the amount paid by a health care provider in a tax year for information technology hardware or software that was used to maintain medical records in an electronic form. The maximum total amount of electronic medical records tax credits that could be claimed in a tax year was \$10 million, and this amount was allocated to claimants by the former Wisconsin Department of Commerce. The Department of Revenue certified claimants as eligible to receive the credit. Unused credit amounts may be carried forward for 15 years. The Department of Revenue made its final allocation of credits in February 2014. No credit may be claimed for on an amount paid after December 31, 2013.

<b>Community Rehabilitation Program Credit, ss. <a href="#">71.28(5k)</a> and <a href="#">71.47(5k)</a></b>	<b>Minimal</b>
---	----------------

For tax years that begin on or after July 1, 2011, a nonrefundable community rehabilitation credit is available. The credit is equal to 5 percent of the amount that the claimant pays in a taxable year to a community rehabilitation program to perform work for the claimant's business. The maximum credit would be \$25,000 for each contract that a claimant enters into with a community rehabilitation program. Unused credits can be carried forward for 15 years to offset future tax liabilities.

<b>Manufacturing and Agriculture Credit, s. <a href="#">71.28(5n)</a></b>	<b>\$153,000,000</b>
---	----------------------

For taxable years beginning after December 31, 2012, a nonrefundable manufacturing and agriculture credit is available. The credit is equal to a specified percentage of the claimant's qualified production activities income that is derived from property assessed as manufacturing or agricultural property in Wisconsin, as defined under state property tax law.

"Qualified production activities income" is defined as the amount of the claimant's gross receipts for the taxable year that exceeds the cost of goods sold that are allocable to such receipts and the indirect cost multiplied by the gross receipts factor. "Qualified production activities income" does not include any of the following:

- Income from film production;
- Income from producing, transmitting or distributing electricity, natural gas or potable water;
- Income from constructing real property;
- Income from engineering or architectural services performed with respect to constructing real property;
- Income from the sale of food and beverages prepared by the claimant at a retail establishment; or
- Income from the lease, rental, license, sale, exchange or other disposition of land.

For corporations the credit would be the lesser of a specified percentage of the claimant's:

- Eligible qualified production activities income;
- Income apportioned to Wisconsin for state corporate income and franchise tax purposes; or
- Taxable income for corporate income and franchise tax purposes as determined under s. 71.255(2).

The specified percentages are:

- For taxable years beginning after December 31, 2012, and before January 1, 2014, 1.875 percent.
- For taxable years beginning after December 31, 2013, and before January 1, 2015, 3.75 percent.
- For taxable years beginning after December 31, 2014, and before January 1, 2016, 5.025 percent.
- For taxable years beginning after December 31, 2015, 7.5 percent.

Insurance companies may not claim the credit.

<b>Business Development Credit, ss. <a href="#">71.28(3y)</a> and <a href="#">71.47(3y)</a></b>	<b>\$15,500,000</b>
---	---------------------

For taxable years beginning on or after January 1, 2016, a refundable business development tax credit is available. The credit replaces the nonrefundable economic development and refundable jobs tax credits. The business development credit is equal to all of the following, as determined by WEDC:

1. The amount of wages the claimant paid to an eligible employee in the taxable year, not to exceed 10 percent of such wages.
2. In addition to any amount claimed for an eligible employee, the amount of wages that the claimant paid to the eligible employee in the taxable year, not to exceed 5 percent of such wages, if the eligible employee is employed in an economically distressed area.
3. An amount equal to up to 50 percent of the claimant's training costs incurred to undertake activities to enhance an eligible employee's general knowledge, employability and flexibility in the workplace; to develop skills unique to the claimant's workplace or equipment; or to develop skills that will increase the quality of the claimant's product.
4. The amount of the personal property investment, not to exceed 10 percent of such investment, and the amount of the real property investment, not to exceed 5 percent of such investment, in a capital investment project that involves a total capital investment of at least \$1,000,000 or, if less than \$1,000,000, involves a capital investment equal to at least \$10,000 per eligible employee employed on the project. For tax years beginning after December 31, 2022, a taxpayer may also claim a credit for up to 15 percent of their investment in workforce housing and 15 percent of their investment in establishing a child care program for eligible employees.
5. An amount equal to a percentage of the wages that the claimant paid to an eligible employee in the taxable year, provided that the position was created or retained in connection with the claimant's location or retention of the claimant's corporate headquarters in Wisconsin and the job duties performed are headquarters functions.

WEDC may certify a person to receive tax benefits if the person is operating or intends to operate a business in Wisconsin and the person applies and enters into a contract with WEDC. The certification may remain in effect for no more than ten cumulative years. A person is eligible to receive tax benefits if, in each year for which the person claims tax benefits, the person increases net employment in Wisconsin in the person's business above the net employment in Wisconsin in the person's business during the year before the person was certified, as determined by WEDC under its policies and procedures.

Subject to a reallocation of early stage seed investment credits (see above), WEDC may allocate up to \$17,000,000 in tax benefits in 2016 and up to \$22,000,000 per year thereafter. WEDC may award more than \$17,000,000 in a calendar year because awards typically cover multiple years. However, the actual amount allocated to all awardees in total in a given year may not exceed the annual maximum, notwithstanding any transferred credits. Any unused allocation may be carried forward. WEDC may require a person to repay any tax benefits the person claims for a year in which the person failed to employ an eligible employee required by an agreement.



<b>Electronic and Information Technology Manufacturing Zone Credit, s. <a href="#">71.28(3wm)</a></b>	<b>\$8,325,000</b>
---	--------------------

A refundable electronics and information technology manufacturing zone credit is available. Calculation of the credit is based on 17 percent of the claimant's payroll. An additional credit may be allowed for up to 15 percent of the claimant's significant capital expenditures in the zone in the taxable year. Eligible payroll includes full-time employees who make between \$30,000 and \$100,000 a year. WEDC may not certify more than \$1.5 billion in credits related to payroll and no more than \$1.35 billion in credits related to capital expenditures.

In order to claim these credits, the claimant must be certified by WEDC. The designation of the electronics and information technology zone shall remain in effect for no more than 15 years. A copy of the certification must be included with the claimant's Wisconsin income tax return. The amount of the credit computed must be added to the claimant's income in the year the credit is computed. The credit must be claimed within four years of the unextended due date on which the tax return was due.

<b>Low-Income Housing Credit, ss. <a href="#">71.28(8b)</a> and <a href="#">71.47(8b)</a></b>	<b>\$6,900,000</b>
---	--------------------

For tax years beginning after December 31, 2017, a nonrefundable low-income housing credit is available. Claimants may claim a credit for the amount certified by the Wisconsin Housing and Economic Development Authority (WHEDA). A taxpayer is eligible for the credit if their tenants' income is less than 60 percent of the county's median income. Claimants must apply through WHEDA. The credit must be claimed within four years of the date on which the tax return was due. Unused credits may be carried forward for 15 years. The maximum amount of credits WHEDA may certify in a year equals \$42,000,000.

**TABLE 1  
CORPORATE INCOME AND FRANCHISE TAX EXEMPTION DEVICES SUMMARY**

Exemption Devices	Statutory Reference*	FY24 Fiscal Effect
<b>Exemptions from Taxation</b>		
Governmental Units	ss. <a href="#">71.26(1)(b)</a> and <a href="#">(bm)</a>	None
Nonprofit Corporations or Associations	s. <a href="#">71.26(a)</a>	None
Nonprofit Organizations		94,300,000
Private Foundations		None
Cooperatives	s. <a href="#">71.26(1)(c)</a> , <a href="#">Chapter 185</a>	None
Credit Unions	s. <a href="#">71.26(1)(a)</a>	66,500,000
Insurance Companies	ss. <a href="#">71.43(2)</a> and <a href="#">71.45(1)</a>	Not available
Banks Under Liquidation	s. <a href="#">71.26(1)(d)</a>	Minimal
Assets Distributed to the Menominee Indian Tribe	s. <a href="#">71.26(1)(e)</a>	Not available
Activities of Out-of-State Publishers and Certain Foreign Corporations	s. <a href="#">71.23(3)</a>	Not available
Veterans Service Organizations	s. <a href="#">71.26(1)(am)</a>	Minimal
Interest on Conduit Revenue Bond	s. <a href="#">71.26(1m)(k)</a>	Minimal
<b>Exclusions from Income</b>		
Life Insurance Proceeds	IRC <a href="#">101</a>	Minimal
Exchanges of Corporate Property or Stock	IRC <a href="#">1031</a> to <a href="#">1033</a> and <a href="#">1036</a> to <a href="#">1038</a>	
Like-Kind Exchanges		2,900,000
Other Exchanges		Not available
Recovery of Bad Debts, Prior Taxes and Delinquency Amounts	<a href="#">IRC 111</a>	Minimal
Natural Resource-Related Cost-Sharing Payments	<a href="#">IRC 126</a>	Minimal
Interest on Certain WHEFA bonds	ss. <a href="#">71.26(1m)(i)</a> and <a href="#">71.45(1t)(i)</a>	Minimal
<b>Special Treatment</b>		
Limit on Tax Liability of Insurers	s. <a href="#">71.46(3)</a>	Minimal
Urban Mass Transportation Companies	s. <a href="#">71.39</a>	None
RICs, REITs and REMICs	IRC <a href="#">851</a> to <a href="#">860</a> and <a href="#">860A</a> to <a href="#">860G</a> s. <a href="#">71.26(2)(b)</a>	Minimal
"Throwback" Sales	s. <a href="#">71.25(9)(dh)</a>	Not available
Tax-Option Corporations	IRC <a href="#">1361</a> to <a href="#">1368</a> and <a href="#">1374</a> ss. <a href="#">71.32-71.365</a>	Not available
Limited Liability Companies	ss. <a href="#">71.19-71.21</a> and <a href="#">Chapter 183</a>	Not available
Unincorporated Cooperative Associations	<a href="#">Chapter 193</a>	None
<b>Deductions from Gross Income</b>		
Amortization and Other Special Cost Recovery Allowances:	IRC <a href="#">169</a> , <a href="#">173-175</a> , <a href="#">178</a> , <a href="#">180</a> , <a href="#">190</a> , <a href="#">193-195</a> , <a href="#">263(c)</a> , <a href="#">291</a> , <a href="#">611</a> , <a href="#">612</a> , <a href="#">616</a> , and <a href="#">617</a>	
Circulation Expenditures		Minimal
Research & Development		58,100,000
Soil and Water		Not available
Lease Acquisition		Not available
Reforestation Expenditures		Minimal
Start-Up Expenditures		Minimal
Mine Exploration		Minimal
Charitable Contributions	IRC <a href="#">170</a>	12,100,000
<b>Deductions from Gross Income</b>		
Depreciation – Accelerated and Modified Cost Recovery System and Expensing Election	IRC <a href="#">167</a> , <a href="#">168</a> , and <a href="#">179</a> s. <a href="#">71.26(3)(y)</a>	Not Available
Accelerated Recovery		1,800,000
Section 179 Expensing		
Dividends	IRC <a href="#">591</a> and <a href="#">1382</a> , s. <a href="#">71.26 (3)(j)</a>	
Dividends Received		251,600,000
Patronage Dividends Paid		Not Available
Depositor's Dividends Paid		Not Available

Exemption Devices	Statutory Reference*	FY24 Fiscal Effect
<b>Deductions from Gross Income, continued</b> Bad Debt Reserves of Financial Institutions Net Operating Loss Carryforward Income from Out-of-State Business Performing Disaster Relief Work	IRC <a href="#">585</a> and <a href="#">593</a> s. <a href="#">71.26(4)</a> s. <a href="#">71.26(2)(a)12</a>	Minimal 202,000,000 None
<b>Credits</b> Manufacturer's Sales Tax Credit Carryforward Manufacturing Investment Credit Research Expenditure Credit Research Facilities Credit Internal Combustion Engine Research Expense Credit Internal Combustion Engine Research Facilities Credit Energy Efficient Products Research Expense Credit Energy Efficient Products Research Facilities Credit Carryforward Supplement to Federal Historic Rehabilitation Credit Development Zone and Development Opportunity Zone Credits Enterprise Zones Jobs Credit Economic Development Credit Early Stage Seed Investment Credit Dairy and Livestock Farm Investment Credit Carryforward Technology Zone Credit Farmland Preservation Credit  Farmland Preservation Credit, 2010 and Beyond Insurance Security Fund Assessments Health Insurance Risk-sharing Pool Assessment Credit Carryforward Biodiesel Fuel Production Credit Electronic Medical Records Credit Carryforward Community Rehabilitation Program Credit Manufacturing and Agriculture Credit Business Development Credit Electronic and Information Technology Manufacturing Zone Credit Low-Income Housing Credit Refundable Research Credit	ss. <a href="#">71.28(3)</a> and <a href="#">71.47(3)</a> ss. <a href="#">71.28(3t)</a> and <a href="#">71.47(3t)</a> ss. <a href="#">71.28(4)</a> and <a href="#">71.47(4)</a> ss. <a href="#">71.28(5)</a> and <a href="#">71.47(5)</a> ss. <a href="#">71.28(4)</a> and <a href="#">71.47(4)</a>  ss. <a href="#">71.28(4)</a> and <a href="#">71.47(4)</a>  ss. <a href="#">71.28(4)</a> and <a href="#">71.47(4)</a> ss. <a href="#">71.28(4)(ad)3</a> and <a href="#">71.47(4)(ad)3</a>  ss. <a href="#">71.28(6)</a> and <a href="#">71.47(6)</a> ss. <a href="#">71.28(1dx)</a> and <a href="#">71.47(1dx)</a>  ss. <a href="#">71.28(3w)</a> and <a href="#">71.47(3w)</a> ss. <a href="#">71.28(1dy)</a> and <a href="#">71.47(1dy)</a> ss. <a href="#">71.28(5b)</a> and <a href="#">71.47(5b)</a> ss. <a href="#">71.28(3n)</a> and <a href="#">71.47(3n)</a>  ss. <a href="#">71.28(3g)</a> and <a href="#">71.47(3g)</a> ss. <a href="#">71.28(2)</a> , <a href="#">71.47(2)</a> and <a href="#">71.57</a> to <a href="#">71.61</a> s. <a href="#">71.613</a> s. <a href="#">646.51(7)</a> ss. <a href="#">71.28(5g)</a> and <a href="#">71.47(5g)</a>  ss. <a href="#">71.28(3h)</a> and <a href="#">71.47(3h)</a> ss. <a href="#">71.28(5i)</a> and <a href="#">71.47(5i)</a> ss. <a href="#">71.28(5k)</a> and <a href="#">71.47(5k)</a> s. <a href="#">71.28(5n)</a> ss. <a href="#">71.28(3y)</a> and <a href="#">71.47(3y)</a> s. <a href="#">71.28(3wm)</a>  ss. <a href="#">71.28(8b)</a> and <a href="#">71.47(8b)</a> ss. <a href="#">71.28(4)(k)</a> and <a href="#">71.47(4)(k)</a>	Minimal 2,000,000 84,500,000 1,000,000 10,000,000 None  Minimal None  42,900,000 Minimal  48,300,000 4,300,000 Minimal Minimal  None None  Minimal None Minimal  None Minimal Minimal 153,300,000 15,500,000 8,325,000  6,900,000 20,400,000

## ECONOMIC DEVELOPMENT SURCHARGE

### Introduction

In addition to the corporate income and franchise tax, the state imposes an economic development surcharge on corporations. Revenue from the surcharge is deposited in a segregated economic development fund and is used to fund economic development programs of the Wisconsin Economic Development Corporation (WEDC).

The surcharge is imposed at a rate of 3 percent on gross tax liability for C corporations and 0.2 percent of net business income for S corporations. The maximum surcharge is \$9,800 and the minimum is \$25. The surcharge does not apply to entities not required to file an income tax return. The surcharge only applies to corporations, insurers and exempt organizations taxable as corporations that have \$4,000,000 or more of gross receipts. Collections for FY24 were \$38.7 million.

### Exemptions

### FY24 Fiscal Effect

<b>Exempt Corporations, s. <a href="#">77.93(1)</a></b>	<b>Not Available</b>
---	----------------------

Corporations that are exempt from the corporate income and franchise tax under s. [71.26\(1\)](#), Wis. Stats., and that have no unrelated business income reportable under s. [71.24\(1m\)](#), Wis. Stats., are exempt from the surcharge. This exemption includes primarily governmental and not-for-profit entities, and cooperative associations and cooperative corporations.

<b>\$4 Million Gross Receipts Exemption, s. <a href="#">77.93(1)</a></b>	<b>\$2,000,000</b>
--	--------------------

Businesses with less than \$4 million of gross receipts are exempt from the surcharge. The fiscal effect relates to the amount of economic development surcharge that would be collected if businesses with less than \$4 million in gross receipts were subject to the surcharge.

### Special Treatment

<b>\$9,800 Surcharge Limit, s. <a href="#">77.94(1)</a></b>	<b>\$34,300,000</b>
---	---------------------

The maximum surcharge that any taxpayer is required to pay is \$9,800. This is considered an exemption device because the amount of surcharge that is collected is less than it would be had the surcharge been collected under the existing rates without the maximum. The fiscal effect relates to the additional amount of economic development surcharge that would be collected if the limit was removed.

## SALES AND USE TAX

### Introduction

Wisconsin imposes a 5 percent tax on the sale or use of most items of tangible personal property and on the sale of certain services. The state first imposed a 3 percent selective sales and use tax in 1962 but replaced it with a 4 percent general sales and use tax in 1969. The current 5 percent rate has been in effect since 1982.

The original 3 percent tax was selective in that goods subject to the tax were specifically identified in the statutes: household furnishings, motor vehicles, jewelry, tobacco, fermented malt beverages, intoxicating liquors, and food sold in restaurants were taxable. The general tax imposed in 1969, in contrast to the selective tax, falls on sales of all tangible personal property, except property specifically exempted by law. The sales tax remains selective in its treatment of services, imposed only on those services the law enumerates as taxable.

Numerous changes to the sales tax base have been made over the years. Exemptions are discussed in detail in the latter half of this chapter and estimates of fiscal effects are provided. Expansions of the sales and use tax base include:

- Cigarettes (1975);
- Cable television, including installation (1975);
- Interstate telephone and telegraph services, and landscaping and lawn maintenance services (1982);
- Magazines other than those sold by subscription (1983);
- Telephone company central office equipment and coin-operated telephone services (1996);
- Telephone answering and messaging services and telecommunications services terminating in and billed to a service address in the state (1997); and
- Digital goods, including nonpermanent goods regardless of whether the purchaser is required to make continued payments for usage (2009).

The 5 percent sales tax is imposed on retailers for the privilege of selling, leasing or renting tangible personal property that is not specifically exempt from tax. In addition, a 5 percent use tax is imposed on the storage, use or other consumption in this state of tangible personal property that is purchased out-of-state and is not specifically exempt. The use tax complements the sales tax in that, without a use tax, consumers would be able to avoid sales tax by purchasing goods out-of-state. Thus, the use tax ensures that the sales tax does not place Wisconsin merchants at a competitive disadvantage compared with those in other states.

### Taxable Services

The law imposes a sales tax on selected services. Unlike tangible personal property, sales of which are taxable unless specifically exempt, services are not subject to the sales tax unless enumerated in the statutes. The following services are taxable:

- Rooms or lodging for less than one month by hotelkeepers, motel operators and other persons furnishing accommodations to the public.
- Admissions to amusement, athletic, entertainment or recreational events or places. Admissions to places or events that are educational in nature, such as museums or zoos, and admissions to county fairs are exempt from sales tax.

- Laundry, dry cleaning, pressing and dyeing services; except when performed on raw materials or goods in a process destined for sales, on cloth diapers by a diaper service, or by the customer through the self-service machines.
- Cable television services, including installation charges.
- Prepaid calling, telecommunications and ancillary services, if the service takes place in Wisconsin.
- Photographic services, including the processing, printing and enlarging of film, and the services of photographers for the taking, reproducing and sale of photographs.
- Parking or providing parking space for motor vehicles and aircraft; docking or providing storage space for boats.
- The repair, inspection and maintenance of tangible personal property, and the installation of tangible personal property, except when such installation constitutes a capital improvement to real property.
- The production, printing or imprinting of tangible personal property for consumers who furnish directly or indirectly the materials used in such processes.
- Landscaping and lawn maintenance services.
- Towing and hauling of motor vehicles.

### **Local Taxes**

Current law allows counties to impose a 0.5 percent local sales and use tax and a professional baseball park district to impose a 0.1 percent sales and use tax. These local taxes are imposed on the same tax base as the state sales and use tax. As of January 1, 2024, 68 counties impose the 0.5 percent county sales and use tax.

The Southeast Wisconsin Professional Baseball Park District first imposed a 0.1 percent sales tax in Milwaukee, Ozaukee, Racine, Washington and Waukesha counties in 1996. Proceeds from this tax were used to finance Miller Park. This tax ended March 31, 2020.

The Green Bay-Brown County Professional Football Stadium District first imposed a 0.5 percent sales tax in Brown County in 2000 to finance the renovation of Lambeau Field. This tax ended September 30, 2015.

Beginning January 1, 2024, the city of Milwaukee imposes a 2.0 percent city sales tax. In addition, the Milwaukee County sales tax increased to 0.9 percent on the same date. Manitowoc County (effective 1/1/2025) and Racine County (4/1/2025) have authorized county sales taxes effective in 2025.

Table 1 lists the state's 72 counties, the local sales taxes applicable in each county, the effective date of the county sales tax, and the combined state and local sales tax rate.

