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**From:** Kelley, Margit <Margit.Kelley@legis.wisconsin.gov>  
**Sent:** Tuesday, April 20, 2021 1:22 PM  
**To:** Sen.Nass; Sen.Wanggaard; Sen.Stafsholt; Sen.Wirch; Sen.Johnson  
**Cc:** Mikalsen, Mike; Gillitzer, Steven; Gustafson, Andrew; Kelly, Scott; Konkel, Sharlene; Taylor, Chad; Ullsvik, Christian; Sen.Carpenter; Rep.McGuire; Hurley, Peggy  
**Subject:** 2021 SB 267 - income taxes on unemployment benefits

Dear Labor and Regulatory Reform committee members,

At the hearing today on 2021 SB 267, relating to a temporary tax exemption for unemployment benefits, a question came up on the use of American Rescue Plan Act (ARPA) funds to offset the reduction in revenue that is anticipated under the bill.

ARPA specifies that its funds cannot be used to either directly or indirectly offset a reduction in a state's net tax revenue that is a result of tax law changes. However, states have asked whether this restriction applies to income tax changes that are only conforming state law with recent changes in federal income tax laws.

To address this question, the U.S. Department of the Treasury issued a [statement](#) on April 7, 2021, stating that income tax changes that are only conforming a state's tax laws with the recent federal tax law changes are permissible, and would not violate the restriction that otherwise prohibits using funds to offset a reduction in tax revenue.



**Margit Kelley**

Senior Staff Attorney, Wisconsin Legislative Council  
608.504.5717 | [margit.kelley@legis.wisconsin.gov](mailto:margit.kelley@legis.wisconsin.gov)  
One East Main Street, Suite 401, Madison, WI 53703