**Fiscal Facts: Online sales tax collections will trigger state income tax cuts**

A recent U.S. Supreme Court ruling opens the door to Wisconsin collecting sales taxes from most online sellers. Wisconsin will start collecting the tax on October 1.

Under current state law, counties can choose to keep this additional revenue but the state will have to return it in the form of cuts to the state income tax. Under a little-noticed provision first approved in 2013, the state must calculate the 12-month increase in revenues stemming from “any federal law” expanding sales tax collections on out-of-state retailers. Then the state must use the increase to lower income tax rates in the following year.

The cut could average $52 per state income tax filer. Under current law, the overall decrease would be apportioned to taxpayers in the state’s four brackets according to the total taxes paid by filers in each. Taxpayers in the bottom bracket (married couples filing jointly making less than $14,981) could see an average decrease of $3, and couples in the top bracket (with incomes above $329,810) would average a cut of $592.

This income tax cut won’t happen immediately—the state still must calculate how much new money will be collected. This delay will give the next governor and legislature time to consider whether to keep, drop, or reshape this income tax cut in the next state budget.

*This information is a service of the Wisconsin Policy Forum, the state’s leading resource for nonpartisan state and local government research and civic education.*