**TABLE 1**  
**LOCAL SALES AND USE TAXES AND COMBINED STATE-LOCAL TAX RATE BY COUNTY**  
**As of JANUARY 1, 2024**

County	County Sales Tax (Effective Date)	Combined State-Local Tax Rate	County	County Sales Tax (Effective Date)	Combined State- Local Tax Rate
Adams	1/1/1994	5.50%	Marathon	4/1/1987	5.50%
Ashland	4/1/1988	5.50%	Marinette	10/1/2001	5.50%
Barron	4/1/1986	5.50%	Marquette	4/1/1989	5.50%
Bayfield	4/1/1991	5.50%	Menominee	4/1/2020	5.50%
Brown	1/1/2018	5.50%	Milwaukee	4/1/1991, 1/1/2024	5.90%
Buffalo	4/1/1987	5.50%	Monroe	4/1/1990	5.50%
Burnett	4/1/1989	5.50%	Oconto	7/1/1994	5.50%
Calumet	4/1/2018	5.50%	Oneida	4/1/1987	5.50%
Chippewa	4/1/1991	5.50%	Outagamie	1/1/2020	5.50%
Clark	1/1/2009	5.50%	Ozaukee	4/1/1991	5.50%
Columbia	4/1/1989	5.50%	Pepin	4/1/1991	5.50%
Crawford	4/1/1991	5.50%	Pierce	4/1/1988	5.50%
Dane	4/1/1991	5.50%	Polk	4/1/1988	5.50%
Dodge	4/1/1994	5.50%	Portage	4/1/1989	5.50%
Door	4/1/1988	5.50%	Price	1/1/1993	5.50%
Douglas	4/1/1991	5.50%	Racine		5.00%
Dunn	4/1/1986	5.50%	Richland	4/1/1989	5.50%
Eau Claire	1/1/1999	5.50%	Rock	4/1/2007	5.50%
Florence	7/1/2006	5.50%	Rusk	4/1/1987	5.50%
Fond du Lac	4/1/2010	5.50%	St. Croix	4/1/1987	5.50%
Forest	4/1/1995	5.50%	Sauk	4/1/1992	5.50%
Grant	4/1/2002	5.50%	Sawyer	4/1/1987	5.50%
Green	1/1/2003	5.50%	Shawano	4/1/1990	5.50%
Green Lake	7/1/1999	5.50%	Sheboygan	1/1/2017	5.50%
Iowa	4/1/1987	5.50%	Taylor	7/1/1999	5.50%
Iron	4/1/1991	5.50%	Trempealeau	10/1/1995	5.50%
Jackson	4/1/1987	5.50%	Vernon	1/1/1997	5.50%
Jefferson	4/1/1991	5.50%	Vilas	4/1/1988	5.50%
Juneau	4/1/1992	5.50%	Walworth	4/1/1987	5.50%
Kenosha	4/1/1991	5.50%	Washburn	4/1/1991	5.50%
Kewaunee	4/1/2017	5.50%	Washington	1/1/1999	5.50%
La Crosse	4/1/1990	5.50%	Waukesha		5.00%
Lafayette	4/1/2001	5.50%	Waupaca	4/1/1989	5.50%
Langlade	4/1/1988	5.50%	Waushara	4/1/1990	5.50%
Lincoln	4/1/1987	5.50%	Winnebago		5.00%
Manitowoc		5.00%	Wood	1/1/2004	5.50%

### Administration and Collections

Sales tax is imposed on the sales price from retail sales; use tax is imposed on the amount paid for a product that is subject to sales tax but for which the seller does not collect sales tax. Each retailer is responsible for paying sales tax, regardless of whether it is identified on the bill and collected directly from the customer. Every business that makes taxable sales is required to obtain a seller's permit from the department and pay a \$20 business tax registration fee.

Retailers are permitted to retain a portion of the taxes they collect as compensation for the costs they incur in collecting the tax. Since 1997, the retailer's discount has been the greater of 0.5 percent of the tax amount or \$10, not to exceed the tax amount. 2009 Wisconsin Act 28 capped the retailer's discount at \$1,000 per filing period. Beginning October 1, 2023, Wisconsin Act 19 increased the rate from 0.5 percent to 0.75 percent and increased the cap from \$1,000 to \$8,000 per filing period.

In contrast to the sales tax, which the seller pays, the purchaser pays use tax. Corporations may file a use tax return, while individuals typically report their use tax liability on their individual income tax returns.

Since its creation in 1962 at 3 percent, the state sales tax increased twice (to 4 percent in 1969 and to 5 percent in 1982) and the tax shifted from a selective to a general sales tax. Collections increased from \$83 million in FY65 to \$7.6 billion in FY24. Sales and use taxes provided 14 percent of general purpose tax revenues in FY65, but that share increased to 35.6 percent in FY24.

### Calculations of Exemptions

This report describes each sales tax exemption and, where feasible, provides an estimate of its fiscal effect in FY24. The reported fiscal effects represent the state's revenue loss only. The reduction to local sales tax collections is not included. In general, fiscal effects were estimated by obtaining or estimating the gross receipts from retail sales for the most recent year available and adjusting those receipts to FY24 levels using income and price data. When possible, estimates are based on data specific to Wisconsin obtained from state and federal agencies and trade organizations with statewide information. For some exemptions, state-specific data are not available; and the fiscal effects of these exemptions were estimated from national sales data using Wisconsin's percentage of the nation's population, personal income or a similar indicator. For some exemptions, no data on which to base an estimate are available. For others, no estimate is made because the state is precluded from taxing the sale (for example, sales to the federal government are exempt from state tax under the U.S. Constitution).

#### **Exemptions for Property Sold Primarily to Households**

#### **FY24 Fiscal Effect**

<b>Food and Food Ingredients, s. <a href="#">77.54(20n)(a)</a></b>	<b>\$920,000,000</b>
--	----------------------

The sales price from the sale of and the storage, use or other consumption of food and food ingredients; except candy, soft drinks, dietary supplements and prepared food; are exempt from the sales tax. Food for direct consumption on the premises, such as meals sold in restaurants, cafes and cafeterias, is taxable. Sales of food and food ingredients, except candy, soft drinks and prepared food, from vending machines are exempt sales.

<b>Dried Fruit, s. <a href="#">77.51(1fm)(b)</a></b>	<b>\$490,000</b>
--	------------------

Dried or partially dried fruit is not taxable as candy if the predominant ingredient is dried or partially dried fruit along with one or more sweeteners and does not include chocolate, nuts, yogurt, or a confectionary coating or glazing on the dried or partially dried fruit.

<b>Bottled Water, s. <a href="#">77.54(20n)(a)</a></b>	<b>\$40,100,000</b>
--	---------------------

Bottled water that is not sweetened is included in the definition of food and food ingredients, and consequently, is exempt from the sales tax.

<b>Meals Furnished by Institutions of Higher Education, s. <a href="#">77.54(20n)(c)1</a></b>	<b>\$9,200,000</b>
---	--------------------

Sales of meals, food and beverages furnished by public and private institutions of higher education are exempt from sales tax if they are furnished to students enrolled in that institution or under an agreement with a National Football League team.

<b>Water Sold Through Mains, s. <a href="#">77.54(17)</a></b>	<b>\$21,150,000</b>
---	---------------------

Sales of water delivered through mains, and sales of water by public and private water utility districts are exempt from the sales tax.

<b>Fuel and Electricity for Residential Use, ss. <a href="#">77.54(30)(a)1</a> and <a href="#">(2)</a></b>	<b>\$179,400,000</b>
--	----------------------

All sales for residential use of coal, fuel oil, propane, steam, peat, fuel cubes produced from solid waste and



sales of wood used for fuel for residential use are exempt from sales tax. Sales of electricity and natural gas for residential use billed from November through April are also exempt from sales tax.

<b>Biomass Used for Residential Fuel, s. <a href="#">77.54(3)(a)1m</a></b>	<b>Minimal</b>
--	----------------

Sales of biomass used for residential fuel are exempt from sales tax. Biomass includes fuel derived from wood or plant material but does not include industrial, commercial or household waste.

<b>Mobile and Manufactured Homes, ss. <a href="#">77.54(31)</a> and <a href="#">77.51(12m)(b)7</a></b>	<b>\$730,000</b>
--	------------------

The sale price of used mobile homes and used manufactured homes are exempt from sales tax.

Thirty-five percent of the total amount for which a new manufactured home is sold, if the manufactured home is designed to be used as a dwelling and is certified by the federal Department of Housing and Urban Development, is exempt from sales tax. The entire sales price of a used manufactured home is exempt from tax.

<b>Motor Fuels, s. <a href="#">77.54(11)</a></b>	<b>\$633,000,000</b>
--	----------------------

Sales of motor fuels that are subject to the state motor fuel excise tax are exempt from the sales tax. Exempt fuels include gasoline, commercial and general aviation fuel, and diesel fuel.

<b>Vegetable Oil and Animal Fats Converted to Exempt Fuel, s. <a href="#">77.54(11m)</a></b>	<b>Minimal</b>
--	----------------

Sales of vegetable oil or animal fat that is converted into certain motor vehicle fuel are exempt from sales tax.

<b>Newspapers, Subscription Periodicals and Shoppers Guides, s. <a href="#">77.54(15)</a></b>	<b>\$11,600,000</b>
---	---------------------

Sales of newspapers, periodicals sold by subscription and shoppers' guides that distribute at least 48 issues in a 12-month period are exempt from sales tax. The exemption for periodicals is generally limited to those published four or more times per year. Periodicals issued at intervals not exceeding six months by an educational association or tax-exempt religious, charitable, scientific or educational organization are also exempt.

<b>Caskets and Burial Vaults, s. <a href="#">77.54(21)</a></b>	<b>\$4,800,000</b>
--	--------------------

Sales of caskets and burial vaults are exempt from sales tax.

<b>United States of America and State of Wisconsin Flags, s. <a href="#">77.54(46)</a></b>	<b>Minimal</b>
--	----------------

Sales of U.S. and Wisconsin flags are exempt from sales tax.

<b>Self-Service Laundry and Dry Cleaning Services, s. <a href="#">77.52(2)(a)6</a></b>	<b>\$2,300,000</b>
--	--------------------

Laundry services performed by customers using self-service equipment are exempt. The sales from laundry, dry cleaning, pressing and dyeing services performed on raw materials in process and destined for sales are also exempt.

#### **Exemptions Related to Health Care**

<b>Prescription Drugs (excluding insulin), s. <a href="#">77.54(14)</a></b>	<b>\$168,300,000</b>
---	----------------------

Sales of drugs are exempt from sales and use tax if the drugs are: (1) prescribed for treatment of a human being by an authorized person or dispensed by a registered pharmacist; (2) furnished by a licensed physician, surgeon, podiatrist, dentist or hospital for the treatment of patients; (3) furnished by a hospital for treatment of patients on the orders of a licensed physician, surgeon, podiatrist or dentist; (4) sold to a licensed physician, surgeon, podiatrist or dentist for treatment of patients; (5) sold to this state or a political subdivision

or any municipal corporation thereof for use in treatment of human beings or furnished by a medical facility maintained by the state; (6) furnished for the treatment of a human being by a medical facility or clinic maintained by the state or a political subdivision or any municipal corporation thereof; or (7) furnished without charge to a physician, surgeon, nurse anesthetist, advanced practical nurse, osteopath, dentist, podiatrist or optometrist if the medicine may not be dispensed without a prescription.

<b>Insulin for the Treatment of Diabetes and Supplies for Blood Sugar Testing, ss. <a href="#">77.54(14)</a> and <a href="#">(28)</a></b>	<b>\$16,200,000</b>
---	---------------------

Insulin used to treat diabetes and supplies used to measure blood sugar levels are exempt from the sales tax.

<b>Medical Devices and Equipment, s. <a href="#">77.54(22b)</a></b>	<b>\$24,100,000</b>
---	---------------------

Durable medical equipment for use in a person's home, prosthetic devices and mobility-enhancing equipment are exempt from tax, including repair parts and accessories for such equipment and devices. Exempt devices include wheelchairs and crutches; artificial limbs, eyes and teeth; prescription eyeglasses; hearing aids; equipment used to administer prescription oxygen for home use; and adaptive equipment to enable a handicapped person to enter or operate and leave a motor vehicle.

<b>Meals Provided by Nursing Homes, Community-Based Residential Facilities, Licensed Child Care Facilities and Hospitals, and Food Sold in Retirement Homes, s. <a href="#">77.54(20n)(b)</a></b>	<b>Not Available</b>
---	----------------------

Sales of meals and food and food ingredients, except soft drinks, by and served on the premises of hospitals, sanatoriums, nursing homes, community-based residential facilities, licensed child care facilities and retirement homes are exempt from the sales tax. Retirement homes are nonprofit residential facilities where three or more unrelated adults or their spouses have their principal residence and where support services, including meals from a common kitchen, are available to residents. Prepared food that is sold to the elderly or handicapped by persons providing mobile meals on wheels is also exempt from tax.

<b>Medical Records, s. <a href="#">77.54(64)</a></b>	<b>Not Available</b>
--	----------------------

Patient health care records that are sold to the patient or to a person that the patient authorizes to receive the records are exempt from tax.

#### **Exemptions Related to Farming**

<b>Tractors and Farm Machinery, s. <a href="#">77.54(3)(a)</a></b>	<b>\$53,800,000</b>
--	---------------------

Sales of tractors and farm machinery, including accessories, attachments and parts, used exclusively and directly in farming are exempt from sales tax. The exemption does not apply to motor vehicles for highway use, such as cars and trucks. In 2007, the exemption was expanded to include sales of tangible personal property that is consumed or loses its identity, in the business of farming.

<b>Personal Property and Supplies Used in Farming, s. <a href="#">77.54(3m)</a></b>	<b>\$367,600,000</b>
---	----------------------

Sales of seeds; plants; feed; fertilizer; soil conditioners; animal bedding; sprays, pesticides and fungicides; breeding and other livestock; bees, beehives and bee combs; farm work stock; baling twine and baling wire; containers; and plastic bags, sleeves and sheeting used to store or cover hay or silage are exempt from sales tax.

<b>Electricity Used in Farming, s. <a href="#">77.54(30)(a)3</a></b>	<b>\$12,000,000</b>
--	---------------------

Electricity sold for use in farming is exempt from sales tax.

<b>Fuel Used in Farming, s. <a href="#">77.54(30)(a)5</a></b>	<b>\$27,800,000</b>
---	---------------------

Fuel sold for use in farming is exempt from sales tax.

<b>Veterinary Services and Drugs for Farm Livestock, ss. <a href="#">77.52(2)(a)10</a> and <a href="#">77.54(33)</a></b>	<b>\$9,500,000</b>
--	--------------------

Sales of services provided by veterinarians for animal health care, breeding or training of livestock, and sales of drugs used to treat farm livestock, are exempt from sales tax.

<b>Semen for Livestock Breeding, s. <a href="#">77.54(27)</a></b>	<b>\$3,200,000</b>
---	--------------------

The sale of semen used for the artificial insemination of livestock is exempt from sales tax.

#### Exemptions Related to General Business

<b>Machinery and Equipment Used in Manufacturing, ss. <a href="#">77.54(5)(d)</a> and <a href="#">77.54(6)(am)1</a></b>	<b>\$259,600,000</b>
---	----------------------

The sale and use of machines and specific processing equipment and repair parts used exclusively and directly by a manufacturer in the manufacturing process are exempt from sales tax. Generally, manufacturing is defined as the production by machinery from existing materials of a new article of tangible personal property with a different form, use or name. Mobile mixing and processing units, including the vehicles on which they are mounted, are also exempt from sales tax.

<b>Fuel and Electricity Used in Manufacturing, s. <a href="#">77.54(30)(a)6</a></b>	<b>\$184,700,000</b>
---	----------------------

Fuel and electricity used in manufacturing tangible personal property are exempt from sales and use tax.

<b>Tangible Personal Property Consumed in Manufacturing, s. <a href="#">77.54(2)</a></b>	<b>Not Available</b>
--	----------------------

Tangible personal property, typically raw materials and other inputs, that is consumed, destroyed or loses its identity in manufacturing of finished goods that are destined for sale is exempt from sales tax.

<b>Component Parts of Shoppers Guides, Newspapers and Periodicals, s. <a href="#">77.54(2m)</a></b>	<b>Not Available</b>
---	----------------------

Materials and services that become component parts of shoppers' guides, newspapers and periodicals are exempt from sales tax.

<b>Catalogs and Catalog Envelopes, ss. <a href="#">77.52(2)(a)11</a>, <a href="#">77.54(25)</a>, and <a href="#">77.54(25m)</a></b>	<b>\$7,300,000</b>
---	--------------------

Catalogs and the envelopes in which catalogs are mailed are exempt from the sales tax if the catalogs are designed to advertise and promote the sale of merchandise or to advertise the services of individual businesses.

<b>Advertising and Promotional Direct Mail, ss. <a href="#">77.54(59)</a> and <a href="#">77.52(2)(a)11</a></b>	<b>\$4,900,000</b>
---	--------------------

Direct mail that has the primary purpose of attracting public attention to a product, person, business, or organization or to attempt to sell, popularize or secure financial support for a product, person, business or organization is exempt from sales tax. Services that result in advertising and promotional direct mail are not taxable.

<b>Fuels Converted to Electric Energy, Gas or Steam by a Utility, s. <a href="#">77.54(6)(am)3</a></b>	<b>Not Available</b>
--	----------------------

Fuels converted to electric energy, gas, or steam by a utility are exempt from sales tax.

<b>Waste Treatment Facilities and Machinery and Equipment Used in Recycling, ss. <a href="#">77.54(5)(c)</a>, <a href="#">(26)</a> and <a href="#">(26m)</a></b>	<b>Not Available</b>
--	----------------------

Sales and installation of waste treatment facilities, replacement parts, and chemicals and supplies used in operating a waste treatment facility are exempt from the sales tax. The exemption applies to expenditures by governmental units, private industry and construction contractors for sewage treatment plants, holding ponds and similar facilities. The exemption also applies to industrial waste treatment facilities that are, or would be, exempt from property tax under sec. [70.11\(21\)](#), Wis. Stats. The sale and use of machinery and equipment and repair parts used exclusively and directly for waste reduction or recycling activities are exempt. Also exempt are motor vehicles used exclusively and directly in recycling that are not required to be licensed for highway use. The activities qualifying for the exemption include those that reduce the amount of solid waste generated, recover energy from solid waste, and reuse, recycle or compost solid waste. Some recycling machinery is also exempt as manufacturing machinery.

<b>Logging Equipment, s. <a href="#">77.54(39)</a></b>	<b>\$1,700,000</b>
--	--------------------

Off-highway, heavy mechanical equipment used in the harvesting or processing of raw timber products in the field by loggers is exempt from sales tax.

<b>Equipment Used in the Production of Maple Syrup, s. <a href="#">77.54(29)</a></b>	<b>Minimal</b>
--	----------------

Equipment used in the production of maple syrup is exempt from sales tax.

<b>Wood Residue Used as Fuel in a Business Activity, s. <a href="#">77.54(30)(a)4</a></b>	<b>\$2,400,000</b>
---	--------------------

The sale of residue from the harvesting of timber for use as a fuel in a business activity is exempt from sales tax.

<b>Building Materials, Equipment, and Supplies Used in the Construction of Professional Sports Stadiums, s. <a href="#">77.54(41)</a></b>	<b>Not Available</b>
---	----------------------

Sales of building materials, equipment and supplies used solely in the construction, renovation or development of a sports stadium built or used by a professional sports team are exempt from the sales tax. This exemption applies to American Family Field constructed by the Southeast Wisconsin Professional Baseball Park District and to Lambeau Field constructed by the Green Bay-Brown County Professional Football Stadium District.

<b>Building Materials, Equipment, and Supplies Used in the Construction, Development of Sports and Entertainment Arena Facilities, s. <a href="#">77.54(62m)</a></b>	<b>Not Available</b>
--	----------------------

The sale of building materials, supplies and equipment and the sale of certain services to; and the consumption of the same property and services by; owners, lessees, contractors, subcontractors or builders if that property or service is acquired solely for or used solely in, the construction or development of sports and entertainment arena facilities (the Fiserv Forum) are exempt from tax.

<b>Live Game Birds and Clay Pigeons, s. <a href="#">77.54(47)</a></b>	<b>\$200,000</b>
---	------------------

Sales of live game birds and clay pigeons to licensed bird hunting preserves are exempt. Also exempt are sales of clay pigeons to a shooting facility if the shooting facility pays sales tax on its charges for shooting or if the shooting facility is a nonprofit organization whose charges for shooting are exempt occasional sales or if the charges pertain to a nonprofit gun club providing safety classes to at least 25 individuals annually.

<b>Deer and Other Cervids, s. <a href="#">77.54(62)</a></b>	<b>\$120,000</b>
---	------------------

Sales of farm-raised deer and other cervids sold to a licensed hunting preserve in this state are exempt from sales tax.

<b>Trucks, Tractors, Buses, and Other Vehicles Sold to Common or Contract Carriers, s. <a href="#">77.54(5)(b)</a></b>	<b>\$48,100,000</b>
--	---------------------

Sales of trucks, truck tractors, buses, trailers and semi-trailers, and accessories, parts and supplies for such vehicles sold to common or contract carriers are exempt from sales tax. This exemption applies to urban mass transportation, bus and trucking companies, and other contract carriers.

<b>Rolling Stock Used in Railroad Operations, s. <a href="#">77.54(12)</a></b>	<b>\$3,100,000</b>
--	--------------------

Sales of locomotives, freight cars, passenger cars and other rolling stock as well as accessories, attachments, fuel and lubricants used in railroad operations are exempt from sales tax.

<b>Commercial Vessels and Barges, s. <a href="#">77.54(13)</a></b>	<b>Minimal</b>
--	----------------

Sales, storage, use or other consumption of commercial vessels and barges in excess of 50 tons and primarily engaged in interstate or foreign commerce or commercial fishing are exempt from sales tax. Accessories, parts and fuel for these vessels are also exempt from sales tax.

<b>Fuel Used by Chartered Commercial Fishing Vessels, s. <a href="#">77.54(30)(a)7</a></b>	<b>Minimal</b>
--	----------------

Fuel sold for use in motorboats that are regularly employed in carrying persons for hire for sport fishing in and upon the outlying waters and specified rivers and tributaries are exempt from tax if the owner and all operators hold outlying water sport trolling licenses.

<b>Containers, Labels, Sacks, Cans, Boxes, and Other Packaging and Shipping Materials, s. <a href="#">77.54(6)(am)2</a></b>	<b>Not Available</b>
---	----------------------

Sales of containers, labels, sacks, cans, boxes, and other packing, packaging, and shipping materials, if such materials are used to transfer merchandise to customers, are exempt from sales tax. Packing, packaging and shipping materials, including meat casings, for use in meat packing, packaging or shipping meat are exempt from sales tax regardless of whether such materials are used to transfer merchandise to customers.

