



**WISCONSIN
BUDGET
PROJECT**

An Initiative of the Wisconsin Council on Children and Families

Tax Cuts and Tax Increases in the Budget Bill and 2011 Special Session Bills

Two-year cost of Tax Cuts Enacted during January 2011 Special Session

- \$67.0 million: Tax Break for New Hires – Businesses receive credits of \$2,000 or \$4,000 per job created, depending on the business size.
- \$49.2 million: Health Savings Accounts – Individuals receive tax credits for Health Savings Accounts (HSAs).
- \$1.0 million: Tax Cut for Relocated Businesses – Businesses that move to Wisconsin may receive credits or deductions that amount to a two year waiver of corporate or individual income taxes.
- \$0 million: Credits for Economic Development – Businesses are not currently taking advantage of all the credits currently available, but this is projected to have an effect in future years.

Two-Year Cost of Tax Cuts In 2011-13 Biennial Budget

- \$36.3 million: Capital Gains Changes – Investors can defer capital gains taxes if the profits are reinvested in Wisconsin businesses, and investors pay no state taxes on profits resulting from the sale of Wisconsin assets if purchased in 2011 or later and held for at least five years.
- \$46.4 million: Tax Break for Multi-State Corporations – This change partially rolls back recent changes that seek to prevent multi-state corporations from shielding income in other states.
- \$10.1 million: Tax Cut for Manufacturers – This tax break is targeted at corporations with a manufacturing presence in the state, reducing their taxes by as much as 95% when fully phased in.

Two-Year Totals of Tax Increases in 2011-13 Biennial Budget

- \$56.2 million: Earned Income Tax Credit – The budget cuts this credit for low-income working families with children, increasing taxes for some families and reducing refunded amounts for others.
- \$13.6 million: Homestead Tax Credit – The budget reduces property tax credits for low-income owners and renters.

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Supported by the Annie E. Casey Foundation

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Ten-Year Fiscal Effect of Tax Cuts in 2011 Special Session and 2011-13 Budget Bill			
Tax Cut	Beneficiaries	Phased-in?	<u>10 year fiscal effect *</u> (millions)
2011 Special Session			
Tax Break for New Hires	Businesses that create new jobs	No	\$335.0
Health Savings Accounts	Individuals with HSAs, who tend to be high-income. One study showed people with HSAs had incomes twice as high as those without.	No	\$273.2
Credits for Economic Development	Businesses that get tax credits from the state for job creation, capital investment, employee training, or relocation of corporate headquarters in the state.	No	\$25.2
Tax Cut for Relocated Businesses	Businesses relocating to Wisconsin	No	<u>\$5.0</u>
Special Session subtotal			\$638.4
2011-13 Biennial Budget Bill			
Tax Cut for Manufacturers	Corporations that produce goods in Wisconsin	Yes	\$874.5
Capital gains changes	Predominantly upper-income individuals. Those making \$200,000 or more make up less than 2% of all tax filers, but account for more than 46% of all profits excluded from taxes .	Yes	\$436.1
Tax Break for Multi-State Corporations	Multi-state corporations who are able to shift income among different states.	No	\$366.4
Others	Various	No	<u>\$11.0</u>
Biennial Budget subtotal			\$1,688.0
Grand total			\$2,326.4

* Source: The fiscal effects of tax cuts are from a Legislative Fiscal Bureau memo dated 6/9/11, with the subject "[General Fund Taxes](#)." The fiscal effects of tax increases are from a 6/13/11 Legislative Fiscal Bureau memo titled "[State Tax and Fee Modifications Included in the Joint Committee on Finance's 2011-13 Budget Recommendations](#)." Estimates for 2013-14 and later years are in 2012-13 dollars.