Costly New Tax Credit Almost Exclusively Benefits Wealthy

The Manufacturing and Agriculture Credit Reduces State Tax Collections by $284 Million and Does Little to Create Jobs

A new tax break that allows some businesses to pay next to nothing in income taxes winds up mostly in the pockets of the extremely wealthy, according to a new report from the Wisconsin Budget Project.

The Manufacturing and Agriculture Credit (MAC), which was passed by lawmakers in 2011, nearly wipes out income taxes for manufactures and agricultural producers, and reduces state tax revenue by $284 million between July 2016 and June 2017. The tax credit has cost much more than originally estimated, ballooning to twice the cost that lawmakers originally anticipated when they approved the tax cut.

Most of the cost of the tax cut goes towards reducing income taxes for millionaires, according to an analysis of Department of Revenue figures included in the report. Tax filers with incomes of $1 million and higher — the top 0.2% of filers by income — receive an estimated 78% of the 2016 tax cut that is distributed through the individual income tax. Millionaires receive an average tax cut of nearly $28,000 from this credit.

Manufacturers can receive the credit even if they are laying off workers, closing some of their factories in the state, or sending some of their Wisconsin jobs overseas. The Budget Project’s analysis of employment figures shows there has not been an increase in the rate of growth of manufacturing jobs in Wisconsin since the credit has been in place.

“This is one of the most misguided tax breaks Wisconsin has ever seen,” said Tamarine Cornelius, Research Analyst for the Wisconsin Budget Project. “Not only does the credit only benefit a wealthy few, but it does very little to stimulate job growth—and all at a very steep price.”

Cornelius noted that at a time when the Manufacturing and Agriculture Credit is giving very significant tax breaks to the wealthiest individuals, lawmakers are cutting back on investments in Wisconsin’s education system and communities. In fact, Wisconsin’s cut in state support for public schools and higher education are among the largest in the country.

“If the goal of the tax credit is to create jobs and help businesses thrive, the Manufacturing and Agriculture Credit is completely failing to do so,” said Cornelius. “In fact, the credit is costing the state millions of dollars and prohibiting the state from investing in areas that could improve the state’s workforce and infrastructure, such as providing aid to students attending technical
schools, improving Wisconsin’s deteriorating roads, or adding teachers to Wisconsin’s K-12 classrooms.”

The Wisconsin Budget Project, an initiative of the Wisconsin Council on Children and Families, is an independent Madison-based research group that focuses on tax and budget policy.

Read the full report on the Wisconsin Budget Project’s website: The Big Giveaway: Costly Tax Credit has Done Little to Boost Employment.

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