<b>Motion Picture and TV Film and Advertising Materials, s. <a href="#">77.54(23m)</a></b>	<b>\$20,300,000</b>
--	---------------------

The sale, lease, rental or storage, use or other consumption of motion picture films, tape, and radio or television programs, and the advertising material sold, leased or rented to movie theaters, radio stations or television stations is exempt from sales tax.

<b>Restaurant Employee Meals, s. <a href="#">77.54(20r)</a></b>	<b>Not Available</b>
---	----------------------

Meals that are provided by a restaurant to the restaurant's employee for no consideration during the employee's work hours are exempt from sales tax.

<b>Tangible Personal Property Purchased for Resale but Donated to a Nonprofit Organization, s. <a href="#">77.56(3)</a></b>	<b>Not Available</b>
---	----------------------

Property purchased tax-free for resale or under a valid exemption certificate and later donated to a nonprofit organization is exempt from use tax.

<b>Prepaid Telephone Cards and Authorization Numbers, s. <a href="#">77.54(46m)</a></b>	<b>Minimal</b>
---	----------------

Services obtained by the use of a prepaid telephone card or authorization number are exempt from sales tax if sales tax was paid on the card or authorization number at the time it was purchased.

<b>Biotechnology and Manufacturing Research, ss. <a href="#">77.54(57)(b)</a> and <a href="#">77.54(57d)(b)</a></b>	<b>\$31,100,000</b>
---	---------------------

Certain machinery and equipment, including attachments, parts and accessories, and other tangible personal property used exclusively and directly in qualified research by persons engaged primarily in manufacturing or biotechnology is exempt from tax. The exemption also applies to such purchases by a member of a combined group that is conducting qualified research for another member of a combined group that is primarily engaged in manufacturing or biotechnology.

Certain machines and specific processing equipment, including accessories, attachments and parts for the machines or equipment, that are used exclusively and directly in raising animals that are sold primarily to a biotechnology business, a public or private institution of higher education, or a governmental unit for exclusive and direct use by any such entity in qualified research or manufacturing is exempt from tax. The exemption also applies to certain agricultural products, drugs, semen for artificial insemination, fuel and electricity that are used exclusively and directly in raising animals that are sold primarily to a biotechnology business, a public or private institution of higher education, or a governmental unit for exclusive and direct use by any such entity in qualified research or manufacturing.

<b>Certain Products Using Alternative Energy, s. <a href="#">77.54(56)</a></b>	<b>\$7,600,000</b>
--	--------------------

Certain products whose power source is wind energy, direct radiant energy received from the sun, or gas generated from anaerobic digestion of animal manure and other agricultural waste are exempt from the sales tax. Electricity or energy produced by these products is also exempt from the sales tax.

<b>Sales to Affiliated Companies, s. <a href="#">77.54(49)</a></b>	<b>Not Available</b>
--	----------------------

Sales of taxable services and tangible personal property that is physically transferred to the purchaser are exempt from the sales tax if the seller and purchaser of such services and property are of the same affiliated group under the Internal Revenue Code and are eligible to file a consolidated federal income tax return.

<b>Machinery and Equipment Used in Snowmaking and Snow-Grooming, s. <a href="#">77.54(58)</a></b>	<b>\$150,000</b>
---	------------------

Snowmaking and snow-grooming machines and equipment and the fuel and electricity used to operate such machines and equipment used exclusively and directly for snowmaking and snow grooming at ski hills, ski slopes and ski trails are exempt from sales tax.

<b>Parts and Materials Used in the Repair of Aircraft, ss. <a href="#">77.52(2)(a)10</a> and <a href="#">77.54(5)(a)3</a></b>	<b>\$4,100,000</b>
---	--------------------

Charges for the repair, service, alteration, fitting, cleaning, painting, coating, towing, inspection and maintenance of any aircraft or any aircraft parts are exempt from tax. Supplies for aircraft are subject to tax.

<b>Machinery and Equipment Used in Fertilizer Blending, Feed Milling and Grain Drying, ss. <a href="#">77.54(6)(am)4</a> and <a href="#">5</a></b>	<b>\$1,000,000</b>
--	--------------------

Machines and specific processing equipment used exclusively and directly in a fertilizer blending, feed milling or grain drying operation are exempt from tax. Building materials acquired solely for and used solely in the construction or repair of holding structures used for weighing and dropping feed or fertilizer ingredients into a mixer or for storage of grain, if such structures are used in a fertilizer blending, feed milling or grain drying operation are also exempt from the sales tax.

<b>Equipment Used in Origination or Integration of Radio or TV Programs, s. <a href="#">77.54(23n)</a></b>	<b>\$2,500,000</b>
--	--------------------

Tangible personal property purchased by a person licensed to operate a commercial radio or television station in Wisconsin and used exclusively and directly in, or is fuel or electricity consumed in, the origination or integration of various sources of program material for certain commercial radio or television transmissions that are generally available to the public free of charge is exempt from tax.

<b>Computer and Servers Used in Commercial Printing, s. <a href="#">77.54(61)</a></b>	<b>\$530,000</b>
---	------------------

Computers and servers purchased by a person primarily engaged in certain printing activities and used primarily to store copies of products sent to a printer or used primarily in pre-press and post-press activities are exempt from sales tax.

<b>Music Sold to a Jukebox Operator, s. <a href="#">77.54(63)</a></b>	<b>\$500,000</b>
---	------------------

The sale of music for jukeboxes is exempt if sold to a person in the business of providing a taxable service through a jukebox if the music is used exclusively for the jukebox.

<b>Fish Sold to Fish Farms, s. <a href="#">77.54(66)</a></b>	<b>\$65,000</b>
--	-----------------

Farm-raised fish, sold to a fish farm that is registered with the Department of Agriculture, Trade and Consumer Protection, or to a person who holds a valid permit for the stocking of fish are exempt from tax.

<b>Amusement Devices-Video and Electronic Games, s. <a href="#">77.54(65m)(a)1</a></b>	<b>\$25,000</b>
--	-----------------

A video or electronic game sold in a tangible form to a person in a business of providing a taxable service through the device is exempt from tax, as long as the game is used exclusively for the amusement device.

<b>Amusement Device Prizes, s. <a href="#">77.54(65m)(a)2</a></b>	<b>Not Available</b>
---	----------------------

Tangible personal property sold to a person in the business of providing a taxable service through an amusement device is exempt from tax if the tangible personal property is used exclusively as a prize awarded or transferred through the use of the amusement device.

<b>Tournament or League Entrance Fees, s. <a href="#">77.54(65m)(a)3</a></b>	<b>Not Available</b>
--	----------------------

Sales of tournament or league entrance fees are exempt from tax if the fees are advertised and set aside as prize money.

<b>Prepared Food Manufactured by the Retailer, s. <a href="#">77.54(20n)(d)4</a></b>	<b>\$3,100,000</b>
--	--------------------

Sales of prepared food that is manufactured and sold by the same retailer at a different location from where the prepared food is manufactured. The exemption applies to prepared food that is sold by the retailer in a frozen state without eating utensils or consists of more than 50 percent yogurt. This exemption does not apply if the retailer makes any retail sales of prepared food at the building where the prepared food is manufactured.

<b>Products Used for Disaster Relief by Out-of-State Businesses, s. <a href="#">77.53(19)</a></b>	<b>Not Available</b>
---	----------------------

Tangible personal property and services purchased outside of this state by an out-of-state business and brought into Wisconsin solely for disaster relief work are exempt from sales and use tax when used to repair service infrastructure in connection with a state of emergency declared by the Governor.



<b>Services Performed During a Disaster Period by Electric Cooperatives and Telecommunications Utilities, s. <a href="#">77.53(19)</a></b>	<b>Not Available</b>
--	----------------------

Sales of a service provided by an electric cooperative to another electric cooperative, or by a telecommunications utility to another telecommunications utility, for disaster relief work performed during a disaster period are exempt from tax.

<b>Building Materials, Equipment, and Supplies Used in the Construction or Development of Facilities in an Electronics and Information Technology Manufacturing Zone, s. <a href="#">77.54(65)</a></b>	<b>Not Available</b>
--	----------------------

The sale of building materials, supplies, equipment and landscaping services used to construct or develop a facility in an electronics and information technology manufacturing zone is exempt from tax. In order for the exemption to apply, the following criteria must be met:

- The items are sold or stored, used or consumed by owners, lessees, contractors, subcontractors or builders.
- The items are acquired solely for, or used solely in, the construction or development of a facility designated as an "electronics and information technology manufacturing zone" under sec. [238.396\(1m\)](#), Wis. Stats. The capital expenditures for the construction or development of the facility must be eligible to be claimed as an income tax credit under sec. [71.07\(3wm\)\(bm\)](#) or sec. [71.28\(3wm\)\(bm\)](#) Wis. Stats., as certified by the Wisconsin Economic Development Corporation (WEDC).

<b>Disaster Relief for and by Telecommunications Utilities and Electric Cooperatives, s. <a href="#">77.54(68)</a></b>	<b>Not Available</b>
--	----------------------

The sales price from the sale of and the use or other consumption of a service provided by an electric cooperative to another electric cooperative, or by a telecommunications utility to another telecommunications utility, for disaster relief work performed during a disaster period.

<b>Real Estate Brokerage Memberships, s. <a href="#">77.54(72)</a></b>	<b>\$40,000</b>
--	-----------------

Memberships sold to a licensed real estate broker who, pursuant to the broker's membership agreement, offers to compensate and cooperate with other real estate brokers in brokering sales of properties are exempt from sales and use tax.

<b>Road Building Equipment, s. <a href="#">77.54(73)</a></b>	<b>\$5,500,000</b>
--	--------------------

Certain portable machinery and equipment, including accessories, attachments, parts and supplies for such machinery and equipment, used primarily to crush, mill, produce or pulverize asphalt, concrete, gravel, rock or aggregate base for road or commercial surface lot construction or resurfacing are exempt from sales and use tax.

<b>Qualified Data Centers, s. <a href="#">77.54(70)</a></b>	<b>\$40,000,000</b>
---	---------------------

Certain tangible personal property used in the development, construction, renovation or operation of a qualified data center are exempt from sales and use tax. The exemption is only available to data center projects certified by the Wisconsin Economic Development Corporation.



**Exemptions Related to Government Agencies and Nonprofit Organizations**

<b>Sales to the Federal Government and its Agencies, s. <a href="#">77.55(1)</a></b>	<b>Not Available</b>
--	----------------------

Sales of goods and services to the federal government or to any of its incorporated or unincorporated agencies or instrumentalities are exempt from sales tax. Taxing purchases by the federal government would violate the U.S. Constitution.

<b>Sales to State and Local Governments and Schools, ss. <a href="#">77.54(9a)(a)-(em)</a>, <a href="#">(g)</a> and <a href="#">(h)</a></b>	<b>\$610,200,000</b>
---	----------------------

Sales of tangible personal property and taxable services to the state or any of its agencies are exempt. Also exempt are sales to the University of Wisconsin Hospitals and Clinics Authority, the Wisconsin Aerospace Authority, the Wisconsin Economic Development Corporation, and the Fox River Navigational System Authority. In addition, sales to county, city, village and town governments; school districts; local exposition districts; local cultural arts districts; joint local water authorities; sewerage commissions; and metropolitan sewerage districts are exempt from sales tax.

<b>Sales to Religious, Charitable, Scientific and Educational Organizations, s. <a href="#">77.54(9a)(f)</a></b>	<b>\$323,000,000</b>
--	----------------------

The gross receipts from sales to, and the storage, use or other consumption of tangible personal property and taxable services by any corporation, community chest, foundation, or association organized and operated exclusively for religious, charitable, scientific, or educational purposes or for the prevention of cruelty to children or animals, except specified hospital service corporations, are exempt from sales tax if no part of the net income of the organization inures to the benefit of any private person.

<b>Lunches and Other Tangible Personal Property Sold by Elementary and Secondary Schools, s. <a href="#">77.54(4)</a></b>	<b>Not Available</b>
---	----------------------

Sales of tangible personal property by public or private elementary and secondary schools are exempt from sales tax.

<b>Admissions to Elementary and Secondary School Activities, s. <a href="#">77.54(9)</a></b>	<b>Not Available</b>
--	----------------------

Sales of tickets or admissions to public and private elementary and secondary school activities are exempt from the sales tax, if the net proceeds are used for educational, religious or charitable purposes. The exemption includes revenue from admission fees to high school sporting events, school plays and other school activities.

<b>Admissions to State Parks and Camping Fees, s. <a href="#">77.54(10)</a></b>	<b>\$1,600,000</b>
---	--------------------

Admission fees and camping fees at state park and state forest recreational areas are exempt from sales tax.

<b>Admissions to Certain Historical Museums, s. <a href="#">77.54(10)</a></b>	<b>Minimal</b>
---	----------------

Admissions to a museum operated by a nonprofit corporation under a lease agreement with the State Historical Society are exempt from sales tax. This exemption applies only to the Circus World Museum in Baraboo.

<b>Admissions to County Fairs, s. <a href="#">77.52(2)(a)2</a></b>	<b>Not Available</b>
--	----------------------

Admissions to county fairs are exempt from sales tax.

<b>Volunteer Fire Department Equipment, s. <a href="#">77.54(16)</a></b>	<b>Not Available</b>
--	----------------------

Sales of fire trucks and other firefighting equipment to volunteer fire departments are exempt from sales tax. This exemption includes hoses, exhaust fans, generators, ladders and other firefighting equipment.

<b>Copies of Public Records, s. <a href="#">77.54(32)</a></b>	<b>Minimal</b>
---	----------------

Charges by a governmental authority for copies of public records, including fees for searches, are exempt from sales tax.

<b>Sales by American Legion Baseball Teams, s. <a href="#">77.54(35)</a></b>	<b>Not Available</b>
--	----------------------

Sales of tangible personal property, tickets and admissions by American Legion baseball teams are exempt from sales tax.

<b>Snowmobile Trail Grooming Equipment, s. <a href="#">77.54(38)</a></b>	<b>Minimal</b>
--	----------------

Snowmobile trail groomers and attachments are exempt from sales tax when purchased by snowmobile clubs for use in maintaining the state system of snowmobile trails. To qualify for the exemption, an organization must meet at least three times a year and have at least ten members.

<b>Sales of Animal Identification Tags and Samples by the Department of Agriculture, Trade and Consumer Protection, s. <a href="#">77.54(42)</a></b>	<b>Minimal</b>
--	----------------

Sales by the Department of Agriculture, Trade and Consumer Protection of animal identification tags to persons who are required or authorized to use those identification tags, and sales of standard samples representing product or commodity grades are exempt from sales tax.

<b>Public Benefits Fees, s. <a href="#">77.54(44)</a></b>	<b>\$5,900,000</b>
---	--------------------

Public benefits fees are exempt from sales tax. These fees are surcharges on residential and commercial electric bills used to fund low-income energy assistance and energy conservation and efficiency programs.

<b>Motor Vehicles Loaned to Driver Education Programs, s. <a href="#">77.56(2)</a></b>	<b>Minimal</b>
--	----------------

The loan by an automobile dealer of a motor vehicle for a driver education program conducted by a school or school district is exempt from use tax.

<b>Nonprofit Cemetery Associations, s. <a href="#">77.54(9a)(i)</a></b>	<b>\$200,000</b>
---	------------------

Tangible personal property and taxable services used exclusively by a nonprofit cemetery company or corporation organized under IRC section [501\(c\)\(13\)](#) is exempt from sales and use tax.

<b>Veterans Home Exchange Services, s. <a href="#">77.54(54)</a></b>	<b>Minimal</b>
--	----------------

The sale of tangible personal property and taxable services by a home exchange service owned by the Department of Veterans Affairs is exempt from sales and use tax. Home exchange services are the coffee shops, snack bars, gift shops and other facilities that serve the resident veterans, families and guests at the Wisconsin Veterans Homes at King (Waupaca County) and Union Grove (Racine County).

<b>Building Materials Used in Construction for Local Governments and Certain Nonprofit Organization, s. <a href="#">77.54(9m)</a></b>	<b>\$17,400,000</b>
---	---------------------

Property sold to a construction contractor who, in fulfillment of a real property construction activity, transfers the property to a qualifying exempt entity, if the property becomes part of a facility in Wisconsin that is owned by the qualifying exempt entity.

<b>One-Time License or Right to Purchase Admissions to Professional Football Games, s. <a href="#">77.54(45)</a></b>	<b>Minimal</b>
--	----------------

The sale by a municipality, a local professional football stadium district or a professional football team of a one-time license or similar right to purchase admission to at least three games at a football stadium in a season is exempt from sales tax. The exemption applies to the sale of admission rights whose proceeds are used to finance renovation of Lambeau Field in Green Bay.

<b>Nonprofit Gun Club Admissions and Memberships, s. <a href="#">77.52(2)(a)2.b</a></b>	<b>Not Available</b>
---	----------------------

Sales of admissions, including memberships by a gun club are exempt if the gun club is a nonprofit organization and if the gun club provides safety classes approved by the Department of Natural Resources to at least 25 individuals in the calendar year. Gun clubs include trapshooting, skeet-shooting, sporting-clay, hunting, rod & gun, hunting & fishing, and conservation clubs.

<b>Occasional Sales by Certain Nonprofit Organizations, s. <a href="#">77.54(7m)</a></b>	<b>Not Available</b>
--	----------------------

Occasional sales by certain nonprofit organizations are exempt from sales tax if the organization is not engaged in a trade or business and certain conditions apply. This exemption includes the sales of admissions to an event involving entertainment if the payment for the entertainment is no more than \$50,000.

#### **Exemptions for Nonresidents and for Use in Other States**

<b>Property Used in the State by Nonresidents, s. <a href="#">77.53(17)</a></b>	<b>Not Available</b>
---	----------------------

Tangible personal property brought into the state by nonresidents of Wisconsin for their own use, storage or other consumption while temporarily in Wisconsin is exempt from use tax. However, if the property is used to conduct a trade, business or profession, or is used in the performance of personal services for wages or fees, the value of the property is subject to the tax.

<b>Nonresidents' Boats Berthed in Boundary Waters, s. <a href="#">77.53(17m)</a></b>	<b>Not Available</b>
--	----------------------

Generally, a boat that is owned by a resident of another state and berthed in Wisconsin is subject to use tax, if the owner did not pay sales tax when purchasing the boat. However, the boat is exempt from use tax if: (1) the boat owner is a resident of a state contiguous to Wisconsin, (2) the boat is berthed in boundary waters adjacent to the owner's state of residence and (3) the purchase of the boat was an exempt occasional sale.

<b>Nonresidents' Aircraft Hangared in Wisconsin, s. <a href="#">77.53(17r)</a></b>	<b>Not Available</b>
--	----------------------

Aircraft purchased in another state by a nonresident individual or business and kept in a hangar in Wisconsin is exempt from use tax.

<b>Goods Brought into the State by New Residents, s. <a href="#">77.53(18)</a></b>	<b>Not Available</b>
--	----------------------

Household goods purchased outside of Wisconsin but brought into the state by new residents are exempt from use tax if the goods are purchased 90 or more days prior to the date the person moves to Wisconsin. This exemption applies to all household goods, including automobiles and other registered vehicles, purchased for personal use.

<b>Property Purchased for Delivery Outside the State, s. <a href="#">77.55(3)</a></b>	<b>Not Available</b>
---	----------------------

Sales of tangible personal property purchased for use outside the state and sales of property delivered and prepared for export are exempt from sales tax. For example, items such as office supplies and paper products sold to persons outside the state are exempt from the sales tax.

<b>Aircraft, Motor Vehicles and Truck Bodies Sold for Use Outside the State, s. <a href="#">77.54(5)(a)</a></b>	<b>Not Available</b>
---	----------------------

Sales of aircraft, motor vehicles and truck bodies to nonresidents who will not use such units in Wisconsin are exempt from the sales tax. This exemption also applies to aircraft, motor vehicles and truck bodies sold to foreign governments and to certified carriers of people or property in interstate or foreign commerce.

<b>Modular and Manufactured Homes Used in Real Property Construction Outside of the State, s. <a href="#">77.54(5)(am)</a></b>	<b>\$500,000</b>
--	------------------

Sales of modular and manufactured homes used in real property construction outside the state are exempt from sales tax.

<b>Property Sold to Out-of-State Common or Contract Carriers, ss. <a href="#">77.55(2)</a> and <a href="#">(2m)</a></b>	<b>Not Available</b>
---	----------------------

Sales of tangible personal property to common or contract carriers engaged primarily in trucking and sales to railroad companies are exempt from sales tax if the property is shipped to a destination outside this state.

<b>Printed Advertising Material Used Outside the State, s. <a href="#">77.54(25)</a></b>	<b>Not Available</b>
--	----------------------

Sales of printed advertising materials produced in Wisconsin and sold to purchasers for use only outside the state are exempt from sales tax. For example, advertising leaflets, which are printed and purchased in the state but distributed only in a neighboring state, are not subject to sales tax.

<b>Temporary Storage of Printed Materials, s. <a href="#">77.54(43)</a></b>	<b>Not Available</b>
---	----------------------

The temporary storage of raw materials that are incorporated into printed materials to be transported outside Wisconsin, and thereafter used solely outside Wisconsin, are exempt from sales and use tax.

<b>Tangible Personal Property Temporarily Stored in this State, s. <a href="#">77.54(69)</a></b>	<b>Not Available</b>
--	----------------------

Tangible personal property that is stored in this state for not more than 120 days, if the property is to be used in fulfillment of a real property construction activity that occurs solely outside of this state at a nonprofit organization, a public school district, or a business district where business tax incentives have been granted and is used by a person engaged in an activity classified as construction.

### Definitional and Miscellaneous Exemptions

The purpose of this exemption report is to estimate the cost to the state of providing specific exemptions to the sales tax for items that would otherwise be taxable. A retail sale is defined as one where the buyer makes a purchase with no intention of resale. Retail sales are subject to the sales tax, unless otherwise provided by law. However, some sections of the statutes clarify the definition of a retail sale to exclude certain transactions from tax. For these sections no fiscal estimates have been made because sales of these items are not retail sales.

