

A Wisconsin Budget for All



How We Can Invest to Help Wisconsin Communities Thrive



For too long, we've all been told that there's not enough money in the budget to help our communities thrive. That is not true.

Actually, there is enough. Making a budget is about making choices. Lawmakers can choose to help private special interests that rig the system, or lawmakers can choose to promote the common good.

Simply cleaning up the tax code by closing two loopholes that the well-connected have created for themselves can restore nearly \$900 million to the budget to invest in crucial priorities that your community so desperately needs. After all, that should be what taxes are for. They're not supposed to be for feathering the nests of those who manipulate the system. They're supposed to be our joint investments for improving our lives and for bolstering the vitality of all of our communities across Wisconsin.

There are three core areas — work, education, and health — where this restored funding would make a huge difference for hard-working Wisconsin families like yours and for the life of your community.

It's time – long past time – to provide every Wisconsin adult, particularly those who care for others, the opportunity to have full-time work at a decent wage.

It's time – long past time – to expand the state's earned income tax credit, which would benefit thousands of households by making work pay.

It's time – long past time – to give every school district the resources it needs to attract and retain highly qualified teachers.

It's time – long past time – to make technical college free for those who make the grade so that we can have a well-trained workforce.

It's time – long past time – to get lead out of our drinking water.

The three core areas of work, education, and health are not the only ones that could better use the funds now squandered on those who manipulate the system for their own benefit. There are other worthy priorities, but we offer this proposal to demonstrate that Wisconsin has sufficient funds to meet many of our communities' essential needs ... if we don't allow the special interests to siphon off our funds.

Let's have a budget that truly works for Wisconsin workers and communities, and not just the favored few.

Please join with us as we push for a budget that will help all our communities thrive.

Background

We have always been able to do great things when we invest together. We created a world-class public education system that generated a thriving middle class; we created state parks where we could hunt, hike, and fish; and we helped each other, lifting up our friends and neighbors in times of need, with support from the government.

Recently, it seems that this is harder and harder to do.

That's because special interests have rigged our state and federal tax code to their own advantage, giving away hundreds of millions of our precious tax dollars. These tax giveaways prevent us from investing in a world-class education, creating great paying jobs, and building a healthy, 21st century civic infrastructure.

But together, we can change these bad choices that a few special interests have made for us. We can make better choices.

By cleaning up the tax code and recovering hundreds of millions of dollars that are being squandered on loopholes that powerful lobbyists pressured the legislature to pass, we can recover those resources and invest them in the things that we can all agree our communities need in order to thrive: better schools, better health care, and an economy that works for all of us.

Proposal

1. What follows is an outline of the nearly \$900 million that results from doing away with just two wasteful tax breaks that powerful interests forced into the tax code.

2. In addition, included in this document are suggestions for how that huge sum could be better utilized for the people of Wisconsin.

We hope you consider these proposals and recognize that you shouldn't be subjected to budget blackmail: There is, in fact, money to create thriving communities so long as the well-heeled and the well-connected aren't picking our pockets.

Close Two Tax Loopholes for the Well-Connected and Reinvest \$900 Million!

Wisconsin could substantially improve its prospects for long-term economic growth by closing two tax loopholes that primarily benefit those who have manipulated the system to their own benefit. These two policy measures would give our state the ability to make critically important investments in the Wisconsin workforce and in our communities by freeing up nearly \$900 million during the 2017-19 budget period.

Eliminate the manufacturing and agriculture credit (\$569 million)¹

Over the last four years, Wisconsin has phased in an extremely costly tax break that virtually eliminates the state income tax for certain manufacturers and agricultural producers. It's a very poorly designed effort to promote job growth because Wisconsin businesses get the credit regardless of whether they are adding or subtracting jobs in our state. The cost of the credit (about \$284 million per year) is now almost twice what it was originally expected to be, and almost all of the tax savings go to those at the top, who know how to manipulate the system. Department of Revenue figures show that 11 tax filers with incomes

of \$35 million and above are expected to receive an estimated combined income tax break of \$21.5 million in 2017 from this credit. Only 0.3 percent of Wisconsin tax filers received the credit, with nearly 80 percent of the credit going to individuals earning over \$1 million.

Treat capital gains like ordinary income (\$328 million)²

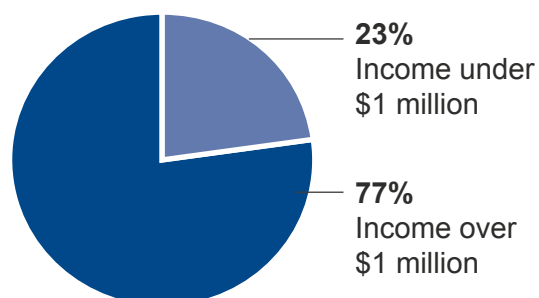
Wisconsin is one of a small number of states that taxes most investment income -- known as capital gains -- at a significantly lower rate than income earned in the form of salary or wages. So if you're working 40 hours a week, chances are you're paying a higher tax rate on your wages than what investors pay on the profit they make selling their stocks or real-estate holdings. This is one of the reasons that Wisconsin's state and local taxes take a higher percentage of income from lower- income families than high-income families. The top 2 percent of earners in Wisconsin receive almost half of the capital gains tax breaks. Eliminating Wisconsin's tax breaks for capital gains would yield about \$164 million per year.

