



Wisconsin's Path to Shared Prosperity

Creating A More Equitable Tax Code

For Wisconsin's economy to work for everyone, we need a tax system that provides enough resources to fund investments in healthy communities and public infrastructure, while providing a level playing field for Wisconsin families and businesses. Currently, Wisconsin's tax system is a major driver of economic inequality and contributes to the increasing concentration of income and wealth in a few hands—hands that are most likely to be white, due to a long history of racial discrimination.

State tax policies can be a powerful tool for expanding opportunity and enhancing racial equity, but right now, Wisconsin's tax system calls on the richest residents to pay the smallest share of their income in taxes and requires residents with low and moderate incomes to pay more than their fair share. Thanks to powerful interests that have rigged the tax code to their advantage, taxpayers in the top 1% pay just 7.7% of their income in state and local income taxes, compared to 10.1% paid by taxpayers in the bottom 20%.

Wisconsin is not alone in having a tax system that provides advantage to wealthy taxpayers over lower-wage taxpayers. But some states have fairer tax systems, and our state policymakers should implement solutions now that will make a difference for the majority of Wisconsin residents, reduce barriers for people of color, and improve equity.

Here are steps Wisconsin can take to improve its state and local tax system in a way that gives taxpayers of all races, ethnicities, and income levels greater access to opportunity:

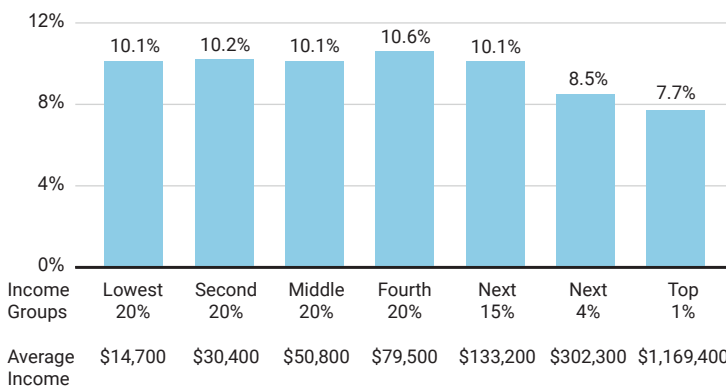
Put More Money into Workers' Pockets

The Earned Income Tax Credit (EITC) puts more money into the pockets of working parents with low and

moderate incomes and helps them achieve economic security. The EITC can help make sure that parents have

In Wisconsin's Tax System, Best-Off Pay Smallest Share of Their Income in Taxes

Wisconsin state and local taxes as the average share of income by income group.



Source: Institute for Taxation and Economic Policy

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the resources they need to make car repairs they need to get to work, pay for school supplies their children need, catch up on utility bills, and pay for other costs important to family functioning.

The EITC gives a major boost to family health and well-being, reducing the number of low-birthweight babies born and lowering rates of cigarette smoking. Children in families that receive the EITC do better and go further in school. The benefits even reach into the next generation, as individuals whose families received the EITC when they were children work more as adults and have higher earnings.

The state is spending \$104 million in the EITC in 2019, through a combination of general tax dollars and federal money allocated to the states to implement anti-poverty measures. Increasing that amount would promote work, alleviate hardship, and partly counteract the effects of racial discrimination in the workforce.

Create an EITC for All

Low-wage workers who don't have children at home are excluded from Wisconsin's EITC, a restriction that blocks them from receiving a much-deserved tax break. The result is that low-wage, childless workers pay millions more in state and local taxes than they otherwise would, miss out on the health and economic benefits that are associated with receiving the EITC, and may have difficulties making ends meet. Opening up Wisconsin's EITC to include all workers with low wages would expand economic opportunity and lower barriers to work for people who do not have a job.

By excluding workers without dependent children from its state EITC, Wisconsin is out of step with other states. Of the 29 states that have state EITCs, Wisconsin is the only state that bars workers without dependent children from receiving the credit. Creating a state credit equal to the federal EITC for childless workers would give those workers a tax cut of \$43 million.

Improve and Expand Targeted Property Tax Relief

The Homestead Credit delivers targeted property tax relief to low-income households, and helps seniors with low incomes afford to stay in their homes. Harmful changes during Governor Walker's administration reduced credit amounts and eligibility, and should be reversed. State spending on the Homestead Credit is an estimated \$95 million in 2019 and has been declining steadily as the changes reduce the number of people who qualify for the credit.

Eliminate a Credit that Wipes Out Income Taxes for Manufacturers

A tax credit that allows manufacturers and some other businesses to pay next to nothing in income taxes has ballooned far beyond original cost estimates and is slanted to favor a small group of wealthy claimants. Most of the credit goes to multi-millionaires.

This credit gives a \$295 million income tax break to manufacturers and other businesses in 2019. Companies do not need to create new jobs to be eligible to claim the credit. Even businesses that lay off workers, send jobs overseas, and close factories may receive the credit. Eliminating this loophole would require big manufacturers and wealthy individuals to pay their fair share of taxes that are necessary to fund thriving communities, excellent schools, and modern transportation networks.

Don't Favor Income from Wealth over Income from Work

Wisconsin gives preferable tax treatment to income earned from investments, taxing that income at a lower rate than income earned from working.

Wisconsin is one of only nine states that provide a tax break for income derived from wealth. This tax break adds up to \$176 million a year and tilts Wisconsin's state income tax in favor of the wealthy. By eliminating preferable tax treatment for income from wealth, Wisconsin could create a more level playing field for Wisconsin families and businesses.

Make Sure Wealthy Residents Pay at Least Some Minimum Level of Income Tax

Under Governor Walker, state lawmakers appealed a measure that was intended to ensure that all Wisconsin residents with high incomes pay at least some amount of income tax. Restoring the minimum tax would help make our state's tax system a little fairer while generating about \$33 million to support critical state priorities.

Close the "Dark Store" Loophole

Big box stores are exploiting a loophole that allows them to get away with not paying their fair share of property taxes, and requires homeowners and other owners to make up the difference. National retailers are arguing that the value of a new store in a thriving commercial district should be based on the value of vacant stores in other parts of town. That drives down the assessed value of property for big retailers and requires everyone else to shoulder a larger share of the property tax levy.