<b>Trade-Ins and Lemon Law Refunds, ss. <a href="#">77.51(15b)(b)5</a> and <a href="#">6</a></b>	<b>\$162,500,000</b>
--	----------------------

In transactions in which a product is traded in on the purchase of a product of greater value, sales tax is applied only to the difference between the values of the two products. The estimate applies only to trade-ins of automobiles and trucks; it does not include trade-ins of boats, mobile homes, household appliances or other items. Also, a customer purchasing a replacement vehicle with a lemon law refund may apply the value of the original trade-in to the purchase of the replacement vehicle.

<b>Certain Occasional Sales, ss. <a href="#">77.54(7)</a> and <a href="#">(7m)</a></b>	<b>Not Available</b>
--	----------------------

Occasional sales are sales by persons other than those offering goods for sale in the ordinary course of business. Most occasional sales are exempt. Taxable occasional sales include sales of automobiles, aircraft, trailers, semi-trailers, snowmobiles, all-terrain vehicles and mobile homes not exceeding 45 feet in length, registered in the state, and boats registered in the state or in the U.S. However, these occasional sales are exempt if the transfer is to a spouse, parent or child, or the spouse of a parent or child, and if the item had previously been registered in Wisconsin, or in the case of boats, registered in the state or in the U.S. Also, the transfer of a motor vehicle from an individual to a corporation solely owned by that individual is exempt. Occasional sales of tangible personal property or services by a neighborhood association, church, civic group or similar nonprofit organization are generally exempt from sales tax if total payments for entertainment or other expenses do not exceed \$10,000 and the organization's annual receipts do not exceed \$50,000.

<b>Occasional Auction Sales, s. <a href="#">77.51(9)(e)</a></b>	<b>Not Available</b>
---	----------------------

Gross receipts from auctions of farm personal property or household goods that are not held at regular intervals are exempt from sales tax.

<b>Retailer's Discount, s. <a href="#">77.61(4)(c)</a></b>	<b>\$42,700,000</b>
--	---------------------

Retailers may retain the greater of 0.75 percent of their total sales tax liability or \$10, not to exceed the sales tax amount, per filing period as compensation for the costs of collecting and remitting sales taxes. The retailer's discount is capped at \$8,000 per filing period. Increase in rate from 0.5 percent to 0.75 percent and increase in cap from \$1,000 per period to \$8,000 per period effective October 2023.

<b>Tangible Property Included in Construction Contracts, s. <a href="#">77.54(60)</a></b>	<b>\$2,400,000</b>
---	--------------------

For construction contracts in which the taxable products are less than 10 percent of the total contract, tangible personal property and taxable services that are sold as part of a construction contract are exempt from sales tax. Contractors owe tax on their purchase price of the tangible personal property and taxable services.

<b>Private Label Credit Card Bad Debt, s. <a href="#">77.585(1)</a></b>	<b>Effective 7/01/2078<sup>1</sup></b>
---	--

A seller may claim a deduction on its sales and use tax return for the amount of any bad debt that the seller or lender writes off as uncollectible in the seller's or lender's books and records. The bad debt must be eligible to be deducted as bad debt for federal income tax purposes.

<b>911 Fee, s. <a href="#">77.54(55)</a></b>	<b>\$2,700,000</b>
--	--------------------

The sales price from the 911 fee (formerly known as the police and fire protection fee) imposed by the Public Service Commission is exempt from tax.

<b>Federal Excise Tax on Heavy Trucks, s. <a href="#">77.51(15b)(b)3s</a></b>	<b>\$1,000,000</b>
---	--------------------

The federal excise tax imposed on heavy trucks is not included in the sales price subject to sales tax.

<sup>1</sup> A partial veto of 2017 Wisconsin Act 259 resulted in an effective date of July 1, 2078.

<b>Sales Tax Holiday, s. <a href="#">77.54(67)</a></b>	<b>Nonrecurring<sup>2</sup></b>
--	---------------------------------

From August 1 through August 5, 2018, the following items were exempt from tax:

- School supplies, if the sales price of any single item is \$75 or less;
- Clothing, if the sales price of any single item is \$75 or less;
- A computer purchased for the purchaser's personal use, if the sales price of the computer is \$750 or less; and
- School computer supplies purchased for the purchaser's personal use, if the sales price of any single item is \$250 or less.

<b>Precious Metal Bullion, s. <a href="#">77.54(74)</a></b>	<b>\$3,300,000</b>
---	--------------------

Sales of precious metal bullion (coins, bars, rounds or sheets that contain at least 35 percent gold, silver, copper, platinum or palladium, and that are marked with weight, purity and content are exempt from sales and use tax. The exemption does not apply to other tangible personal property that contains, in whole or in part, precious metal bullion, such as jewelry, works of art, scrap metal or electronics.

<b>Electricity from Vehicle Charging Stations, s. <a href="#">77.54(71)</a></b>	<b>Effective 1/1/2025</b>
---	---------------------------

Effective January 1, 2025, the sale of electricity delivered or placed by the following is exempt from sales and use tax:

- A Level 3 charger of an electric vehicle charging station into the battery or other storage device of an electric vehicle.
- A Level 1 or Level 2 charger installed on or after March 2, 2024, of an electric vehicle charging station into a battery or other energy storage device of an electric vehicle.

### Services Not Subject to Tax

Services are exempt from sales tax unless the statutes specifically impose the tax. Table 3 shows certain services that are not subject to sales tax and provides an estimate of the potential fiscal effect. The table does not include services that are specifically exempted from tax by law and discussed in previous sections, such as self-service laundry services, veterinary services for farm animals and labor services in construction. Similar to Table 2, Table 3 below only presents estimated state revenue foregone. The impacts on local sales tax collections are not included in the figures.

<sup>2</sup> The sales tax holiday was in effect from August 1 to August 5 of 2018. The FY19 fiscal effect was an estimated revenue reduction of \$14.5 million.

**TABLE 2  
SALES AND USE TAX EXEMPTION DEVICES SUMMARY**

Exemption	Statutory Reference	FY24 Fiscal Effect
<b>Exemptions for Property Sold Primarily to Households</b>		
Food and Food Ingredients (not including Bottled Water)	s. <a href="#">77.54(20n)(a)</a>	920,000,000
Dried Fruit	s. <a href="#">77.51(1fm)(b)</a>	490,000
Bottled Water	s. <a href="#">77.54(20n)(a)</a>	40,100,000
Meals Furnished by Institutions of Higher Education	s. <a href="#">77.54(20n)(c)1</a>	9,200,000
Water Sold Through Mains	s. <a href="#">77.54(17)</a>	21,150,000
Fuel and Electricity for Residential Use	ss. <a href="#">77.54(30)(a)1</a> and <a href="#">2</a>	179,400,000
Biomass Used for Fuel Sold for Residential Use	s. <a href="#">77.54(30)(a)1m</a>	Minimal
Mobile and Manufactured Homes	ss. <a href="#">77.54(31)</a> and <a href="#">77.51(12m)(b)7</a>	730,000
Motor Fuels	s. <a href="#">77.54(11)</a>	633,000,000
Vegetable Oil and Animal Fats Converted to Exempt Vehicle Fuel	s. <a href="#">77.54(11m)</a>	Minimal
Newspapers, Periodicals and Shoppers Guides	s. <a href="#">77.54(15)</a>	11,600,000
Caskets and Burial Vaults	s. <a href="#">77.54(21)</a>	4,800,000
U.S. and State of Wisconsin Flags	s. <a href="#">77.54(46)</a>	Minimal
Self-Service Laundry and Dry Cleaning Services	s. <a href="#">77.52(2)(a)6</a>	2,300,000
<b>Exemptions Related to Health Care</b>		
Prescription Drugs and Medicines (excluding Insulin)	s. <a href="#">77.54(14)</a>	168,300,000
Insulin and Equipment Used in the Treatment and Testing of Diabetes	ss. <a href="#">77.54(14)</a> and <a href="#">(28)</a>	16,200,000
Medical Devices (inc. Wheelchairs, Home Oxygen Equipment)	s. <a href="#">77.54(22b)</a>	24,100,000
Meals Provided by Nursing Homes, Community-Based Residential Facilities and Hospitals, Food Sold in Retirement Homes and Meals on Wheels	s. <a href="#">77.54(20n)(b)</a>	Not Available
Medical Records	s. <a href="#">77.54(64)</a>	Not Available
<b>Exemptions Related to Farming</b>		
Tractors and Farm Machinery	s. <a href="#">77.54(3)(a)</a>	53,800,000
Personal Property and Supplies Used in Farming	s. <a href="#">77.54(3m)</a>	367,600,000
Electricity Used in Farming	s. <a href="#">77.54(30)(a)3</a>	12,000,000
Fuel Used in Farming	s. <a href="#">77.54(30)(a)5</a>	27,800,000
Veterinary Services and Medicines for Farm Livestock	ss. <a href="#">77.52(2)(a)10</a> and <a href="#">77.54(33)</a>	9,500,000
Semen for Livestock Breeding	s. <a href="#">77.54(27)</a>	3,200,000
<b>Exemptions Related to General Business</b>		
Machinery and Equipment Used in Manufacturing	ss. <a href="#">77.54(5)(d)</a> and <a href="#">(6)(am)1</a>	259,600,000
Fuel and Electricity Used in Manufacturing	s. <a href="#">77.54(30)(a)6</a>	184,700,000
Tangible Personal Property Consumed in Manufacturing	s. <a href="#">77.54(2)</a>	Not Available
Component Parts of Shoppers Guides, Newspapers and Periodicals	s. <a href="#">77.54(2m)</a>	Not Available
Catalogs and Catalog Envelopes	ss. <a href="#">77.52(2)(a)11</a> , <a href="#">77.54(25)</a> and <a href="#">77.54(25m)</a>	7,300,000
Advertising and Promotional Direct Mail	ss. <a href="#">77.54(59)</a> and <a href="#">77.52(2)(a)11</a>	4,900,000
Fuels Converted to Electric Energy, Gas or Steam by Utilities	s. <a href="#">77.54(6)(am)3</a>	Not Available
Waste Treatment Facilities and Machinery and Equipment Used in Recycling	ss. <a href="#">77.54(5)(c)</a> , <a href="#">(26)</a> and <a href="#">(26m)</a>	Not Available
Logging Equipment	s. <a href="#">77.54(39)</a>	1,700,000
Equipment Used in the Production of Maple Syrup	s. <a href="#">77.54(29)</a>	Minimal



Exemption	Statutory Reference	FY24 Fiscal Effect
<b>Exemptions Related to General Business, continued</b>		
Wood Residue Used as Fuel in a Business Activity	s. <a href="#">77.54(30)(a)4</a>	2,400,000
Building Materials, Equipment and Supplies Used in the Construction of Professional Sports Stadiums	s. <a href="#">77.54(41)</a>	Not Available
Building Materials, Equipment and Supplies Used in the Construction or Development of Sports and Entertainment Arena Facilities	s. <a href="#">77.54(62m)</a>	Not Available
Live Game Birds and Clay Pigeons	s. <a href="#">77.54(47)</a>	200,000
Deer and Other Cervids Sold to Hunting Preserves	s. <a href="#">77.54(62)</a>	120,000
Trucks, Tractors, Buses and Other Vehicles Sold to Common or Contract Carriers	s. <a href="#">77.54(5)(b)</a>	48,100,000
Rolling Stock Used in Railroad Operations	s. <a href="#">77.54(12)</a>	3,100,000
Commercial Vessels and Barges	s. <a href="#">77.54(13)</a>	Minimal
Fuel Used by Chartered Fishing Vessels	s. <a href="#">77.54(30)(a)7</a>	Minimal
Containers, Labels, Sacks, Cans, Boxes, and Other Packaging and Shipping Materials	s. <a href="#">77.54(6)(am)2</a>	Not Available
Motion Picture and TV Film and Advertising Materials	s. <a href="#">77.54(23m)</a>	20,300,000
Restaurant Employee Meals	s. <a href="#">77.54(20r)</a>	Not Available
Tangible Personal Property Purchased for Resale but Donated to a Nonprofit Organization	s. <a href="#">77.56(3)</a>	Not Available
Prepaid Telephone Cards and Authorization Numbers	s. <a href="#">77.54(46m)</a>	Minimal
Biotechnology and Manufacturing Research	s. <a href="#">77.54(57)(b)</a>	31,100,000
Alternative Energy Producing Products	s. <a href="#">77.54(56)</a>	7,600,000
Sales to Affiliated Companies	s. <a href="#">77.54(49)</a>	Not Available
Machinery and Equipment Used in Snowmaking and Snow-Grooming	s. <a href="#">77.54(58)</a>	150,000
Parts and Materials Used in the Repair of Aircraft	ss. <a href="#">77.52(2)(a)10</a> and <a href="#">77.54(5)(a)3</a>	4,100,000
Fertilizer Blending, Feed Milling and Grain Drying	ss. <a href="#">77.54(6)(am)4</a> and <a href="#">5</a>	1,000,000
Equipment Used in Origination or Integration of Radio or TV Programs	s. <a href="#">77.54(23n)</a>	2,500,000
Computers and Servers Used in Commercial Printing	s. <a href="#">77.54(61)</a>	530,000
Music Sold to a Jukebox Operator	s. <a href="#">77.54(63)</a>	500,000
Fish Sold to Fish Farms	s. <a href="#">77.54(66)</a>	65,000
Amusement Devices-Video and Electronic Games	s. <a href="#">77.54(65m)(a)1</a>	25,000
Amusement Device Prizes	s. <a href="#">77.54(65m)(a)2</a>	Not Available
Tournament or League Entrance Fees	s. <a href="#">77.54(65m)(a)3</a>	Minimal
Prepared Food Manufactured by the Retailer	s. <a href="#">77.54(20n)(d)</a>	3,100,000
Products Used for Disaster Relief by Out-of-State Businesses	s. <a href="#">77.53(19)</a>	Not Available
Disaster Relief for and by Telecommunications Utilities and Electric Cooperatives	s. <a href="#">77.54(68)</a>	Not Available
Electronics and Information Technology Manufacturing Zone	s. <a href="#">77.54(65)</a>	Not Available
Real Estate Brokerage Memberships	s. <a href="#">77.54(72)</a>	40,000
Road Building Equipment	s. <a href="#">77.54(73)</a>	5,500,000
Qualified Data Centers	s. <a href="#">77.54(70)</a>	40,000,000

<p><b>Exemptions for Government Agencies and Nonprofit Organizations</b></p> <p>Sales to the Federal Government and Its Agencies Sales to State and Local Governments and Schools</p> <p>Religious, Charitable, Scientific and Educational Organizations</p> <p>Lunches and Other Tangible Personal Property Sold by Elementary and Secondary Schools</p> <p>Admissions to Elementary and Secondary School Activities</p> <p>Admissions to State Parks and Camping Fees</p> <p>Admissions to Certain Historical Museums</p> <p>Admissions to County Fairs</p> <p>Volunteer Fire Department Equipment</p> <p>Copies of Public Records</p>	<p>s. <a href="#">77.55(1)</a> ss. <a href="#">77.54(9a)(a)-(em)</a>, <a href="#">(g)</a> and <a href="#">(h)</a> s. <a href="#">77.54(9a)(f)</a>  s. <a href="#">77.54(4)</a>  s. <a href="#">77.54(9)</a> s. <a href="#">77.54(10)</a> s. <a href="#">77.54(10)</a> s. <a href="#">77.52(2)(a)2</a> s. <a href="#">77.54(16)</a> s. <a href="#">77.54(32)</a></p>	<p>Not Available 610,200,000  323,000,000  Not Available  Not Available 1,600,000 Minimal Not Available Not Available Not Available Minimal</p>
<p>Sales by American Legion Baseball Teams</p> <p>Snowmobile Trail Grooming Equipment</p> <p>Sales of Animal Identification Tags and Samples by the Department of Agriculture, Trade and Consumer Protection</p> <p>Public Benefits Fees</p> <p>Motor Vehicles Loaned to Driver Education Programs</p> <p>Nonprofit Cemetery Associations</p> <p>Veterans Home Exchange Services</p> <p>Building Materials Used in Certain Government/Nonprofit Real Construction</p> <p>One-Time License or Right to Purchase Admissions to Professional Football Games</p> <p>Nonprofit Gun Club Admissions and Membership Fees</p> <p>Occasional Sales by Certain Nonprofit Organizations</p>	<p>s. <a href="#">77.54(35)</a> s. <a href="#">77.54(38)</a> s. <a href="#">77.54(42)</a>  s. <a href="#">77.54(44)</a> s. <a href="#">77.56(2)</a> s. <a href="#">77.54(9a)(l)</a> s. <a href="#">77.54(54)</a> s. <a href="#">77.54(9m)</a>  s. <a href="#">77.54(45)</a>  s. <a href="#">77.52(2)(a)2b</a> s. <a href="#">77.54(7m)</a></p>	<p>Not Available Minimal Minimal  5,900,000 Minimal 200,000 Minimal 17,400,000 Minimal  Not Available Not Available</p>
<p><b>Exemptions for Nonresidents and for Use in Other States</b></p> <p>Property Used in Wisconsin by Nonresidents</p> <p>Nonresidents' Boats Berthed in Boundary Waters</p> <p>Nonresidents' Aircraft Hangered in Wisconsin</p> <p>Goods Brought into the State by New Residents</p> <p>Property Purchased for Delivery Outside the State</p> <p>Aircraft, Motor Vehicles and Truck Bodies Sold for Use Outside the State</p> <p>Modular and Manufactured Homes Used in Real Property Construction Outside of the State</p> <p>Property Sold to Out-of-State Common or Contract Carriers</p> <p>Printed Advertising Material Used Outside the State</p> <p>Temporary Storage of Printed Materials</p> <p>Tangible Personal Property Temporarily Stored in this State</p>	<p>s. <a href="#">77.53(17)</a> s. <a href="#">77.53(17m)</a> s. <a href="#">77.53(17r)</a> s. <a href="#">77.53(18)</a> s. <a href="#">77.55(3)</a> s. <a href="#">77.54(5)(a)</a>  s. <a href="#">77.54(5)(am)</a>  ss. <a href="#">77.55(2)</a> and <a href="#">(2m)</a> s. <a href="#">77.54(25)</a> s. <a href="#">77.54(43)</a> s. <a href="#">77.54(69)</a></p>	<p>Not Available Not Available Not Available Not Available Not Available Not Available  500,000  Not Available Not Available Not Available Not Available</p>
<p><b>Definitional and Miscellaneous Exemptions</b></p> <p>Trade-Ins and Lemon Law Refunds</p> <p>Certain Occasional Sales</p> <p>Occasional Auction Sales</p> <p>Retailer's Discount</p> <p>Tangible Property Included in Construction Contracts</p> <p>Private Label Credit Card Bad Debt Deduction</p> <p>911 Fee</p> <p>Federal Excise Tax on Heavy Trucks</p> <p>Sales Tax Holiday</p> <p>Precious Metal Bullion</p> <p>Electricity from Vehicle Charging Stations</p>	<p>ss. <a href="#">77.51(15b)(b)5</a> and <a href="#">6</a> ss. <a href="#">77.54(7)</a> and <a href="#">(7m)</a> s. <a href="#">77.51(9)(e)</a> s. <a href="#">77.61(4)(c)</a> s. <a href="#">77.54(60)</a> s. <a href="#">77.585(1)</a> s. <a href="#">77.54(55)</a> s. <a href="#">77.51(15b)(b)3s</a> s. <a href="#">77.54(67)</a> s. <a href="#">77.54(74)</a> s. <a href="#">77.54(71)</a></p>	<p>162,500,000 Not Available Not Available 42,700,000 2,400,000 Effective 7/1/2078 2,700,000 1,000,000 Nonrecurring 3,300,000 Effective 1/1/2025</p>

**TABLE 3**  
**SALES AND USE TAX EXEMPTIONS-SERVICES**

Exemption	FY24 Fiscal Effect
<b>Personal and Recreational Services</b>	
Beauty, Barber, Nail and Other Personal Care Services	49,300,000
Funeral Services, excluding Caskets and Vaults	12,100,000
Bank Account Service Charges	2,700,000
Dues and Fees Paid to Business Associations and Fraternal Organizations	14,600,000
Health Clubs	20,100,000
Admissions to Educational Events and Places	6,800,000
Veterinary Services for Pets	34,900,000
Auto and Travel Clubs	4,900,000
Internet Access Charges	212,000,000
<b>Professional Services</b>	
Services of Physicians, Dentists and Other Health Professionals	919,700,000
Legal Services	150,700,000
Architectural, Engineering, Testing Laboratory and Surveying Services	166,800,000
Accounting Services	79,600,000
Tax Preparation Services	7,100,000
<b>Business Services</b>	
Computer Services (including Data Processing and Custom Programming)	352,400,000
Management, Scientific and Technical Consulting Services	199,300,000
Scientific Research and Development Services	158,900,000
Employment Placement Services	16,600,000
Advertising - Development and Placement (excludes Public Relations)	158,300,000
Public Relations	4,900,000
Credit Rating and Collection Services	6,800,000
Investigation and Security Services	20,200,000
<b>Services Related to Real Property</b>	
Construction Labor	567,000,000
Commissions to Real Estate Brokers	113,600,000
Repair of Real Property	78,600,000
Interior Design	7,300,000
Janitorial Services	53,200,000
Disinfecting and Exterminating	9,800,000
Sewerage Services	50,200,000

## INSURANCE PREMIUM TAXES

### Introduction

Chapter 76 of the Wisconsin Statutes provides for the taxation of certain insurance companies by the Commissioner of Insurance on the basis of premiums or net investment income. Insurance business subject to taxation under Chapter 76, Wis. Stats., is not subject to the corporate income and franchise tax under Chapter 71, Wis. Stats., and vice versa. Some types of insurance companies are not subject to taxation under either chapter.

The tax imposed by Chapter 76, Wis. Stats., may apply to all insurance companies, foreign (companies organized outside Wisconsin) as well as domestic (organized in Wisconsin). The corporate franchise tax applies to domestic fire and casualty insurers and the nonlife business of domestic life insurers.