¹ [Aug. 5, 2015 Legislative Fiscal Bureau memo](#) to Senator Fitzgerald

² Wisconsin Departments of Administration and Revenue, [Summary of Tax Exemptions Devices](#), Feb. 2015 (estimates show the revenue loss from the exemption device in FY 2014)

Vast Majority of Manufacturing Tax Credit Benefits the Very Wealthiest

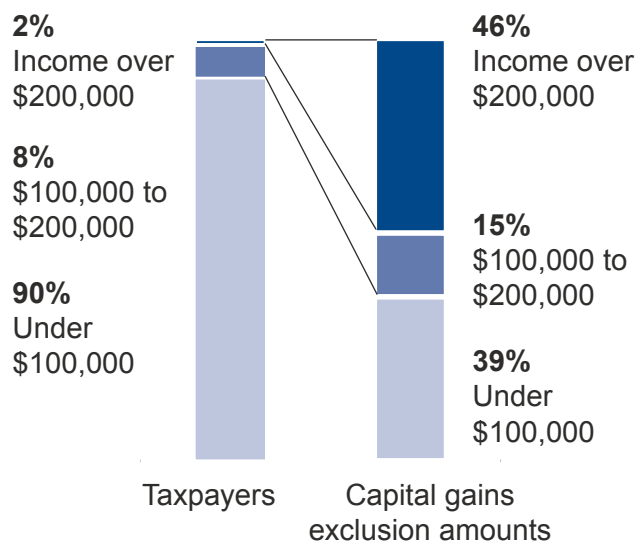
Share of Wisconsin's manufacturing and agriculture credit paid through the individual income tax by the income of the filer, for tax year 2017.



Source: Wisconsin Legislative Fiscal Bureau

Tax Breaks on Capital Gains Slanted Towards Rich

Share of taxpayers and value of capital gains exclusions by income.



Source: Wisconsin Legislative Fiscal Bureau

Investing in Wisconsin's Future: Options for the Revenue from Closing Two Tax Loopholes

Total Investment = \$890 million

(all cost figures are biennial)

By reallocating the money that is currently being squandered in these two loopholes, we can address some crucial priorities for the children, the workers, the businesses, and the communities of Wisconsin so we all can thrive and enjoy shared prosperity. These investments are targeted to boost the common good in such key areas as work, education, and health.

They would stimulate the economy by shoring up the purchasing power of many Wisconsin workers; they would help businesses by providing a more educated workforce; and they would improve the health of Wisconsinites, young and old, urban and rural.

Work

Investment: \$335 million

To support workers and make work pay, Wisconsin should invest in:

- *Green Transitional Jobs Program*: Add 3,000 new transitional jobs, which employ low-income adults who cannot otherwise land jobs, and prepare them for private sector work. The focus will be on green jobs that help meet global climate goals by reducing carbon pollution, and on protecting the health for Wisconsin's children by replacing lead pipes. (Investment: \$55 million)
- *Living Wages to Caregivers*: Raise wages for critical caring professions, home care workers and childcare teachers. This will support two growing professions that can't be outsourced and provide young families with the opportunity to work, and seniors and people with disabilities the ability to stay independent and in their own homes. (Investment: \$170 million)
- *Making Work Pay*: Substantially expand Earned Income Tax Credit (EITC) to adults without minor children to guarantee work pays for all low wage workers. This will generate an average \$220 refundable tax credit for 250,000 adults without minor children who currently do not receive the state EITC. (Investment: \$110 million)

Education

Investment: \$315 million

For a strong, well-educated workforce, Wisconsin should invest in:

- *Free technical college for graduating seniors and some older workers*: No tuition or fees for students who attend technical school full-time after graduating from high school, and assistance for older workers going back to school. This would help 15,000 young adults and 6,000 older workers get the technical expertise they need to land good jobs, giving them the spending power to boost local economies across Wisconsin. (Investment: \$100 million)
- *Literacy for all children by third grade*: Provide one-on-one tutoring and coaching to the 29,000 1st and 2nd graders in Wisconsin struggling to read, empowering them to thrive and succeed. (Investment: \$100 million)
- *Creating new funding stream to hire and retain more teachers*: Put Wisconsin on a course to having the most highly qualified teaching corps in the nation by providing funds: a) to support a minimum starting salary for licensed teachers who have completed a three-year apprenticeship, and b) to reward experienced teachers who become master educators. This would alleviate the acute shortage of skilled teachers, which has particularly been a problem for rural and low income urban schools. (Investment: \$115 million)

