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Setting Reasonable Interest on Judgments

Special Session Assembly Bill 14/Senate Bill 14

Special Session [Assembly Bill 14/Senate Bill 14](#) reforms Wisconsin's high pre- and post-judgment interest from 12 percent to the prime rate set by the Federal Reserve Board, plus one percent. This ensures that plaintiffs do not receive a windfall, while also ensuring that defendants pay a reasonable interest rate.

Current Wisconsin Law

Under current law, plaintiffs in Wisconsin who win favorable verdicts are usually entitled to recover interest on the damages awarded. Some of this is in the form of post-judgment interest, which is meant to compensate the plaintiff for loss of the use of money while a defendant appeals a judgment. Plaintiffs may also be awarded pre-judgment interest, which runs from the date the plaintiff makes an offer of settlement, rather than the time damages are awarded by a court.

Wisconsin currently imposes an interest rate of 12 percent on both pre- and post-judgments, which is among the highest in the nation. If the plaintiff offers a settlement that the defendant does not accept and the judgment is larger than the offer to settle, the plaintiff is entitled to pre-judgment interest from the time the plaintiff made the offer to settle at a rate of 12 percent.

Wisconsin's High Interest on Judgments Should Be Lowered to Reflect Current Interest Rates

Although well-intended, Wisconsin's current law has the unintended consequence of overcompensating the plaintiff, holding a defendant financially responsible for delays in the court process the defendant may have not caused, and ultimately impeding settlement.

Wisconsin should therefore adopt legislation which sets the rate at a reasonable level. Instead of allowing an exorbitantly high interest rate of 12 percent, which far exceeds any available market rate, Special Session AB 14/SB 14 adopts an interest rate applicable to all judgments that is equal to the prime rate set by the Federal Reserve System plus one percent.

Today, a 12 percent interest rate is excessive and unfair. A defendant should not be forced to pay an amount far above the current market rate, nor should the plaintiff receive a windfall. Special Session AB 14/SB 14 ensures that the interest rate is fair for both plaintiffs and defendants.

Conclusion

By pegging Wisconsin's interest on judgments to the Federal Reserve prime rate, plus one percent, Special Session AB 14/SB 14 ensures that plaintiffs can recover interest at a rate that fairly reflects the market, while also ensuring that defendants pay a reasonable rate.