Insurance companies subject to the corporate income and franchise tax are subject to the same tax rate as that imposed on all other corporations subject to the tax, except that the tax is limited to 2 percent of premiums. The tax rates for insurance companies subject to taxation under Chapter 76, Wis. Stats., vary depending on the type of insurance business. In addition, because of the "reciprocal and retaliatory" statutes, Wisconsin taxation of foreign insurance companies (companies organized outside the state) is dependent on the taxation of Wisconsin-organized insurance companies in the domicile of such foreign companies. For example, the Wisconsin taxation of a New York company doing business in Wisconsin is dependent on the New York taxation of a Wisconsin company doing business in New York.

The Wisconsin "retaliatory" statute (sec. [76.66](#), Wis. Stats.) provides, in essence, that when the taxes/fees imposed by another state or country on insurers organized under Wisconsin laws doing business in that state or country are greater than the taxes or fees imposed by Wisconsin on those foreign insurers doing business in Wisconsin, then Wisconsin will tax insurers organized under the laws of the other state or country at the same higher rate.

The Wisconsin "reciprocal" statute (sec. [76.67](#), Wis. Stats.) provides that insurers organized under the laws of other states, territories or districts of the United States (but not other countries) shall not pay taxes, fees or licenses to Wisconsin greater than the taxes, fees or licenses imposed by the other state, territory or district on similar Wisconsin insurers doing business there. The reciprocal statute does not result in pure reciprocity because it does not apply to insurance companies organized in other countries, and it does not permit payment of less than the Wisconsin statutory tax on life insurance, fire dues (2 percent fire department dues) and certain fees. In addition, it requires a minimum tax of 0.375 percent on fire and ocean marine premiums.

Because some Wisconsin companies do insurance business in all other states, territories or districts of the United States, the effect of the reciprocity and retaliation statutes is that few U.S. fire or casualty insurers are taxed at the rates provided in the Wisconsin Statutes (except the 0.375 percent minimum tax on fire and ocean marine premiums). In general, the "retaliatory" statutes applicable to insurers organized in other countries cannot be applied because of limitations imposed by international treaties between the United States and the insurer's domiciliary country or because of practical problems of application or computation. Thus, non-U.S. insurers are taxed at the Wisconsin statutory rate and applied to premiums unless otherwise noted. The statutory premium rates are as follows: fire, 2.375 percent; ocean marine, 0.5 percent; casualty, 2 percent; domestic life (over \$750 million in force), 2 percent; domestic life (\$750 million or less in force), 3.5 percent of gross income;<sup>1</sup> nondomestic life, 2 percent; and nondomestic accident and health, 2 percent.

For the premium tax, the base is gross premiums received for direct insurance, less return premiums and cancellations, and less policyholder dividends from savings and gains on direct insurance in Wisconsin. Direct insurance includes all insurance other than reinsurance. Under reinsurance, an insurer shares the risk and premiums with other insurers.

---

<sup>1</sup> This tax plus a valuation fee is subject to a maximum of 2% of net taxable premiums.

General purpose revenue tax collections from the insurance premiums taxes in FY24 were \$212.6 million. This excludes \$33.8 million of fire department dues which, beginning in FY82, were changed from general purpose to program revenue. Fire department dues are distributed to local units of government, while other insurance company taxes are part of the state general fund.

In addition to the taxes imposed in Chapter 76, Wis. Stats., insurers are also subject to license fees. License fees are charged according to the schedule in sec. [601.31](#), Wis. Stats.

### Exemptions From Taxation

Insurers exempt from taxation under both Chapters 71 and 76, Wis. Stats., include: town mutual insurance companies (except that fire dues are payable equal to 2 percent of the fire premiums); fraternal or mutual benefit societies; voluntary benefit plans for injury or death of students; self-insurers (except that fire dues are payable equal to 2 percent of the premiums that would have been charged by authorized insurers); the State Property Insurance Fund (except for fire dues on property that is not state-owned); and the Wisconsin Health Care Liability Plan and Patients Compensation Fund.

<b>Town Mutual Insurance Companies, s. <a href="#">76.61</a></b>	<b>\$1,095,000</b>
--	--------------------

Town mutual insurance companies organized under or subject to Chapter 612 of the Wisconsin Statutes are not subject to taxation or license fees under Chapter 76, Wis. Stats. They are subject, however, to a fire dues tax of 2 percent of direct fire premiums. A town mutual insurance corporation may be organized by at least 100 adults, each of whom has a separate insurable risk within a prescribed territory. The territory may not exceed eight contiguous counties; however, the Commissioner of Insurance may allow a broader territory not larger than 16 contiguous counties. A town mutual may insure members against loss or damage from any cause to any property in which a member has an interest, including insurance against loss of use or loss of income from property. The insurance of crops and other property against loss due to windstorm or hail are restricted and must be reinsured. Town mutual insurers may insure policyholders from liability, errors and omissions, and medical payments and other supplemental coverage when reinsured.

<b>Domestic Fire, Marine and Casualty Companies, ss. <a href="#">76.60</a> and <a href="#">76.63(1)</a></b>	<b>\$263,605,000</b>
---	----------------------

Wisconsin-organized insurance companies insuring fire, marine and casualty risks are not subject to Wisconsin premium taxation with the exception of mortgage guaranty insurers. Companies not subject to the premiums tax are subject to the corporation franchise tax. They are subject to a fire dues tax of 2 percent of direct fire premiums written. Casualty risks also include all lines of accident and health insurance written by life companies, fraternal insurers, health maintenance organizations, limited-service health organizations and health medical dental indemnity insurers.

<b>Fraternal Life Insurance Companies, s. <a href="#">76.65</a></b>	<b>\$6,045,000</b>
---	--------------------

All corporations transacting life insurance business in Wisconsin are subject to taxation under Chapter 76, Wis. Stats., except fraternal insurers organized and operating under Chapter 614, Wis. Stats. A fraternal insurer must have a lodge system and a representative form of government. It must exist solely for the benefit of its members and their beneficiaries and solely for any lawful social, intellectual, educational, charitable, benevolent, moral, fraternal, patriotic or religious purposes for the benefit of its members or the public, carried on through voluntary activity of its members in their local lodges or through institutional programs of the fraternal insurer or its lodges. It may carry only life and accident and health lines of insurance.

**Exemptions from Base**

<b>Return Premiums and Cancellations on Direct Insurance, ss. <a href="#">76.60</a>, <a href="#">76.62</a> and <a href="#">76.63(1)</a></b>	<b>See Footnote<sup>2</sup></b>
---	---------------------------------

For the tax on fire, marine and casualty insurance premiums, the tax base is defined as gross premiums as calculated under sec. [76.62](#), Wis. Stats. This section provides that all license fees and taxes levied under any provision of law upon gross premiums other than life insurance premiums shall be based on gross premiums received for direct insurance, less return premiums and cancellations, and returns from savings and gains on all insurance, other than reinsurance by the insurer during the preceding year in this state.

Reinsurance, where one insurer shares a portion of the premium in return for a sharing of a portion of the risk with another insurer, is not subject to taxation unless the original insurer fails to pay the premiums tax. The fiscal effect of this exemption for domestic companies is included in the exemption from taxation for domestic fire, marine and casualty companies; for foreign companies, it is included in the estimate for the "reciprocity" statute.

<b>Exemptions from the Domestic Life Insurance Company Gross Income Tax Base, s. <a href="#">76.65(1)</a></b>	<b>None</b>
---	-------------

The tax base for domestic (Wisconsin-organized) life insurance companies (which may affect only those companies with \$750 million or less of insurance in force) is gross income from all sources, except:

- Interest required to provide and maintain reserves according to the laws of Wisconsin;
- Premiums collected on policies of insurance and contracts for annuities.

The gross income, net of the above deductions, is subject to a factor with the numerator being net investment income applicable to life insurance and annuities and the denominator being total net investment income.

<b>Exemptions from the Foreign and Domestic Life Insurance Company Gross Premium Tax Base, s. <a href="#">76.65(2)</a></b>	<b>\$1,595,000<sup>3</sup></b>
--	--------------------------------

The tax base for foreign life insurance companies, which is also generally applicable to domestic life insurance companies having more than \$750 million of insurance in force, is gross premiums on all policies or contracts of insurance on the lives of residents of Wisconsin less all sums apportioned to premium-paying policies on the lives of residents of Wisconsin from annual distributions of profits, savings, earnings or surplus that have been either paid in cash or applied in partial payment of premiums. Because of long-standing administrative construction, considerations received for annuity contracts are not considered premiums on policies or contracts of insurance and, thus, are not taxable under sec. [76.65\(2\)](#), Wis. Stats. The fiscal effect shown is that for domestic insurers, the fiscal effect for foreign companies is included in the estimate for the "reciprocity" statute.

**Special Treatment**

<b>Limit on Gross Income Tax of Domestic Life Insurance Companies with \$750 Million or Less of Insurance in Force, s. <a href="#">76.65(1)</a></b>	<b>None</b>
---	-------------

For domestic life insurance companies with \$750 million or less of insurance in force, the tax based on 3.5 percent of gross income (less deductions) cannot exceed the annual license fee that would have been payable had it been operating as a foreign company (in which case the tax would be 2 percent of gross

<sup>2</sup> Included in estimates for exemption for domestic, fire, marine and casualty companies and for "reciprocity" statute.

<sup>3</sup> Fiscal effect for domestic insurers only. Fiscal effect for foreign corporations included in the estimate for "reciprocity" statute.

premiums, after deducting the considerations received for annuity contracts which are exempt from taxation). This limit had no fiscal effect in FY24.

<b>"Retaliatory" Statute, s. <a href="#">76.66</a></b>	<b>Not Available</b>
--	----------------------

The Wisconsin "retaliatory" statute may result in an increase in Wisconsin fees; thus, it might not be considered a tax exemption device. However, to the extent that the statutes of other states provide tax exemption devices for insurance companies organized in Wisconsin doing business in such states, the Wisconsin "retaliatory" statute could also allow such tax exemption devices to insurance companies doing business in Wisconsin. The fiscal effect of these other states' statutes is included in the estimate for the "reciprocity" statute.

### Credits

<b>Credit to Domestic Life Insurers for Personal Property Taxes, s. <a href="#">76.69</a></b>	<b>\$279,000</b>
---	------------------

Domestic life insurance companies are allowed a premium tax credit of 50 percent of general property taxes paid on personal property in Wisconsin used in the operation of business and not held primarily for investment purposes. The credit is limited to 25 percent of the license fee for domestic life insurers.

<b>Credit to Insurers to Recoup Security Fund Assessments, s. <a href="#">646.51(7)</a></b>	<b>\$386,000</b>
---	------------------

The Insurance Security Fund Board administers the security fund established by Chapter 646, Wis. Stats., to provide a mechanism for protecting insureds in the event of liquidation of insurers and to assess the costs of such protection among insurers. Sec. [646.51\(7\)](#), Wis. Stats., provides for tax credits of 20 percent of security fund assessments in each of the five calendar years following the year the assessment was paid when premium rates are fixed so that it is not possible for the insurer to increase its premium rates to recoup the assessment. Domestic insurers may take tax credits only for the proportion of their business assessed which is fixed, such that it is impossible to raise premiums. Such policies are referred to as "noncancellable" in the insurance business and represent a small portion of the total insurance written. Nondomestic insurers may take tax credits subject to the provision of the "retaliatory" and "reciprocal" statutes (secs. [76.66](#) and [76.67](#), Wis. Stats.)

<b>Credit to Insurers for Certified Capital Investment, s. <a href="#">76.635(2)</a></b>	<b>None</b>
--	-------------

Since FY99, certain insurers operating in Wisconsin are allowed to take a premium tax credit for investment in certified capital companies as defined in sec. 560.29, Wis. Stats. (2009). The purpose of the credit is to encourage insurers to make venture capital for companies operating in Wisconsin. Sec. [76.635\(2\)](#), Wis. Stats., provides for tax credits of up to 10 percent of the amount of the certified investment each year, until the entire available credit is used.

There is no FY24 fiscal effect, as no insurance companies were certified for the credit.

<b>Credit for Certain Development Zone Activities, s. <a href="#">76.636(2)</a></b>	<b>None</b>
---	-------------

Certain insurers operating in Wisconsin are allowed to take a premium tax credit for investment in certain development zone activities as defined in secs. [238.30](#), [238.395](#), [238.397](#), and [238.398](#), Wis. Stats. The purpose of the credit is to encourage insurers to make investments in economically disadvantaged areas. This program is more fully discussed in the chapter on "Corporate Income and Franchise Tax."

There is no FY24 fiscal effect, as no insurance companies were certified for the credit.

<b>Early Stage Seed Investment Credit, s. <a href="#">76.638</a></b>	<b>\$1,221,000</b>
--	--------------------

For taxable years beginning after December 31, 2008, insurers may claim a credit against the premium tax



for investments made with a fund manager that invests in qualified new business ventures. This program is more fully discussed in the chapter on "Corporate Income and Franchise Tax."

<b>Economic Development Credit, s. <a href="#">76.637</a></b>	<b>None</b>
---	-------------

For taxable years beginning after December 31, 2017, a nonrefundable low-income housing credit is available. Claimants may claim a credit for the amount certified by the Wisconsin Housing and Economic Development Authority (WHEDA). A taxpayer is eligible for the credit if their tenants' income is less than 60 percent of the county's median income. Claimants must apply through WHEDA. The credit must be claimed within four years of the date on which the tax return was due. Unused credits may be carried forward for 15 years. The maximum amount of credits WHEDA may certify in a year equals \$42,000,000.

<b>Low-Income Housing Credit, s. <a href="#">71.28(8b)</a></b>	<b>\$6,770,000</b>
--	--------------------

For tax years beginning after December 31, 2017, a nonrefundable low-income housing credit is available. Claimants may claim a credit for the amount certified by the Wisconsin Housing and Economic Development Authority (WHEDA). A taxpayer is eligible for the credit if their tenants' income is less than 60 percent of the county's median income. Claimants must apply through WHEDA. The credit must be claimed within four years of the date on which the tax return was due. Unused credits may be carried forward for 15 years. The maximum amount of credits WHEDA may certify in a year equals \$42,000,000.

<b>Insurance Premium Taxes Summary</b>		
Exemption Device	Statutory Reference <sup>4</sup>	FY24 Fiscal Effect
<b>Exemptions from Taxation</b>		
Town Mutual Insurance Companies	s. <a href="#">76.61</a>	\$1,095,000
Domestic Fire, Marine and Casualty Companies	ss. <a href="#">76.60</a> and <a href="#">76.63(1)</a>	\$263,605,000
Fraternal Life Insurance Companies	s. <a href="#">76.65</a>	\$6,045,000
<b>Exemptions from Base</b>		
Return Premiums and Cancellations on Direct Insurance	ss. <a href="#">76.60</a> , <a href="#">76.62</a> and <a href="#">76.63(1)</a>	See Footnote <sup>5</sup>
Exemptions from the Domestic Life Insurance Company Gross Income Tax Base	s. <a href="#">76.65(1)</a>	None
Exemptions from the Foreign and Domestic Life Insurance Company Gross Premium Tax Base	s. <a href="#">76.65 (2)</a>	\$1,595,000
<b>Special Treatment</b>		
Limit on Gross Income Tax of Domestic Life Insurance Companies with \$750 Million or Less of Insurance in Force	s. <a href="#">76.65(1)</a>	None
"Retaliatory" Statute	s. <a href="#">76.66</a>	Not Available
"Reciprocity" Statute	s. <a href="#">76.67</a>	\$101,065,000
<b>Credits</b>		
Credit to Domestic Life Insurers for Personal Property Taxes	s. <a href="#">76.69</a>	\$279,000
Credit to Insurers to Recoup Security Fund Assessments	s. <a href="#">646.51(7)</a>	\$386,000
Credit to Insurers for Certified Capital Investment	s. <a href="#">76.635(2)</a>	None
Credit for Certain Development Zone Activities	s. <a href="#">76.636(2)</a>	None
Early Stage Seed Investment Credit	s. <a href="#">76.638</a>	\$1,221,000
Economic Development Credit	s. <a href="#">76.637</a>	None
Low-Income Housing Credit	s. <a href="#">71.28(8b)</a>	\$6,770,000

<sup>4</sup> References to sections of the 2021-22 Wisconsin Statutes.

<sup>5</sup> Fiscal effect for domestic insurers only. Fiscal effect for foreign corporations included in the estimate for "reciprocity" statute.

## PROPERTY TAX

The property tax is the largest source of state and local tax revenues in Wisconsin. This report reflects taxes for the 2023-24 property tax year, which covers taxes levied in December 2023 and due for payment in 2024. Total property taxes for the 2023-24 property tax year were about \$13.09 billion (see Table 1). School districts accounted for the largest share of property taxes levied (\$5.774 billion, or 44.13 percent of the total). Municipalities (\$3.485, or 26.63 percent) and counties (\$2.516 billion, or 19.23 percent) levied the next largest shares. Technical college districts, tax incremental financing districts and special districts accounted for the remaining \$1.309 billion, or 10.01 percent.

**TABLE 1  
GROSS PROPERTY TAX LEVIES FOR 2023-24 BY TYPE OF UNIT**

Type of Unit	Number of Units	Number of Units with a Tax Levy	Gross Amount Levied	% of Total Levy
School Districts	421	421	\$5,774,886,156	44.13%
Technical College Districts	16	16	\$499,403,592	3.82%
Counties	72	72	\$2,516,940,930	19.23%
Municipalities	1,913	1,892	\$3,485,337,572	26.63%
Municipalities – TIF increments	448	444	\$677,446,210	5.18%
Special Districts	536	243	\$132,728,792	1.01%
<b>Total</b>	<b>3,406</b>	<b>3,088</b>	<b>\$13,086,743,252</b>	<b>100.00%</b>

Property tax rates are often expressed in mills (dollars per \$1,000 of equalized value). For the 2023-24 property tax year, the statewide average gross tax rate was 15.53 mills. The statewide average net tax rate, which is calculated on taxes after subtracting the \$1.195 billion school levies property tax credit, was 14.12 mills for the 2023-24 property tax year. Both rates were calculated based on the total equalized value of taxable property in the state, which was approximately \$842.65 billion.

### Exempt Real Property – Reporting Requirements

State law requires that the owners of certain real property exempt from property taxes to report the value of the property to municipalities, which then summarize and transmit the owner-reported information to the Department of Revenue (DOR).

By March 31 of each even-numbered year, an owner of real property exempt from property taxation is required to file with the clerk of the municipality where the property is located a report that contains, among other things, an estimate of the market value of the property as of January 1 of that year. Owners of certain types of real property (such as cemeteries and archaeological sites), the federal government, the State of Wisconsin, local governments, and owners of properties on which an in lieu of tax or an equivalent payment is made are exempt from the reporting requirement.

By July 1 of each even-numbered year, every municipal clerk is required to file with DOR a report that summarizes the data reported to him or her by owners of tax-exempt real property. This report segments exempt real property into 13 categories and 10 value brackets. If a village or city has territory in two or more counties, a separate report is due for each county-specific piece of the municipality.

This chapter includes a compilation of the totals for those municipalities that filed a report for 2024 by property purpose and value range categories.

**Real Property – Exempt Value Estimates**

An estimate of the total value of real property exempt from taxation was determined based upon the real property exemption summary reports submitted by municipalities. The estimate excludes information on properties for which no reporting requirement exists. The estimate was calculated in two major steps.

The values for the various types of exempt property were estimated for towns, villages and cities by multiplying the number of parcels in each value bracket by the midpoint value for that value bracket. For example, the value for the \$10,000 to \$100,000 bracket was assumed to be \$55,000. For the over \$100 million category, a value of \$125 million was used.

NOTE: 2024 forms for both single parcel and multiparcel property owners utilized more value ranges than in previous years. This allows for better estimates of parcels with values exceeding \$25 million. As a result, the 2024 figures are not comparable to some previous years' estimates.

Below, Table 2 shows the number of towns, villages and cities that should have filed a summary report, the number of municipalities that actually filed the report (as of October 31, 2024), and the percentage of the state total equalized value represented by the places that filed a report. The reported values are divided by reporting municipalities' share of statewide equalized value to arrive at an estimate of total values for all localities in that type of municipality.

**TABLE 2  
NUMBER OF FILERS, PERCENTAGE OF EQUALIZED VALUE  
AND ADJUSTMENT FACTOR APPLIED FOR 2024 TAXATION DISTRICT  
EXEMPTION SUMMARY REPORTS**

Municipal Type	Number of Municipalities	Number of Filers	Filers' Percent of Equalized Value
Towns	1,244	944	75.88%
Villages	450	388	86.22%
Cities	219	203	92.69%
Total	1,913	1,535	80.24%

Estimates of the total value of exempt property for the reported classes are displayed in Table 3. Since compliance with the reporting – by owners of exempt property to their municipal clerk – is unknown, the estimated values in the table should not be deemed definitive.

**TABLE 3  
ESTIMATED VALUE OF EXEMPT PRIVATE REAL PROPERTY, 2024**

Purpose of Property	Exempt Value (\$ millions)	Percent of Total
Religious:		
Place of worship	14,615,313,000	35.62%
Church – Other	1,744,937,500	4.25%
Total Religious	16,360,250,500	39.87%
Educational:		
K-12 Education	4,311,543,000	10.51%
Colleges and universities	1,699,827,500	4.14%
Other education	974,574,500	2.38%
Total Educational	6,985,945,000	17.03%
Medical Facilities:		
Nonprofit hospitals	3,974,712,500	9.69%
Medical research foundations	38,650,000	0.09%
Other medical	527,733,000	1.29%
Total Medical	4,541,095,500	11.07%
Housing:		
Nursing homes	1,195,980,500	2.91%
Retirement home	1,567,338,000	3.82%
Other housing	2,461,230,500	6.00%
Total Housing	5,224,549,000	12.73%
Other exemptions:		
Public benefits	4,014,449,000	9.78%
Miscellaneous	3,903,593,500	9.51%
Total Other	7,918,042,500	19.30%
Total – All exemptions	41,029,882,500	100.00%

### Exempt Personal Property – Reporting Requirements

All personal property is exempt from property taxes. An owner of exempt personal property is generally not required to report the value of such property to local officials or the state. Some items that were classified as personal property prior to January 1, 2024, are now classified as real property. These include: (1) buildings, improvements and fixtures on leased land; (2) buildings, improvements and fixtures on exempt lands, (3) buildings, improvements and fixtures on forest crop/managed forest land; and (4) manufactured and mobile homes not otherwise exempt under sec. 66.0435(3), Wis. Stats.

