



## Boost Middle Class and Help Small Employers with Income Tax Elimination

Middle Class & Small Employers to Benefit from Income Tax Elimination, According to CROWE Economic Analysis

**The Problem:** Wisconsin's high income tax rates and high overall tax burden harm middle class families and small employers, and prevent our state from reaching its full potential. Small fixes will not give Wisconsin the competitive advantage it needs to be an economic powerhouse.

**The Solution: Eliminating the personal state income tax in Wisconsin would result in major tax savings for middle class families and small businesses, substantial economic growth, and strong employment gains.**

The Badger State needs bold reforms to attract workers, alleviate the workforce shortage issue, and present a vision for how Wisconsin can be the best state in the Midwest to do business and be competitive nationally. Nine states do not have an individual income tax on wages, giving them a huge competitive advantage for middle class families and small businesses. Other states, such as Iowa and Mississippi, are debating the issue and advancing legislation, and major gubernatorial candidates, such as in Arkansas, are running on eliminating the income tax in their states.

**How do we do it?** Eliminating the income tax in combination with a modest 3% increase in the state sales tax will lead to a projected net **\$3.5 billion statewide tax cut, \$1,700 net per household**, according to a recent report from UW Professor of Economics Noah Williams, director of the Center for Research on the Wisconsin Economy (CROWE). His analysis shows that such a reform would substantially improve economic outcomes in the state of Wisconsin, leading to increases in output, employment, consumption, and after-tax income.

*"Doing away with the state income tax would make Wisconsin more economically competitive both nationally and globally. In addition to making Wisconsin a much more prosperous place to live and work, repeal of the state income tax would also increase the job-creating capacity of small businesses, most of whom file under the personal income tax system."*

**-Grover Norquist, president, Americans for Tax Reform**

### The Facts.

#### Money back in workers' paychecks

Eliminating the state personal income tax puts money immediately in the hands of middle class workers. \$2,800 per household. That's money to spend at restaurants and stores, and to save for retirement or education. It's an average year one net tax cut of **\$1,700** per household after

the sales tax increase is considered. Total year one tax cut of **\$3.5 billion**.

#### Help Small Employers and Protect Jobs

Nearly 9 out of 10 employers in Wisconsin are small employers known as "pass-through"

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# Boost Middle Class, Help Small Employers

businesses, meaning they file taxes as individuals. These businesses employ over half of all working Wisconsinites.

The average pass-through business provides jobs to 12.7 Wisconsinites. Eliminating the income tax puts money immediately back into those small businesses to invest in new workers, wages and benefits, and expansion. It also puts money immediately in the paychecks of their employees.

## Attract people to Wisconsin

Eliminating the income tax results in an automatic higher pay check and is a huge incentive for workers, entrepreneurs, businesses, and families to move to Wisconsin.

Wisconsin will improve dramatically on tax burden rankings, putting the state on the map for workers and families looking to relocate.

## Competitive State Sales Tax

Increasing the state sales tax by 3% would raise almost \$7 billion in new sales tax revenue in the first year, and would remain lower or on par with state and local sales taxes levied in neighboring states and communities (Chicago - 10.25%, Rockford - 8.75%, Duluth- 8.875%, Minneapolis - 8.025%, Dubuque - 7%, IL - 8.82%, IA - 6.94%, MI - 6%, MN - 7.46%).

Additionally, approximately half of all consumption is already exempt from the sales tax - everyday goods and services like rent, groceries, prescription drugs and medical equipment, doctor and dentist visits, insurance, gasoline, residential electricity and natural gas during winter months, accounting and other professional services.

## 175,000 New Jobs

Compared to the status quo, the economic modeling from CROWE shows that the tax plan will result in 175,000 additional jobs filled as higher paychecks move people off the sidelines

and drive a migration of workers (along with their families and capital) to Wisconsin.

## Balanced State Budget

A combination of a state fiscal year cash-on-hand surplus of \$2.58 billion, a \$1.73 billion rainy day fund, unknown amounts of unspent federal COVID-19 relief money at the state and local levels, and strong revenue growth projections from new economic activity, all coupled with continued spending discipline by lawmakers, will allow the state to balance the budget and fund priorities while shrinking the size of government and delivering meaningful tax relief.

## Rightsizing State Spending

Taxpayers know government spending is full of bloat and waste. This reform, coupled with continued spending discipline from lawmakers, will bring Wisconsin in-line with other no-income tax states. According to the [Kaiser Family Foundation](#), Wisconsin currently is the **12th highest per capita spending state at \$8,629 per year**. The nine states without an income tax spend, on average, **\$6,427 per capita**. Every no-income tax state but one, Alaska, spends less per capita than Wisconsin.

## Stronger Economic Growth

According to Professor Williams, eliminating the income tax will lead to higher employment, increased private sector investment, and lower cost of capital. This increased economic activity is predicted to increase the Wisconsin economy by \$28 billion after the reform compared to the status quo, with an additional 175,000 people employed.

## Best in the Midwest

**Wisconsin would be the only state in the Midwest without an income tax**, making it attractive for those looking to relocate their families and businesses.

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