Proposed Tax Shifts Would Cut Taxes for Richest, Raise Taxes for Others

Expanding the sales tax to pay for income and property tax cuts would harm taxpayers with low incomes and give large tax cuts to the highest earners, according to a new analysis from the Wisconsin Budget Project.

The Wisconsin Budget Project is an independent Madison-based research group that focuses on tax and budget policy. The Institute for Taxation and Economic Policy provided the figures for the analysis.

A recent policy report by the Wisconsin Policy Research Institute recommended extending the sales tax to a number of goods and services that are not currently taxed, including basic necessities, and using the revenue to lower other taxes. That move would raise net taxes, on average, for those with low and moderate incomes and cut taxes for those with the highest incomes, the Wisconsin Budget Project analysis found.

“Extending the sales tax to basic necessities such as food, water, and fuel will make it harder for struggling Wisconsin families to put food on their tables and keep their children warm and safe,” said Wisconsin Budget Project analyst Tamarine Cornelius. “We shouldn’t be asking families with low and moderate incomes to pay more in taxes so we can give tax cuts to the highest earners.”

Expanding the sales tax and lowering other taxes would give an average tax cut of nearly $7,000 to taxpayers in the top 1%, a group with an average income of $1.1 million. In contrast, taxpayers in the bottom 60% by income would be paying higher taxes, as a group. Taxpayers in the bottom 20% of income – a group with an average income of $14,000 – would pay an additional $110 in taxes on average.

Taxpayers with the highest incomes would also get the biggest tax cuts when measured as a share of income. Expanding the sales tax and lowering other taxes would reduce the share of income the top 1% of earners pay in taxes by 0.6% on average. The income group with the largest tax increase as a share...
of income would be the bottom 20%, with an average tax increase of 0.8% of income.

“Shifting the responsibility for paying taxes away from those who are well-able to pay and toward everyone else won’t help create jobs or contribute to broad prosperity,” said Cornelius.

The full analysis is available on the Wisconsin Budget Project website.

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