### Personal Property – Exempt Value Estimates

This section does not address other exempt property, including household furnishings and business inventories.

*Machinery and equipment used in manufacturing.* The exemption of machinery and equipment used exclusively and directly in the manufacturing process reduces the property tax burden on manufacturers. For the 2023-24 tax year, \$2.32 billion of manufacturing machinery and equipment was taxable. This taxable equipment consisted of property that was not used exclusively and directly in the manufacturing process. Based on historic experience, it is estimated that between 7 percent to 15 percent of all manufacturing machinery and equipment is taxable. Using a midrange figure of 11 percent, the department estimates that about \$21.06 billion of manufacturing machinery and equipment is currently exempt from taxation.

*Waste Treatment Facilities.* All land, land improvements, buildings and machinery used exclusively and directly to remove, store or cause a physical or chemical change in industrial waste or air contaminants for the purpose of reducing or eliminating pollution of the air or waters of the state are exempt from property taxation. The exemption is available to utilities, commercial businesses and manufacturers. Information on the amount of such property owned by utilities and commercial businesses is not available. The last year for

which data is available for manufacturers is 2001 as that was the last year DOR approval was required in order for the property to be exempt. In that year, about \$2.40 billion was exempt. If this figure is adjusted by the percentage change in the state total equalized value of manufacturing property (both real and personal) for the period from 2001 to 2023 (an increase of 81.61 percent), the estimated value of exempt manufacturing waste treatment property is about \$4.36 billion.

*Computer Equipment.* Wisconsin provides property tax exemptions for computer equipment except for copiers, custom software, equipment with embedded computerized components and telephone systems. Local governments are reimbursed a fixed amount of \$98.04 million to compensate for the lost tax base. The payments are based on the 2017-18 property value (\$3.75 billion) plus inflation adjustments for 2018 and 2019. 2017-18 was the last year values for exempt computer equipment were reported. Based on a historical growth rate of 2.44 percent and the last year of reported values, the 2023-24 tax exemption is estimated at \$4.44 billion.

*Nonmanufacturing Machinery, Tools and Patterns.* All machinery, tools and patterns, not including such items used in manufacturing. Machinery does not include a building and means a structure or assemblage of parts that transmits force, motion or energy from one part to another in a predetermined way by electrical, mechanical or chemical means. In 2017, nonmanufacturing machinery, tools and patterns had an assessed value of \$3.35 billion. Based on a historical growth rate of 3.23 percent, the property tax exemption for 2023-24 is estimated at \$4.04 billion. Based on 2017 assessed values, local governments are currently reimbursed \$75.62 million.

*Personal Property Repeal.* All business and manufacturing personal property including steam and other vessels, furniture, and equipment beginning with property tax assessments applicable to January 1, 2024. In 2023, the personal property repeal exemption had an assessed value of \$6.67 billion. As a result of the repeal, local governments will receive aid payments estimated at \$173.80 million.

For these five personal property exemptions for which the department has information to formulate an estimate, the total exempt value is \$40.57 billion.

### Effect of Exempt Property on Tax Rates

Table 4 shows how property taxes could have been affected if the exempt property discussed in this report had not been exempt for the 2023-24 property tax year. Exempt computers, nonmanufacturing machinery, tools and patterns, and personal property repeal are excluded since aid payments are made to compensate for the loss in tax revenues. The table shows the actual average 2023-24 net property tax rates for towns, villages and cities, as well as tax rates calculated under the assumption that the estimated \$41.03 billion of exempt private real property and \$25.42 billion of exempt personal property (excluding exempt computer property, nonmanufacturing machinery, tools and patterns) had been added to the tax rolls, assuming no change in any state or federal aids and no change in total property tax levies.

Table 4 indicates that, if the estimated exempt private real and personal property had been placed on the tax roll in 2023-24, the statewide average net property tax rate would have declined by 7.31 percent from \$14.12 to \$13.08 per \$1,000 of value. Under this scenario, total net tax rates in towns, villages and cities would have been lower by 5.71 percent, 7.77 percent and 8.32 percent, respectively. The larger impact in cities and villages reflects that exempt property is more likely to be located in urban than in rural areas.

**TABLE 4  
AVERAGE NET TAX RATES FOR 2023-24 (PER \$1,000 EQUALIZED VALUE)**

For Property In:	Actual Effective Rate	Rate if Exempt Real and Personal Property Were Taxable	Percentage Change (%)
Towns	11.12	10.48	-5.71%
Villages	13.90	12.82	-7.77%
Cities	16.55	15.17	-8.32%
State Average	14.12	13.08	-7.31%

**Evaluation**

A number of limitations require that the estimates presented in this chapter be used carefully:

- Noncompliance with the reporting requirements by both property owners and local governments mean that the estimates were prepared using incomplete data.
- Using the midpoint value in the value classes may overstate or understate the true value of the exempt properties.
- The value of certain exempt personal property was based on historic relationships.
- The value of government-owned property is excluded.
- The value of land enrolled under the special forest tax laws (see separate chapter in this report) is excluded.
- The value of some exempt property is difficult to estimate due to a limited market.
- Owners of exempt property may understate the value of their property.
- Owners of exempt property often have incomplete information to accurately value their property.

TAXATION DISTRICT EXEMPTION SUMMARY REPORT FOR 2024 (Sec. 70.337(2), Wis. Stats.)

Property Purpose	\$1-\$10K	\$10K-\$100K	\$100K-\$200K	\$200K-\$500K	\$500K-\$1M	\$1M-\$2M	\$2M-\$5M	\$5M-\$10M	\$10M-\$15M	\$15M-\$25M	\$25M-\$50M	\$50M-\$75M	\$75M-\$100M	OVER \$100M	Total
Worship	216	615	643	1,036	887	817	768	249	74	40	5	9	28	22	5,409
Church-other	445	848	396	447	170	121	86	28	6	3	3	1	4	0	2,558
Education, K-12	96	143	59	88	88	110	180	74	40	28	17	5	1	6	935
College	35	107	99	74	26	32	43	26	13	12	6	1	2	3	479
Education-other	59	160	64	86	61	55	40	22	8	4	2	1	2	0	564
Hospital	15	186	28	22	30	23	28	13	16	20	21	10	5	10	427
Medical research	0	0	2	1	2	1	0	3	1	0	0	0	0	0	10
Medical-other	26	68	19	45	15	29	23	9	5	2	2	0	0	1	244
Nursing home	1	15	3	7	7	16	18	16	19	14	9	0	0	1	126
Retirement home	6	21	17	456	18	36	39	26	11	9	10	1	0	2	652
Housing-other	651	580	722	762	201	149	219	40	7	8	3	4	0	0	3,346
Public benefit	608	1,221	693	580	242	192	165	101	23	16	7	5	6	1	3,860
Other	2,967	2,765	689	596	291	194	144	39	15	14	15	5	6	2	7,742
Total:	5,125	6,729	3,434	4,200	2,038	1,775	1,753	646	238	170	100	42	54	48	26,352

Property Tax



## FOREST CROP AND MANAGED FOREST LAWS

The Forest Crop Law and Managed Forest Law extend special property tax treatment to encourage the production of harvestable timber crops by qualifying landowners. Current law assigns most of the administrative duties to the Department of Natural Resources (DNR).

### Historical Background

Wisconsin was a premier timber producer in the late 19th century. However, by the 1920s, much of the state's forest land had been cut-over or damaged by fire. Because these lands generated little or no income, owners were unable to pay their property taxes. Counties found they were often unable to sell this land at tax sales and ended up owning the land. As county ownership increased, taxes increasingly shifted onto remaining property owners, which created a fiscal crisis for local governments. It was thought that reducing the annual tax burden on forest landowners could prevent further land abandonment and encourage reforestation, but local governments did not want to forgo the taxes they collected on forest land.

The solution was to amend the uniformity in taxation clause of the state constitution to create an exception for forest land. The amendment was approved in 1927, and the Legislature enacted the Forest Crop Law (FCL) shortly afterward. A program for owners of small forest plots, the Woodland Tax Law (WTL) was enacted in 1954. The Managed Forest Law (MFL) program was enacted in 1985 to replace both the FCL and WTL.

### Provisions of the Forest Crop Law (FCL)

Under the FCL, an owner of a quarter-quarter section (about 40 acres) in a town or village could petition DNR to enter the land in the program. If DNR determined that forestry was the best use for the land and that a stand of merchantable timber could be produced within a reasonable period of time, the land was entered under the program under a contract for either 25 years or 50 years. The landowner had to practice forestry, notify DNR of timber harvests, and permit public access to the land for hunting and recreation.

FCL land is exempt from property taxes. To help offset the fiscal effect of this exemption, DNR makes an annual payment of \$0.20 per FCL enrolled acre to the municipality where the land is located. The municipality retains 80 percent and remits 20 percent to the county. To further offset the fiscal effect of the exemption, landowners are required to make the payments described below:

<b>Acreage Share</b>	<b>\$125,304 (\$3.60/acre)</b>
----------------------	--------------------------------

This is an annual payment by the landowner to the municipality where the land is located. The municipality retains 80 percent and remits 20 percent to the county. On land entered prior to 1972, the payment is \$0.10 per acre. The payment for 2023 to 2032 is \$3.60 which equals \$0.20 times the ratio of the total value of taxable land in the state in 2022 to the total value of taxable land in the state in 1972.

<b>Withdrawal Tax</b>	<b>\$0 (\$0.00/acre)</b>
-----------------------	--------------------------

If land is withdrawn from the FCL either at the owner's request or upon DNR finding of a contract violation by the owner, a withdrawal tax must be paid. The tax equals the sum, for the years the contract was in effect, of the differences between the amount of real estate taxes that would have been levied on the land and the acreage shares and severance taxes actually paid on the land. Each year's difference is subject to interest at 12 percent per year (or 5 percent for pre-1977 contracts) for each year the real estate tax has been deferred. DNR retains an amount equal to the total payments it has made to the municipality on the parcel. Any excess is paid to the municipality, which keeps 80 percent and remits 20 percent to the county.

<b>Termination Tax</b>	<b>\$0 (\$0.00/acre)</b>
------------------------	--------------------------

When a contract expires and the land is not enrolled under the MFL program, a termination tax of 10 percent of the value of the standing timber is assessed. DNR retains an amount equal to the total payments it has

made to the municipality on the parcel. Any excess is paid to the municipality, which keeps 80 percent of the payment and remits 20 percent to the county.

### Provisions of the Managed Forest Law (MFL)

An owner of 20 or more contiguous forest acres may apply to DNR to enter his or her land into the MFL program<sup>1</sup>. If DNR finds that at least 80 percent of the parcel is producing or capable of producing at least 20 cubic feet of merchantable timber per acre per year, and that the land is not developed in a manner incompatible with the practice of forestry, DNR issues an order entering the land under the program. The agreement is for 25 or 50 years (at the landowner's option) and can be renewed. The landowner agrees to follow a forest management plan and to permit (with limited exceptions) public access for hunting and recreation.

MFL land is exempt from property taxes. To help offset the effect of this exemption on local property taxes, DNR makes an annual payment of \$0.20 per MFL enrolled acre to the municipality where the land is located. The municipality retains 80 percent of this payment and remits 20 percent to the county. To further offset the effect of the tax exemption, landowners are required to make additional payments. These payments are described below:

<b>Acreage Share</b>	<b>\$5,224,655 (\$1.50/acre)</b>
----------------------	----------------------------------

This is an annual payment by the landowner to the municipality where the land is located. The municipality retains 80 percent and remits 20 percent to the county. For MFL orders that took effect before April 28, 2004, the payment for 2023 to 2027 is \$0.72 per acre. This rate equals the original rate of \$0.74 multiplied by the ratio of the average statewide tax per acre on agricultural, undeveloped and taxable forest land for 2021 divided by the corresponding average for 1986. For MFL orders that took effect on or after April 28, 2004, the payment for 2023 to 2027, \$1.90 per acre. This rate equals the average equalized value per acre of taxable forest land in 2021 (\$2,207) times the net statewide tax rate for 2021-22 (17.2074 mills) times 5 percent.

<b>Closure Fee</b>	<b>\$14,122,201 (\$5.57/acre)</b>
--------------------	-----------------------------------

This is an annual payment made by the landowner to the municipality where the land is located. The municipality retains 80 percent and remits 20 percent to the county. For MFL orders that took effect before April 28, 2004, the payment for 2023 to 2027, \$0.96 per acre. This rate equals the original payment of \$1.00 multiplied by the same ratio used to adjust the acreage share payment. For MFL orders that took effect on or after April 28, 2004, the payment for 2023 to 2027, \$7.59 per acre. This rate equals the average equalized value per acre of taxable forest land in 2021 (\$2,207) times the net statewide tax rate for 2021-22 (17.2074 mills) times 20 percent. The closure fee is in addition to the acreage share payment.

<b>Noncompliance Fee</b>	<b>\$0</b>
--------------------------	------------

This fee is \$250. If DNR determines that an MFL landowner has not complied with the management plan, it notifies the municipality. The fee is collected by the municipality where the land is located. The municipality keeps 80 percent of the fee and remits 20 percent to the county.

<b>Withdrawal Fee</b>	<b>\$0</b>
-----------------------	------------

DNR assesses a fee of \$300 on all withdrawals from the MFL program that occur before the expiration of the MFL agreement period. DNR retains the entire fee.

---

<sup>1</sup> 2015 Wisconsin Act 358 permitted currently enrolled parcels under 20 acres to renew one time.

<b>Withdrawal Tax</b>	<b>\$1,521,473</b>
-----------------------	--------------------

For a "large property" defined as collectively greater than 1,000 acres, the land owner must pay the greater of: (a) the product of the net assessed value tax rate in the year prior to withdrawal times the assessed value of the land in the year prior to withdrawal times the number of years the land was under an MFL order minus the acreage share and yield taxes paid; or (b) 5 percent of the stumpage value of the merchantable timber on the land. On withdrawals from the MFL program on renewed MFL orders, the calculation under (a) above is made from the year of the renewal. For parcels under 1,000 acres, withdrawals are taxed at a rate equal to the property tax applicable to the land in the previous year times the number of years in the program, or ten years, whichever is less. A landowner may withdraw a parcel of land without paying withdrawal taxes or fees if DNR determines the parcel is unsuitable to produce merchantable timber as a result of certain environmental factors. DNR remits 100 percent of any withdrawal taxes to the municipality where the land is located. The municipality keeps 80 percent of the payment and shares 20 percent with the county. Since a decision to withdraw from the MFL program is not reversible once filed with DNR, an MFL landowner may request the Department of Revenue (DOR) to estimate the withdrawal tax. The request must be accompanied by a nonrefundable fee equal to the greater of \$100 or the number of acres affected times \$5.

<b>Agreement Expiration</b>	<b>\$0</b>
-----------------------------	------------

When an agreement expires and is not renewed, the land becomes subject to the property tax.

**Measuring the Tax Reduction under Forest Tax Programs**

An estimate of tax savings under the FCL and MFL programs is shown in Table 1. Landowner payments are for payments made in 2023. Property tax effects are based on data for the 2023-24 property tax year. Acreage data were obtained from the Statements of Assessment for 2023 filed by municipalities with DOR. Data on MFL withdrawal fees and MFL noncompliance fees are not available and are excluded from this analysis.

To estimate the tax savings, the net property tax per acre on taxable forest land was calculated for each municipality in the state. This was done by multiplying a municipality's total property tax levy minus the school levy tax credit by the percentage of the municipality's assessed value attributable to taxable forest land. The product of this calculation was divided by the assessed acres of taxable forest acres in the municipality.

The "initial tax" in Table 1 is an estimate of what the net property taxes on land enrolled under the FCL and MFL programs would have been had they not been enrolled. This number equals the average net tax per acre on taxable forest land in each municipality by the number of acres enrolled under the FCL or MFL program in that municipality. The amount in the table is the state total estimated tax savings.

The acreage share payments were calculated by multiplying the number of enrolled acres by the appropriate acreage share rate. For purposes of the estimate, it was assumed that all of these payments are actually made.

Data on termination and withdrawal taxes are from a DNR report regarding payments made to municipalities in 2023 for land enrolled under the FCL and MFL programs. Since DNR can retain certain amounts from some landowner payments, these landowner payments could be understated.

The "Initial Taxes" for 2023-24 were \$19.02 per acre under the FCL program and \$31.79 per acre under the MFL program. After subtracting the landowner payments, the "Net Tax Reductions" for 2023-24 were approximately \$536,667, or \$15.42 per acre under the FCL program, and approximately \$90.0 million, or \$24.29 per acre under the MFL program. The total net tax reduction under the two programs for 2023-24 is estimated at \$90.5 million, or about 81.2 percent of the \$111.5 million total "Initial Taxes" amount.

Since the equalized value of land entered under these programs is zero (due to their being exempt from taxation), these lands have an indirect effect on property taxes due to the resultant redistribution in school

equalization aids that occurs. The effects of this aid adjustment are not reflected in Table 1 and are not analyzed in this report.

### Evaluation

The number of privately-owned acres enrolled under the various forest tax law programs and the average property tax on taxable forest land for selected years are shown on Table 2.

Although these forest land tax programs have increased the amount of timber harvested in the state, the amount of such harvests that can be attributed to these special forest tax lands is not known. Nevertheless, property taxes remain a concern for forest landowners, especially as land values increase due to demand for recreational land and other nonforestry uses. If a forest landowner wishes to pursue forestry, enrolling the land under the MFL program provides a mechanism to ease the tax burden. The provisions of the MFL statutes that require landowners to follow management plans and that impose penalties for failure to follow those plans have reduced the chances that landowners will use the MFL program to reduce their taxes while waiting to sell the land for nonforestry purposes.

**TABLE 1**  
**FINANCIAL ANALYSIS OF FOREST TAX LAWS, 2023-24**

Item	Forest Crop Law		Managed Forest Law	
	Amount (\$)	Per Acre	Amount	Per Acre
Initial Taxes	\$699,562	\$19.02	\$110,869,211	\$31.79
Landowner Payments:				
Acreage shares	125,304	3.60	5,224,655	1.50
Closure fees	0	0.00	14,122,201	5.57
Severance/yield taxes	0	0.00	0	0.00
Termination taxes	0	0.00	0	0.00
Withdrawal taxes	0	0.00	1,521,473	0.44
Total Landowner Payments	\$125,304	\$3.60	\$20,868,329	\$7.50
Net Tax Reduction	\$536,667	\$15.42	\$90,000,882	\$24.29
Acres enrolled	34,807		3,487,946	

**TABLE 2  
ACRES ENROLLED AND AVERAGE PROPERTY TAX ON FOREST LAND, 1960-2023**

Year	Acres Enrolled				Average Net Property Tax per Acre of Taxable Forest Land
	Woodland Tax Law	Forest Crop Law	Managed Forest Law	Total Acres Enrolled	
1960	60,431	361,211	0	421,642	\$0.52
1965	107,431	490,154	0	597,585	0.56
1970	154,185	643,514	0	797,699	0.87
1975	158,302	951,808	0	1,110,110	1.42
1980	256,349	1,287,833	0	1,544,182	3.31
1985	447,851	1,468,912	0	1,916,763	5.90
1990	472,236	1,452,194	372,102	2,296,532	6.87
1995	302,338	1,406,718	804,269	2,513,325	7.76
2000	55,507	471,727	1,971,474	2,498,708	12.90
2005	0	334,362	2,784,889	3,119,251	23.53
2010	0	208,167	3,079,985	3,288,152	32.61
2011	0	190,926	3,133,534	3,324,460	32.55
2012	0	174,726	3,195,894	3,370,620	32.84
2013	0	155,471	3,236,030	3,391,501	33.75
2014	0	148,003	3,271,936	3,419,939	32.06
2015	0	128,528	3,305,206	3,433,734	31.90
2016	0	121,273	3,316,955	3,438,228	31.70
2017	0	113,824	3,344,858	3,458,682	30.43
2018	0	104,121	3,378,413	3,482,534	32.54
2019	0	95,148	3,402,439	3,497,587	32.35
2020	0	63,260	3,445,621	3,508,881	32.82
2021	0	49,568	3,474,978	3,524,545	32.55
2022	0	47,891	3,482,235	3,530,126	32.47
2023	0	34,807	3,487,946	3,522,753	32.67

Acreage Source: 1960-1985: Wisconsin Department of Natural Resources, Forestry Tax Unit.

1990-2023: State totals from Statements of Assessment filed with DOR.

Tax per Acre Source: Calculated by DOR for land in the "forest" class.

## REAL ESTATE TRANSFER FEE

### Introduction

The real estate transfer fee was enacted in 1969 after the federal documentary transfer tax was repealed. The fee applies to transfers (conveyances) of real estate ownership interests in Wisconsin that are not excluded or exempted by statute. The fee is imposed at a rate of \$0.30 for each \$100 of value or fraction thereof. For most conveyances, value is the full consideration paid for the property, including any assumed liens on the property. On conveyances that are gifts or for nominal consideration, value is the estimated price the property could have sold for if it been sold on the open market. The seller (grantor) of the property is responsible for paying the fee.

The transfer values reported on real estate transfer fee returns are the main source of information used by the Department of Revenue (DOR) for estimating changes in the fair market value of real property in the state. The department uses this information in the annual determination of sales/assessment ratios and equalized values for each municipality in Wisconsin.

### Collections

The fee is paid to the county register of deeds when the transfer is recorded; however, the fee on land contracts is paid when the contract is recorded. Completion of a real estate transfer return and payment of the fee is normally required before the county register of deeds records the transaction. Every month, each register of deeds transfers 80 percent of fee collections to DOR. Total fees reported on real estate transfer fees filed in FY24 were about \$118.4 million, of which about \$94.7 million was paid to the state and about \$23.7 million retained by counties.

### Analysis of Exemptions

Beginning on July 1, 2009, electronic filing of real estate transfer returns has been required. Except for taxpayer identification numbers, the information reported on these returns is kept in a database that can be accessed on the DOR website. The state revenue losses reported below were based on data from transfer fee returns registered between July 1, 2023, and June 30, 2024 (state fiscal year 2023-24), on which an exemption was claimed. Of the 212,180 transfer fee returns filed in this period, there were 92,560, or 43.62 percent, on which an exemption from the fee was claimed.