Health

Investment: \$240 million

For healthier children, workers, and communities, Wisconsin should invest in:

- *Protecting children's brain development by safeguarding drinking water*: Make a large scale investment in a fund to replace lead pipes, clean

up rural watersheds, and replace wells where necessary, reducing the exposure of Wisconsin children to lead and other poisons. (Investment: \$150 million)

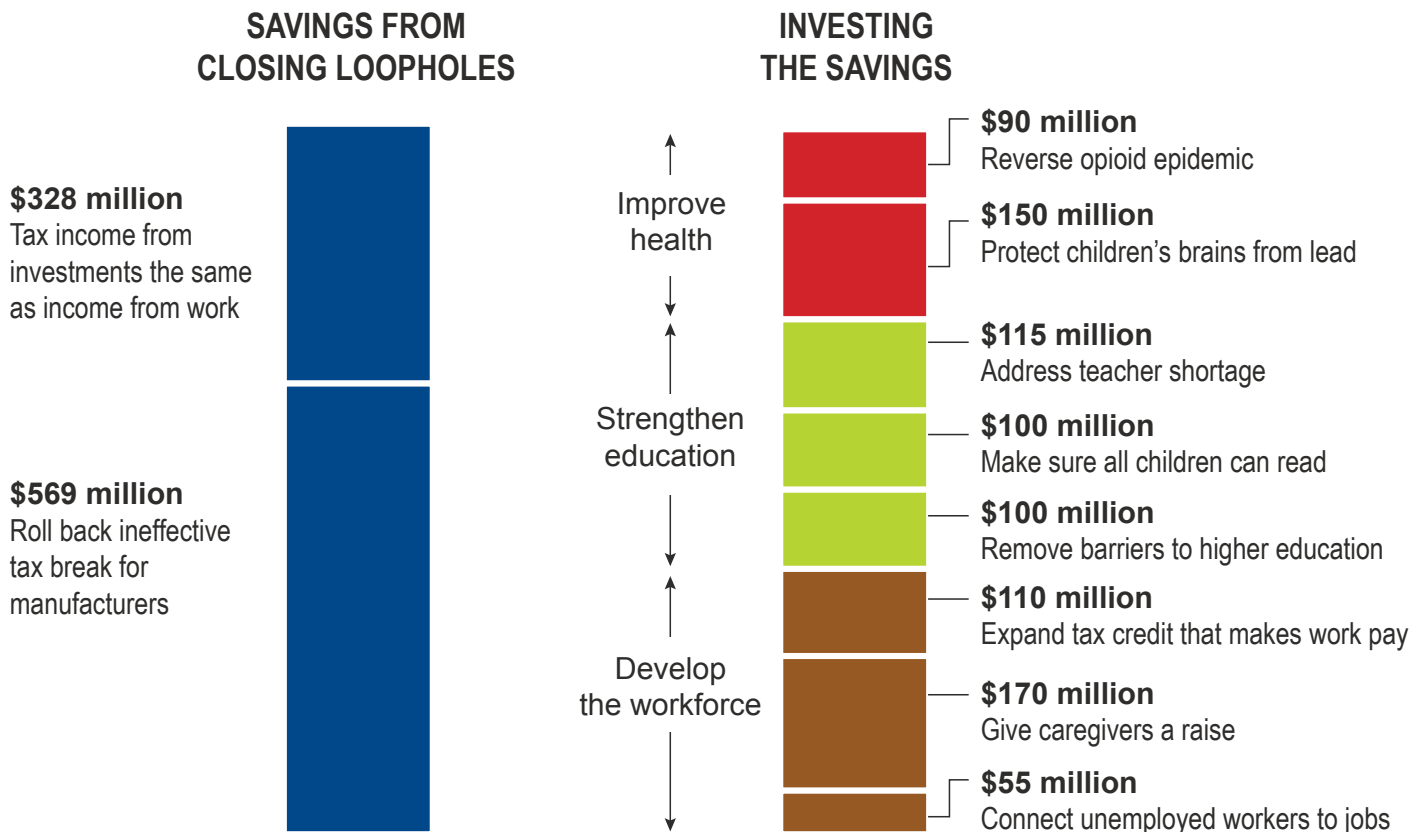
- *Protecting every Wisconsin high school student from opioid addiction:* Implement robust substance abuse prevention by funding screening, counseling, and referral to treatment in all Wisconsin public high schools and investing in

improved access to drug treatment and mental health services. (Investment: \$90 million)

- *Providing Health Coverage to 83,000 more Low Income Adults through BadgerCare:* Wisconsin can draw down federal money to extend BadgerCare coverage to more low income Wisconsinites, and save \$190 million in state dollars.

Closing Tax Loopholes Would Allow New Investments in Wisconsin's Economy

Wisconsin could save nearly \$900 million by eliminating two wasteful tax breaks, freeing up resources that could be used to invest in Wisconsin's future.



Source: Wisconsin Legislative Fiscal Bureau, analysis by Wisconsin Council on Children and Families

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