If an exemption is claimed on a real estate transfer fee return, the specific subsection of sec. [77.25](#), Wis. Stats., which grants the exemption, must be indicated on the return, with a few exceptions. This number was used as the basis for the analysis in this report. Returns which claimed the exemption for real estate valued at \$1,000 or less were reviewed so that all reported values in excess of \$1,000 were reduced to \$1,000.

An estimate of the revenue loss for some exemptions may be understated. This occurs because some property conveyances did not require that a transfer fee return be filed, and some conveyances can be made without declaring a property value. The discussion of the exemptions will note when this understatement could occur.

The fiscal effects shown below are for the portion of the 80 percent of the real estate transfer fee that is paid to the state. The effect on county revenues is one-fourth of the state fiscal effect.

### Exemptions

### FY24 Fiscal Effect

<b>Easements, s. <a href="#">77.21(1)</a></b>	<b>Not Available</b>
---	----------------------

Easements are excluded from the definition of conveyances subject to the real estate transfer fee. No real estate transfer fee return is therefore required for transfers of easements.

<b>Leases for Less than 99 Years, s. <a href="#">77.21(1)</a></b>	<b>Not Available</b>
---	----------------------

Leases for less than 99 years are excluded from the definition of conveyances subject to the real estate transfer fee. No real estate transfer fee return is therefore required for leases of less than 99 years.

<b>Conveyances Prior to October 1, 1969, s. <a href="#">77.25(1)</a></b>	<b>\$200</b>
--	--------------

Conveyances made prior to October 1, 1969, the date the fee went into effect, are exempt from the fee. Conveyances under this exemption are not required to file a return; therefore, the estimated costs may be understated.

<b>Conveyances by Government Bodies, s. <a href="#">77.25(2)</a></b>	<b>\$738,000</b>
--	------------------

Conveyances from the United States, the State of Wisconsin, or from an instrumentality, agency or subdivision of either, are exempt from the fee.

<b>Conveyances by Gift to Governments, s. <a href="#">77.25(2g)</a></b>	<b>\$57,700</b>
---	-----------------

Conveyances by gift to the United States, the State of Wisconsin, or to an instrumentality, agency or subdivision of either, are exempt from the fee.

<b>Conveyances to Governments for Land Dedications or Highways, s. <a href="#">77.25(2r)</a></b>	<b>\$44,700</b>
--	-----------------

Conveyances of land by sale or dedication under sec. [236.29](#)(1) or (2), Wis. Stats., or sec. [236.34\(1m\)\(e\)](#), Wis. Stats., or for the purpose of a road, street or highway, to the United States, the State of Wisconsin, or any instrumentality, agency or subdivision of either, is exempt from the fee. These conveyances are also exempt from filing a transfer fee return. The fiscal effect may therefore be understated.

<b>Conveyances to Confirm, Correct or Reform a Prior Conveyance, s. <a href="#">77.25(3)</a></b>	<b>\$5,957,400</b>
--	--------------------

Conveyances that confirm, correct or reform a previously recorded conveyance are exempt from the fee if the new conveyance is made for no, nominal or inadequate consideration.

<b>Conveyances on Sales for Delinquent Taxes, s. <a href="#">77.25(4)</a></b>	<b>\$61,400</b>
---	-----------------

Conveyances on sales for delinquent taxes or assessments are exempt from the fee.

<b>Conveyances on Partition, s. <a href="#">77.25(5)</a></b>	<b>\$177,400</b>
--	------------------

Conveyances on partition of real estate that belongs to several persons as co-owners to those persons are exempt from the fee.

<b>Conveyances Pursuant to Mergers of Corporations, s. <a href="#">77.25(6)</a></b>	<b>\$198,500</b>
---	------------------

Conveyances pursuant to mergers of corporations are exempt from the fee.

<b>Conveyances Pursuant to Partnerships Registering as Limited Liability Partnerships, s. <a href="#">77.25(6d)</a></b>	<b>\$7,900</b>
---	----------------

Conveyances pursuant to partnerships reorganizing as limited liability partnerships are exempt from the fee.

<b>Conveyances Pursuant to Conversion of Ownership Form with No Change in Ownership Interest, s. <a href="#">77.25(6m)</a></b>	<b>\$122,200</b>
--	------------------

Conveyances pursuant to the conversion of a business entity to another form of business entity under secs. 178.1141, 179.1141, 180.1161, 181.1161 or 183.1041, Wis. Stats., if, after the conversion, the



ownership interests in the new entity are identical with the ownership interests in the original entity immediately preceding the conversion.

<b>Conveyances by a Domestic Partnership Interest Exchange, ss. <a href="#">178.1131</a> and <a href="#">77.25(6g)</a></b>	<b>\$48,700</b>
--	-----------------

Conveyances by a domestic partnership who may acquire all of one or more classes or series of interests of another domestic or foreign entity.

<b>Conveyances by a Domestication, ss. <a href="#">178.1151</a> and <a href="#">77.25(6t)</a></b>	<b>\$3,000</b>
---	----------------

Conveyances by a domestic partnership who may domesticate as a non-United States entity subject to non-United States governing law while continuing to be a domestic partnership. A non-United States entity may domesticate as a domestic partnership subject to this chapter while continuing to be an entity subject to its non-United States governing law.

<b>Conveyances by Subsidiary Corporation to Parent, s. <a href="#">77.25(7)</a></b>	<b>\$137,700</b>
---	------------------

Conveyances by a subsidiary corporation to its parent corporation for no consideration, nominal consideration, or in sole consideration of cancellation, surrender or transfer of capital stock are exempt from the fee.

<b>Conveyances Between Parents and Their Children, s. <a href="#">77.25(8)</a></b>	<b>\$3,593,000</b>
--	--------------------

Conveyances between parent and child, stepparent and stepchild, and parent and son-in-law or daughter-in-law for nominal or no consideration are exempt from the fee.

<b>Conveyances Between Husband and Wife, s. <a href="#">77.25(8m)</a></b>	<b>\$6,644,600</b>
---	--------------------

Conveyances between a husband and wife are exempt from the fee.

<b>Conveyances Between Registered Domestic Partners, s. <a href="#">77.25(8n)</a></b>	<b>\$55,500</b>
---	-----------------

Conveyances between an individual and his or her domestic partner under [Chapter 770](#), Wis. Stats., are exempt from the fee.

<b>Conveyances Between Agent and Principal, s. <a href="#">77.25(9)</a></b>	<b>\$3,306,800</b>
---	--------------------

Conveyances between agent and principal or from a trustee to a beneficiary without actual consideration are exempt from the fee.

<b>Conveyances to Provide or Release Security for a Debt or Obligation, s. <a href="#">77.25(10)</a></b>	<b>\$133,700</b>
--	------------------

Conveyances to provide security or release security for a debt or obligation are exempt from the fee. However, for original land contracts filed before August 1, 1992, a transfer fee will be assessed when the documents relating to fulfillment of the land contract are filed.

<b>Conveyances to Designate Time of Death Beneficiaries, s. <a href="#">77.25(10m)</a></b>	<b>\$420,300</b>
--	------------------

Conveyances for sole purpose of designating a time of death beneficiary under sec. [705.15](#), Wis. Stats., are exempt from the fee. Conveyances under this exemption are not required to file a return; therefore, the exemption costs may be understated.

<b>Conveyances by Will, Descent or Survivorship, s. <a href="#">77.25(11)</a></b>	<b>\$9,300,000</b>
---	--------------------

Conveyances by will, descent or survivorship are exempt from the fee.

<b>Conveyances by Nonprobate Transfer on Death, s. <a href="#">77.25(11m)</a></b>	<b>\$2,362,100</b>
---	--------------------

Conveyances by nonprobate transfer on death under s. [705.15](#), Wis. Stats., are exempt from the fee.

<b>Conveyances on Condemnation, s. <a href="#">77.25(12)</a></b>	<b>\$19,000</b>
--	-----------------

Conveyances pursuant to or in lieu of condemnation are exempt from the fee.

<b>Conveyances of Real Estate Valued at \$1,000 or Less, s. <a href="#">77.25(13)</a></b>	<b>\$2,200</b>
---	----------------

Conveyances of real estate having a value of \$1,000 or less are exempt from the fee. Previously, the exemption applied to transfers of real estate having a value of \$100 or less.

<b>Conveyances by or in Lieu of Foreclosure, s. <a href="#">77.25(14)</a></b>	<b>\$489,300</b>
---	------------------

Conveyances under a foreclosure or a deed in lieu of a foreclosure to a person holding a mortgage or to a seller under a land contract are exempt from the fee.

<b>Conveyances Between a Family-Owned Corporation and Its Shareholders, s. <a href="#">77.25(15)</a></b>	<b>\$220,300</b>
--	------------------

Conveyances between a corporation and its shareholders are exempt from the fee if: (a) all of the stock in the corporation is owned by persons who are related to each other as spouses, lineal ascendants or descendants, siblings (by blood or by adoption), or spouses of siblings; (b) if the transfer is for no consideration except the assumption of debt or stock of the corporation; and (c) if the corporation owned the property for at least three years.

<b>Conveyances Between a Family-Owned Partnership and Its Partners, s. <a href="#">77.25(15m)</a></b>	<b>\$279,500</b>
---	------------------

Conveyances between a partnership and one or more of its partners are exempt from the fee if: (a) all of the partners are related to each other as spouses, lineal ascendants or descendants, siblings (by blood or adoption), or spouses of siblings; and (b) if the transfer is for no consideration other than the assumption of debt or an interest in the partnership.

<b>Conveyances Between a Family-Owned Limited Liability Partnership and Its Partners, s. <a href="#">77.25(15s)</a></b>	<b>\$4,934,500</b>
---	--------------------

Conveyances between a limited liability company and one or more of its members are exempt from the fee if: (a) all of the members are related to each other as spouses, lineal ascendants or descendants, siblings (by blood or adoption), or spouses of siblings; and (b) if transfer is for no consideration other than the assumption of debt or an interest in the limited liability company.

<b>Conveyances to Certain Trusts, s. <a href="#">77.25(16)</a></b>	<b>\$18,458,500</b>
--	---------------------

Conveyances to a trust are exempt if a transfer from the grantor to the beneficiary of the trust would be exempt under other provisions of the real estate transfer fee law.

<b>Conveyances in Fulfillment of Land Contract, s. <a href="#">77.25(17)</a></b>	<b>\$1,515,100</b>
--	--------------------

The recording of deeds in fulfillment of a land contract is exempt from the real estate transfer fee if the proper fee was paid when the land contract was recorded. (The fee on land contracts filed before August 1, 1992, is deferred until the contract is fulfilled. The fee on land contracts filed after July 31, 1992, is due when the contract is filed.) The intent of this provision is to prevent two fees from being imposed on the same land contract transaction. Therefore, this exemption does not reduce state revenues.

<b>Conveyances to a Local Exposition District, s. <a href="#">77.25(18)</a></b>	<b>\$0</b>
---	------------

Transfers of property to a local exposition district organized under Subchapter II of [Chapter 229](#), Wis. Stats., are exempt from the fee.

<b>Conveyances from a Fiduciary to an Unincorporated Nonprofit Association, s. <a href="#">77.25(20)</a></b>	<b>\$9,600</b>
--	----------------

Conveyances from a fiduciary which held property for the benefit of an unincorporated nonprofit association to the unincorporated nonprofit association in the association's own name are exempt from the fee.

<b>Conveyances of Electric Transmission Facilities and Land Rights, s. <a href="#">77.25(21)</a></b>	<b>\$0</b>
--	------------

Conveyances of transmission facilities or land rights for transmission facilities by a utility company to a transmission company in exchange for securities in the transmission company are exempt from the real estate transfer fee.

<b>Total FY24 Real Estate Transfer Fee Exemption Devices</b>	<b>\$59,299,000</b>
--	---------------------

## TAXATION OF PUBLIC UTILITIES

### Background

Utility company property was originally subject to local assessment and taxation. However, as their service territories expanded, accurate assessment of property in individual municipalities proved difficult. Statutory changes directed the state (via the Department of Revenue or its predecessors) to assess and tax these utility companies on a unitary basis, with some of the tax proceeds shared with the municipalities and counties where the utility property was located. Since some utility companies' property was difficult to assess, a state tax based on gross revenues was adopted instead of a tax based on property value.

Current law provides for three types of state utility taxation.

1. Gross Revenues. Electric cooperative associations; private light, heat and power companies; and municipal utility companies (for electric and gas service outside the municipality that owns the utility) are subject to gross revenues taxes of 0.97 percent on gas revenue, 1.59 percent on wholesale electric revenue; and 3.19 percent on all other revenue.
2. Ad Valorem – Unit Value. Airlines, conservation and regulation companies, municipal electric association projects, pipelines, and railroads are taxed at the state average net property tax rate on the portion of their unit value allocated to Wisconsin.
3. Ad Valorem – Tangible Property Value. Telephone companies are taxed at the net property tax rate in the municipality where the property is located.

A utility company subject to state utility taxes is exempt from local property taxes except for certain special assessments. A private utility providing retail services whose customers and property are in only one municipality is subject to local property taxes instead of the state taxes. A private utility engaged primarily in wholesale electric sales is subject to local taxation if its generating capacity is less than 50 megawatts (MW); if the company's generating capacity is 50 MW or more, the company is subject to state gross revenues taxes.

Total state utility tax collections in FY24 were \$439.3 million. Taxes on railroads and airlines, totaling \$39.8 million, were deposited in the transportation fund. The remaining \$399.5 million was deposited in the state general fund and accounted for 1.9 percent of general fund tax revenues. Table 1 shows utility tax collections in FY24 for gross revenues and ad valorem taxpayers.

**TABLE 1  
FY24 UTILITY TAX COLLECTIONS**

Utility by Tax Type	Collections
<b>Gross Revenues</b>	
Electric Cooperative Associations	14,316,700
Municipal Light, Heat and Power	3,380,700
Private Light, Heat and Power	273,563,000
<b>Ad Valorem -- Unit Value</b>	
Airlines	4,735,400
Conservation and Regulation Companies	186,700
Municipal Electric Association Projects	3,175,800
Pipelines	44,675,700
Railroads	35,037,900
<b>Ad Valorem – Tangible Property Value</b>	
Telephone Companies	60,226,400
<b>TOTAL</b>	<b>\$439,298,300</b>

The utility tax laws allow certain deductions and exclusions when their tax liabilities are calculated. These estimates are based on data as reported to the Department of Revenue on tax returns for 2024 filed by gross revenues taxpayers or annual reports for 2024 filed by ad valorem taxpayers.

**Gross Revenues Exemptions****FY24 Fiscal Effect**

<b>Power Purchased by Private Light, Heat and Power Companies, s. <a href="#">76.28(1)(d)</a></b>	<b>\$1,066,000</b>
---	--------------------

A private light, heat and power company may deduct from its gross revenues by a certain percentage of its purchased power costs if the following conditions are met:

- 100 percent of the purchased power costs may be deducted if:
  - the company purchases more than 50 percent of the power it sells, and
  - the power is not purchased from an affiliated interest, and
  - the entity from whom the power was purchased is subject to the state gross revenues tax.
- 50 percent of the purchased power costs may be deducted if:
  - the company purchases more than 90 percent of its power and
  - the company has less than \$50 million of gross revenues.

<b>Power Purchased by Electric Cooperatives, s. <a href="#">76.48(1g)(d)</a></b>	<b>\$8,051,000</b>
--	--------------------

An electric cooperative that purchases more than 50 percent of the power it sells may deduct 100 percent of the cost of its purchased power if one of the following conditions is met:

- The entity from whom the power was purchased is subject to the state gross revenues tax, or
- More than 50 percent of the power sold in 1987 was purchased from a seller located outside Wisconsin.

<b>Public Benefits Charges, ss. <a href="#">76.28(1)(d)</a> and <a href="#">76.48(1g)(d)</a></b>	<b>\$16,000</b>
--	-----------------

Most electric and gas utilities must charge their customers a state-mandated fee for public benefits such as low-income energy assistance, energy conservation programs and renewable energy programs. These fees are excluded from the definition of gross revenues subject to the gross revenues tax. Since the fee is effectively a state revenue, the exclusion does not reduce state revenues.

Some electric cooperatives and municipal light, heat and power companies provide their own public benefits programs funded through fees on their customers' bills. These public benefits charges are excluded from the revenues subject to the gross revenues tax. The revenue loss shown here is only for those companies that operate their own public benefits program.

<b>Transmission Company Revenues from Utilities Subject to State Utility Taxation, s. <a href="#">76.28(1)(d)</a></b>	<b>\$16,657,000</b>
---	---------------------

When determining its gross revenues, an electric transmission company may exclude revenues for services provided to: (1) electric cooperatives organized under Wisconsin law that provide wholesale service to their members; (2) municipal light, heat and power companies based in Wisconsin; and (3) private light, heat and power companies which are subject to the state's gross revenues tax.

**Ad Valorem Exemptions**

<b>Hub Airlines, s. <a href="#">76.074(1)(b)</a></b>	<b>\$0</b>
--	------------

An airline is deemed a "hub airline" if, in the prior year, it: (1) operated at least 45 common carrier flights each weekday to at least 15 nonstop destinations from a single airport in Wisconsin; or (2) it was headquartered in Wisconsin and operated, from one or more Wisconsin airports, at least 20 common

carrier flights each weekday. A hub airline is exempt from both the state ad valorem tax on airlines and local property taxes. None of the airlines currently operating in Wisconsin qualifies as a hub airline.

<b>Motor Vehicles – Generally, s. <a href="#">76.025(1)</a></b>	<b>\$0</b>
---	------------

Motor vehicles including automobiles, trucks and trailers owned by airline, pipeline, railroad, or conservation and regulation companies are exempt, except for state vehicle registration fees, from the ad valorem utility tax. Since this is how licensed motor vehicles are taxed for all owners of such property, the exemption effectively has no fiscal effect.

<b>Motor Vehicles – Telephone Companies, s. <a href="#">76.28(1)(d)</a></b>	<b>\$0</b>
---	------------

Motor vehicles including automobiles, trucks and trailers owned by a telephone company are subject to state vehicle registration fees and exempt from the telephone company ad valorem tax. Since this is how licensed motor vehicles are taxed for all owners of such property, the exemption effectively has no fiscal effect.

<b>Treatment Plant and Pollution Abatement Equipment – Generally, s. <a href="#">76.025(1)</a></b>	<b>Not Available</b>
--	----------------------

Waste treatment property owned by an airline, pipeline, railroad, or conservation and regulation company and used to abate or eliminate the pollution of the state's water or air is exempt from the ad valorem utility tax. Since data on such property is infrequently reported and the reporting schedule is difficult to audit, information on the potential loss in state ad valorem taxes is not available.

<b>Treatment Plant and Pollution Abatement Equipment – Telephone Companies, s. <a href="#">76.81</a></b>	<b>\$0</b>
--	------------

Waste treatment property owned by a telephone company and used to abate or eliminate the pollution of the state's water or air is exempt from the ad valorem utility tax. Telephone companies reported no such property was owned or leased in the most current year.

<b>Computers, Fax Machines and Cash Registers – Generally, s. <a href="#">76.025(1)</a></b>	<b>Not Available</b>
---	----------------------

Computers, fax machines (excluding machines that are also copiers) and cash registers that are owned by airline, pipeline, railroad, or conservation and regulation companies are exempt from the ad valorem tax. Since data on such property is infrequently reported and the reporting schedule is difficult to audit, information on the potential loss in state ad valorem taxes is not available.

<b>Computers, Fax Machines and Cash Registers –Telephone Companies, s. <a href="#">76.81</a></b>	<b>Not Available</b>
--	----------------------

Computers, fax machines (excluding machines that are also copiers) and cash registers that are owned by a telephone company are exempt from the ad valorem tax. Although the annual report filed by telephone companies with the Department of Revenue (DOR) contains a line for "exempt computers, software, and faxes," the data are not entered into any data retrieval system. Thus, it is not possible to estimate the effect of this exemption.

<b>Telephone Company Property Used Less Than 50% for Telephone Purposes, ss. <a href="#">70.112(4)(b)</a> and <a href="#">76.81</a></b>	<b>Not Available</b>
---	----------------------

If a property is used, in part, by a telephone company, and the telephone company uses 50 percent or more of the property, the property is subject to the telephone property tax and exempt from local property taxes. However, if a property is used, in part, by a telephone company, and the telephone company uses less than 50 percent of the property, the property is exempt from the telephone property tax and subject instead to local property taxes. Since telephone company reports filed with DOR do not include information on this type of property, an estimate of the effect of the exemption is not available.

<b>Telephone Company Property Used for Rural Broadband, ss. <a href="#">76.80</a> and <a href="#">76.81</a></b>	<b>\$19,161,500</b>
---	---------------------

Qualified broadband service property is installed in a rural and underserved area without at least two wired providers. The service property is used to provide internet access service to the rural area at actual speeds that are at least a download speed of 25 megabits per second and an upload speed of 3 megabits per second or the download and upload speed benchmark under [47 USC 1302\(B\)](#). Broadband property installed after January 1, 2019, is exempt as of January 1, 2021. Broadband property installed prior to January 1, 2020, is exempt as of January 1, 2025.

<b>Car Line Taxes, s. <a href="#">76.39</a></b>	<b>\$400,000</b>
---	------------------

2023 Wisconsin Act 12 exempted all personal property beginning with January 1, 2024, property tax assessments. Furthermore, the federal Railroad Revitalization and Regulatory Act of 1976, [49 USC 11501\(B\)\(4\)](#) (4-R Act) restricts the ability of state and local governments to levy discriminatory taxes on rail carriers. As a result, railroad personal property is also exempted.

## EXCISE TAXES

### Introduction

Wisconsin imposes taxes on cigarettes, tobacco products, liquor, wine and beer. The taxes on cigarettes and tobacco products are excise taxes imposed on distributors. Taxes on liquor, wine and beer are occupational taxes imposed on the seller for the privilege of engaging in a particular business. Under either approach, these taxes are commonly referred to as excise taxes.

The state collects additional excise taxes that are deposited in segregated funds, notably the motor vehicle fuel and alternate fuel taxes that are deposited in the transportation fund. Only general fund excise taxes listed above are discussed in this chapter.

Excise taxes contributed \$617.8 million to the state general fund tax collections in FY24 (2.98 percent of all general fund tax collections). Table 1 below shows FY24 tax revenue collections from each general fund excise tax. The cigarette tax dominates excise tax collections, providing \$482.44 million or 73 percent of FY24 total general fund excise tax collections.

**Table 1**  
**General Fund Excise Tax Collections**

Tax Type	Tax Rates as of January 1, 2024	FY24 Excise Tax Revenues	
		(\$ millions)	%
Cigarettes	\$2.52 Per 20-Pack	402.7	70.4%
Tobacco	71% of manufacturer's established list price to distributors	5.2	0.9%
Moist Snuff	100% of manufacturer's established list price to distributors	63.8	11.2%
Cigars	Lesser of 71% of manufacturer's established list price to distributors or \$0.50 per cigar	16.6	2.9%
Vapor Products	\$0.05/mL	7.1	1.2%
Beer	\$2.00 per 31-gallon barrel (\$0.065/gallon)	8.0	1.4%
Distilled Spirits	\$0.8586 per liter (\$3.25/gallon)	64.5	11.3%
Wine and Cider - up to 14% alcohol - 14% to 21% alcohol Apple and Pear Cider - less than 7% alcohol	\$0.06605 per liter (\$0.25/gallon) \$0.1189 per liter (\$0.45/gallon) \$0.0171 per liter (\$0.065/gallon)	3.8	0.7%
<b>Total Excise Taxes</b>		<b>571.8</b>	<b>100.0%</b>

Over the years, the state has enacted certain discounts, exemptions and refunds of taxes paid on cigarettes, tobacco products, liquor, wine and beer. The estimated state revenue foregone or state expenditures in FY24 because of these discounts, exemptions and refunds are presented in this chapter for those provisions where information is available to construct a fiscal estimate. No estimates are provided in cases where the state is precluded by federal law from imposing a tax (interstate commerce, purchases by the federal government, and purchases by U.S. armed forces members on military installations).

### Cigarettes

Wisconsin law defines cigarettes as any roll of tobacco, which is wrapped in paper, or any substance other than tobacco.

The cigarette tax was first imposed in 1939, as an emergency tax, at a rate of \$0.02 per pack. The tax was increased to \$0.03 per pack in 1949 and was made permanent that year. Over the years, the tax rate



increased periodically. More recently, the cigarette tax increased by \$1.00 per pack, from \$0.77 to \$1.77, effective January 1, 2008. On September 1, 2009, the tax rate was further increased an additional 75 cents per pack, to \$2.52 per pack.

In addition to excise tax paid on a pack of cigarettes, following each tax rate increase an inventory tax is imposed, and paid by all permittees and retailers who possess stamped cigarettes held for resale on which the cigarette tax was already paid before the increase.

The cigarette tax is paid by Wisconsin distributors (both in-state and out-of-state) who are required to purchase tax stamps from the Department of Revenue and affix the stamps to cigarette packs. Distributors may affix Wisconsin tax stamps only to cigarettes purchased directly from manufacturers approved by the department, which appear in good standing on the Attorney General's Directory of Certified Manufacturers and Brands. In addition, persons other than cigarette distributors who bring untaxed cigarettes into Wisconsin must pay the cigarette use tax (at the same tax rate as the in-state cigarette tax rate).

**Cigarettes Tax Discounts, Exemptions and Refunds** **FY24 Fiscal Effect**

<b>Distributors Discount, s. <a href="#">139.32(5)</a></b>	<b>\$4,571,577</b>
--	--------------------

Manufacturers, bonded direct marketers and distributors who are authorized by the department to purchase tax stamps receive a discount of 0.8 percent of the tax paid on stamp purchases.

<b>Cigarettes Shipped to Customers in Other States, s. <a href="#">139.31(3)</a></b>	<b>Not Available</b>
--	----------------------

Cigarettes shipped via interstate commerce to customers in other states, for sale outside of Wisconsin are exempt from tax.

<b>Cigarettes Sold to the Armed Forces and Veterans Hospitals, s. <a href="#">139.31(3)</a></b>	<b>Not Available</b>
---	----------------------

Cigarettes sold to post exchanges of the armed forces of the United States and to federally operated veterans hospitals in this state are exempt from tax.

<b>Cigarettes Sold to Interstate Carriers of Passengers for Hire, s. <a href="#">139.31(3)</a></b>	<b>Not Available</b>
--	----------------------

Cigarettes sold to interstate carriers of passengers for hire to be resold to bona fide passengers being transported are exempt from tax.

<b>Refunds for Unusable Stamps, s. <a href="#">139.36</a> and Wis. Admin. Code <a href="#">TAX 9.11</a></b>	<b>Not Available</b>
---	----------------------

A cigarette distributor can receive a refund of the tax paid for Wisconsin stamps affixed to packs of unsalable cigarettes returned to the manufacturer. Distributors going out of business or selling their business may receive a refund of the tax paid for Wisconsin stamps not affixed to packs of cigarettes.

<b>Refunds to Indian Tribes for Cigarettes, ss. <a href="#">139.325</a> and <a href="#">139.323</a></b>	<b>\$22,458,475</b>
---	---------------------

Native American tribal councils that have entered into agreements with the State of Wisconsin are eligible for two refunds on cigarette tax collected. Jointly, these two refunds essentially return 100 percent of the cigarette tax paid by tribal members residing on tribal lands. The refunds are comprised of:

- A monthly 70 percent refund of the cigarette tax paid on cigarettes sold by authorized Native American retailers on reservation trust land over which a tribe has jurisdiction. The land must have been designated a reservation or trust land on or before January 1, 1983, or on a later date as determined by an agreement between the Department of Revenue and the tribal council. FY24: \$21,996,420
- A quarterly 30 percent refund of the cigarette tax paid on cigarettes sold on reservations to enrolled members of the tribe residing on the reservation. FY24: \$462,055

### Tobacco and Vapor Products

Wisconsin law defines tobacco products as cigars; cheroots; granulated, plug cut and other smoking tobacco; snuff; chewing tobacco; clippings; and other forms of tobacco prepared in such a manner as to be suitable for chewing or smoking in a pipe or otherwise. The definition includes tobacco that is used for "roll your own" cigarettes, but it does not include cigarettes. The definition of moist snuff includes any finely cut, ground, or powdered smokeless tobacco that is intended to be placed or dipped in the mouth.

The excise tax on tobacco products was first imposed on October 1, 1981, at the rate of 20 percent. On December 1, 1999, the tobacco products tax was changed from an occupational tax to an excise tax (1999 Wisconsin Act 9) and on October 1, 2001, the tax rate was raised to 25 percent.

Effective January 1, 2008, the tobacco products tax on all tobacco, other than moist snuff, increased from 25 percent of the manufacturer's list price to 50 percent of the list price, and then further increased to 71 percent of manufacturer's established list price beginning on September 1, 2009. Beginning January 1, 2008, a cap of 50 cents was also established as the maximum tax per cigar.

The taxation of moist snuff was converted to a weight-based tax effective January 1, 2008, but returned to a price-based tax (at 100 percent of the manufacturer's established list price) effective September 1, 2009.

Effective October 1, 2019, Wisconsin law imposes an excise tax on vapor products received by distributors in Wisconsin. As defined in [sec. 139.75\(14\)](#), Wis. Stats., "vapor product" means a noncombustible product that produces vapor or aerosol for inhalation from the application of a heating element to a liquid or other substance that is depleted as the product is used, regardless of whether the liquid or substance contains nicotine.

Table 2 below shows collections for all other tobacco and vapor products.

**Table 2  
OTHER TOBACCO AND VAPOR PRODUCTS COLLECTIONS**

Tax Type	Tax Rates as of January 1, 2024	FY24 Excise Tax Revenues	
		(\$ millions)	%
Tobacco	71% of manufacturer's established list price to distributors	5.2	5.6%
Moist Snuff	100% of manufacturer's established list price to distributors	63.8	68.8%
Cigars	Lesser of 71% of manufacturer's established list price to distributors or \$0.50 per cigar	16.6	17.9%
Vapor Products	\$0.05/mL	7.1	7.7%
<b>Total Excise Taxes</b>		<b>92.8</b>	<b>100.0%</b>

**Tobacco Products Tax Discounts, Exemptions and Refunds****FY24 Fiscal Effect**

<b>Tobacco Products Shipped to Customers in Other States, s. <a href="#">139.76(2)</a></b>	<b>Not Available</b>
--	----------------------

Tobacco products shipped via interstate commerce to customers in other states for sale outside Wisconsin are exempt from tax.

<b>Tobacco Products Sold to the Armed Forces and Veterans Hospitals, s. <a href="#">139.76(2)</a></b>	<b>Not Available</b>
---	----------------------

Tobacco products sold to the armed forces (e.g., Fort McCoy) or state or federally operated veterans' hospitals are exempt from tax.

<b>Tobacco Products Sold to Interstate Carriers of Passengers for Hire, s. <a href="#">139.76(2)</a></b>	<b>Not Available</b>
--	----------------------

Tobacco products sold to interstate carriers of passengers for hire to be resold to bona fide passengers being transported are exempt from tax.

<b>Credit for Tobacco Products Returned to the Manufacturer and/or Short Shipments, s. <a href="#">139.80</a></b>	<b>Not Available</b>
---	----------------------

A licensed tobacco products distributor can receive a refund or credit when tobacco products are shipped to customers outside Wisconsin, returned to the manufacturer and/or short shipments, or destroyed due to damage or becoming unfit for sale.

<b>Refunds to Indian Tribes for Tobacco Products, ss. <a href="#">139.803</a> and <a href="#">139.805</a></b>	<b>\$1,459,263</b>
---	--------------------

Native American tribal councils that have entered into agreements with the Department of Revenue are eligible for two refunds. Jointly, these two refunds essentially return 100 percent of the tobacco tax paid by tribal members residing on tribal lands. The refunds are comprised of:

- A quarterly 50 percent refund of the tobacco products tax paid on tobacco products sold on reservations to enrolled members of the tribe residing on the reservation. FY24: \$140,385
- A monthly 50 percent refund of the tobacco products tax paid on tobacco products sold by authorized Native American retailers on reservation trust land over which a tribe has jurisdiction. The land must have been designated a reservation or trust land on or before January 1, 1983, or on a later date as determined by an agreement between the department and the tribal council. FY24: \$1,318,878

**Distilled Spirits, Cider and Wine**

Wisconsin defines distilled spirits as any beverage (except beer) made by a distillation process from agricultural grains, fruits and sugars, containing 0.5 percent or more of alcohol by volume. Wine is defined as any beverage (except beer) made by a fermentation process from agricultural products, fruits, and sugars, containing 0.5 percent or more of alcohol by volume. It includes cider containing more than 7 percent alcohol by volume.

Cider is defined as any beverage obtained from the fermentation of the juice of apples, containing not less than 0.5 percent alcohol by volume and not more than 7 percent alcohol by volume. Cider can be flavored, sparkling, or carbonated. Cider containing more than 7 percent alcohol by volume is taxed as wine.

Wisconsin imposes an occupational tax on the sale of both distilled spirits and wine. The tax was imposed at the end of Prohibition and modified several times. The current tax rates have been in place since 1981 (except for the tax on cider, which was established in 1998). Current tax rates are: \$0.06605 per liter (\$0.25 per gallon) for wine containing up to 14 percent alcohol; \$0.1189 per liter (\$0.45 per gallon) for wine containing 14 percent to 21 percent alcohol; and \$0.8586 per liter (\$3.25 per gallon) for distilled spirits and

wine containing over 21 percent alcohol. The rates were converted from per gallon to per liter amounts in 1985. The tax on cider is \$0.0171 per liter (\$0.07 per gallon). Collections on alcoholic beverages (distilled spirits, wine, cider and beer) are shown in Table 3.

**Table 3  
ALCOHOLIC BEVERAGE COLLECTIONS**

Tax Type	Tax Rates as of January 1, 2024	FY24 Excise Tax Revenues	
		(\$ millions)	%
Beer	\$2.00 per 31-gallon barrel (\$0.065/gallon)	8.0	10.5%
Distilled Spirits	\$0.8586 per liter (\$3.25/gallon)	64.5	84.5%
Wine and Cider - up to 14% alcohol - 14% to 21% alcohol Apple and Pear Cider - less than 7% alcohol	\$0.06605 per liter (\$0.25/gallon) \$0.1189 per liter (\$0.45/gallon) \$0.0171 per liter (\$0.065/gallon)	3.8	5.0%
<b>Total Excise Taxes</b>		<b>\$76.3</b>	<b>100%</b>

When a liquor tax rate increases, an inventory tax is imposed on all liquor permittees and retailers who are in possession of any liquor held for resale on which tax has been paid.

Liquor, wine and cider taxes contributed \$68.3 million to the state's general fund during FY24.

The distilled spirits, cider and wine taxes are remitted to the department with a monthly return. In addition to the liquor tax, distributors pay the Department of Revenue an administrative fee of \$0.11 per gallon on liquor containing 0.5 percent or more alcohol by volume.

***Distilled Spirits, Cider and Wine Exemptions and Refunds***

***FY24 Fiscal Effect***

<b>Wine or Cider Made at Home, s. <a href="#">139.04(1)</a></b>	<b>Not Available</b>
---	----------------------

Wine or cider made at home, for consumption at home without compensation is not subject to tax.

<b>Liquor Between Manufacturers, Rectifiers and Wineries, s. <a href="#">139.04(4)</a></b>	<b>Not Available</b>
--	----------------------

The sale or shipment of liquor in bulk between manufacturers, rectifiers and wineries is not subject to tax.

<b>Intoxicating Liquor Shipped Out of the State, s. <a href="#">139.04(5)</a></b>	<b>Not Available</b>
---	----------------------

Intoxicating liquor for shipment in interstate or foreign commerce is not subject to tax.

<b>Wine Sold for Sacramental Purposes, s. <a href="#">139.04(6)</a></b>	<b>Not Available</b>
---	----------------------

Wine for sacramental purposes is not subject to tax.

<b>Alcohol Sold for Non-Consumption Purposes, ss. <a href="#">139.04(7)</a>, <a href="#">139.04(8)</a> and <a href="#">139.04(9)</a></b>	<b>Not Available</b>
--	----------------------

The Wisconsin liquor tax is not imposed upon alcohol sold to industrial permittees used for industrial purposes, alcohol sold to medicinal permittees used for hospital or medicinal purposes, or wine sold to industrial wine permittees used for industrial purposes.

<b>Liquor Tax Refunds, s. <a href="#">139.10</a></b>	<b>Not Available</b>
--	----------------------

Taxes paid on the alcohol may be refunded for intoxicating liquor that is spoiled or unfit to drink, liquor

supplied to hospitals for medicinal purposes, or alcohol supplied to institutions of learning or museums for nonbeverage purposes.

### Fermented Malt Beverages

In the following discussion, the term "beer" is used in place of "fermented malt beverages," which is the term defined under Wisconsin law. "Fermented malt beverages" is defined as any beverage made by the alcohol fermentation in water of barley malt and hops, with or without grains and sugar, containing 0.5 percent or more of alcohol by volume.

Wisconsin imposes an occupational tax on the sale of beer at the rate of \$2.00 per 31-gallon barrel. The tax was first imposed in 1933 at the rate of \$1.00 per barrel. The only increase in the tax occurred when it was raised to its current rate of \$2.00 per barrel beginning on November 1, 1969. There is no inventory tax on beer if the tax rate were to change.

#### **Fermented Malt Beverage Credits, Exemptions and Refunds**

**FY24 Fiscal Effect**

<b>Beer Made at Home, s. <a href="#">139.04(1)</a></b>	<b>Not Available</b>
--	----------------------

Beer made at home for consumption at home without compensation is not subject to tax.

<b>Brewery and Brewpub Employees, s. <a href="#">139.04(2)</a></b>	<b>Not Available</b>
--	----------------------

Beer furnished by a brewer or brewpub of fermented malt beverages to workers employed in the brewery or brewpub for consumption on the brewery premises or brewpub premises without charge is not subject to tax.

<b>Beer that Contains Less Than 0.5% Alcohol by Volume, s. <a href="#">139.04(3)</a></b>	<b>Not Available</b>
--	----------------------

The manufacture or sale of any beverage containing less than one-half of 1 percent of alcohol by volume is not subject to tax.

<b>Beer Sold by a Brewer to a Bottler, s. <a href="#">139.04(4)</a></b>	<b>Not Available</b>
---	----------------------

The sale or shipment of fermented malt beverages by a brewer to a bottler is not subject to tax.

<b>Beer Shipped Out of the State, s. <a href="#">139.04(5)</a></b>	<b>Not Available</b>
--	----------------------

Beer produced for shipment in interstate or foreign commerce is not subject to tax.

<b>Beer Sold for Industrial Purposes, s. <a href="#">139.04(7m)</a></b>	<b>Not Available</b>
---	----------------------

Beer sold to industrial permittees used for industrial purposes is not subject to tax.

<b>Beer Tax Refunds, s. <a href="#">139.10</a></b>	<b>Not Available</b>
--	----------------------

Taxes paid on beer may be refunded for whole cases or full kegs of beer that are spoiled or unfit to drink, beer sold to the U.S. armed forces, or alcohol supplied to institutions of learning or museums for nonbeverage purposes.

Table 4 below provides a list of estimates for the exemption devices described in this chapter.

**TABLE 4  
GENERAL FUND EXCISE TAX EXEMPTIONS, CREDITS AND REFUNDS**

Tax Exemption Device	Statutory Reference	FY24 Fiscal Effect
<b>Cigarette Tax Exemptions and Refunds</b>		
<b>Distributors Discount</b>		
Discount for Distributor Costs <sup>1</sup>	s. <a href="#">139.32 (5)</a>	4,571,577
<b>Exemptions</b>		
Shipped to Customers in Other States Via Interstate Commerce	s. <a href="#">139.31(3)</a>	Not Available
Sold to the Armed Forces (e.g., Fort McCoy) or State or Federally Operated Veterans' Hospitals	s. <a href="#">139.31(3)</a>	Not Available
Sold to Interstate Carriers of Passengers for Hire to be Resold to Bona Fide Passengers Being Transported	s. <a href="#">139.31(3)</a>	Not Available
<b>Refunds or Credits</b>		
Cigarettes Unfit for Sale and Distributors Going Out of Business	s. <a href="#">139.36</a>	Not Available
<b>Refunds to Indian Tribes</b>		
Quarterly 30% Refund	s. <a href="#">139.325</a>	462,055
Monthly 70% Refund	s. <a href="#">139.323</a>	21,996,420
<b>Tobacco Products Tax Exemptions and Refunds</b>		
<b>Exemptions</b>		
Shipped to Customers in Other States Via Interstate Commerce	s. <a href="#">139.76(2)</a>	Not Available
Sold to the Armed Forces (e.g., Fort McCoy) or State or Federally Operated Veterans' Hospitals	s. <a href="#">139.76(2)</a>	Not Available
Sold to Interstate Carriers of Passengers for Hire to be Resold to Bona Fide Passengers Being Transported	s. <a href="#">139.76(2)</a>	Not Available
<b>Refunds or Credits</b>		
Shipped to Customers Outside Wisconsin.	s. <a href="#">139.80</a>	Not Available
Returned to the Manufacturer and/or Short Shipments	s. <a href="#">139.80</a>	Not Available
Destroyed Due to Damage or Becoming Unfit for Sale	s. <a href="#">139.80</a>	Not Available
<b>Tribal Refunds</b>		
Quarterly 50% Refund	ss. <a href="#">139.803</a> and <a href="#">139.805</a>	140,385
Monthly 50% Refund		1,318,878
<b>Distilled Spirits, Wine and Cider Tax Exemptions and Refunds</b>		
<b>Exemptions</b>		
Wine or Cider Made at Home for Consumption at Home Without Compensation	s. <a href="#">139.04(1)</a>	Not Available
Liquor Shipped to Other States or Foreign Countries	s. <a href="#">139.04(5)</a>	Not Available
Sale and Use of Wine for Sacramental Purposes	s. <a href="#">139.04(6)</a>	Not Available
Alcohol Sold to Industrial Permittees for Industrial Purposes	s. <a href="#">139.04(7)</a>	Not Available
Liquor Sold to Hospitals for Medicinal Purposes	s. <a href="#">139.04(8)</a>	Not Available
Wine Sold to Industrial Wine Permittees for Industrial Purposes	s. <a href="#">139.04(9)</a>	Not Available

<sup>1</sup> Discount rate changed from 0.8% to 1.25% effective October 1, 2023.

<b>Refunds or Credits</b>		
Liquor Spoiled or Unfit for Consumption	s. <a href="#">139.10(1)</a>	Not Available
Liquor Supplied to Hospitals for Medicinal Purposes or to Institutions of Learning or Museums for Nonbeverage Purposes	s. <a href="#">139.10(2)</a>	Not Available
Liquor Shipped to Wholesalers Outside Wisconsin	s. <a href="#">139.04(5)</a>	Not Available
Wine Sold for Sacramental Purposes	s. <a href="#">139.04(6)</a>	Not Available
<b>Beer Tax Credits, Exemptions and Refunds</b>		
<b>Credits</b>		
Eligible Producer Tax Credit	s. <a href="#">139.02(2)</a>	Not Available
<b>Exemptions</b>		
Beer Made at Home for Consumption at Home Without Compensation	s. <a href="#">139.04(1)</a>	Not Available
Beer Furnished by a Brewer to Employees Without Charge on Brewery Premises	s. <a href="#">139.04(2)</a>	Not Available
Beer Containing Less Than 0.5% Alcohol by Volume	s. <a href="#">139.04(3)</a>	Not Available
Beer Shipped to Other States or Foreign Countries	s. <a href="#">139.04(5)</a>	Not Available
Beer Sold to Industrial Permittees for Use in Food Items	s. <a href="#">139.04(7m)</a>	Not Available
<b>Refunds or Credits</b>		
Beer Sold to the Armed Forces	s. <a href="#">139.10(1)</a>	Not Available
Beer Spoiled or Unfit for Consumption	s. <a href="#">139.10(1)</a>	Not Available
Beer Shipped to Wholesalers Outside Wisconsin	s. <a href="#">139.04(5)</a>	Not Available

