

PUBLIC POLICY

Representing the Interests of Small Business

A Look at Wisconsin Income Tax, the Current Surplus and the 2022 State Elections

- Jessica Ollenburg, Matt Walker and
IBAW's Public Policy Committee

This is the time to evaluate use of Wisconsin's growing surplus as a powerful resource in creating betterment for Wisconsinites. "Given the strong surpluses Wisconsin has generated in recent years and the continued revenue growth the state is expecting in the future, the Badger State is in a good position to begin tackling comprehensive reform... In fact, state forecasters are projecting Wisconsin will end the current budget cycle with more than \$3.8 billion in surplus revenue above and beyond what the state plans to spend." [Loughead 2022](#). Department of Revenue Secretary [Peter Barca](#) tells us the state is expected to end its current two-year budget with a \$3.8 billion surplus. "We're in the best shape we've been in fiscally in more than a half century. We've got a huge surplus," Barca said. "I think back to when I was elected back to the Legislature in 2008, we had structural deficits as far as the eye can see. Now we have structural surpluses." [Loughead 2022](#). Maclver Institute further reports the existing of this surplus and surrounding discussion. [Maclver Institute](#).

Some argument exists around use of this surplus. Our committee has kicked off an initiative to listen and evaluate IBAW member priorities while delivering dedicated research to evaluating solutions and candidate positions as the elections quickly approach. Though it's not a simple topic of discussion, and Wisconsin legislators do not agree on timing and methodology, we present key points in support of looking into reducing Wisconsin's state income tax as well as addressing interim surplus handling as an investment into Wisconsin's future.

As IBAW members prepare for Wisconsin's Gubernatorial Primary Election August 9 and subsequent midterm elections November 8, IBAW's Public Policy Committee is dedicated to both education and advocacy for IBAW members, given the opportunities and challenges currently present... and forthcoming.

Wisconsin Opportunities and the IBAW Public Policy Forum

IBAW invited all members to a Reverse Town Hall Zoom on May 24, 2022. We asked questions of and listened to our attending members' key priorities. When determining top priorities for our committee, we identified that addressing the Wisconsin surplus addresses each of the key priorities. Topics of immediate priority to members who shared their concerns include Talent Shortage, Supply Chain, Crime, Inflation, Remote Work, Uncertainty, Education and Healthcare. We send hearty thanks to all who participated.

Wisconsin is Losing Talent and Business to More Tax-Friendly States

"States with low or no income taxes have seen significantly stronger gross state product growth and net inbound migration over the past decade than their higher income tax peers..." [WV Case Study](#). The Tax Foundation notes that Wisconsin's 7.65% tax rate is third highest in the Midwest, behind Minnesota and Iowa; and it's the third highest among all Great Lakes states. Only New York and Minnesota are higher on that list, [TaxFoundation.org](#).

The Badger Institute's Michael Jahr told The Center Square, "I think a lot of Wisconsinites would be surprised to learn that Illinois of all places has a flat and much lower income tax rate. If Wisconsin wants to attract businesses and residents from high-tax Minnesota and highly regulated Illinois, policymakers should start by dramatically lessening our tax burden," [The Center Square](#). In this same report, Jahr said the Badger Institute has worked with the Tax Foundation on a range of tax reform options that would "make Wisconsin more competitive." The Tax Foundation's report states that income taxes make-up a sizable chunk of state revenues across the country, accounting for about 36% of all monies that states take in. In Wisconsin, that number is closer to 50%. There are seven states without a state income tax, and another 11 that have flat income taxes. Wisconsin is not on either list, [Yount 2022](#).

While certainly not "apples to apples" with California in overall business and socioeconomic climate, Wisconsin can take some notes of reference as a case study to the well-documented migration from California. [Hoover Institution](#).

Wisconsin Workers can Support Wisconsin Businesses as well as Other States, Potentially Luring and Retaining More Business and Talent to Wisconsin

As we become stronger in offering remote work to those who better prosper with the option, Wisconsin could leverage tax-friendliness and surplus allocations to broaden our lure of talent and business alike. Nationwide states are enacting new laws and taxation impact according to city, county and state laws. We find businesses choosing the location of workers not only by project access but also by local tax and law impact. Those workers who can be 100% remote can be instrumental to business goals anywhere and everywhere. As nationwide businesses look nationwide for talent, considering tax and statutory burdens of each locale, the lures of work-life balance and fiscal prosperity can be optimized for the betterment of Wisconsin overall.

The Perception of Long-Term Betterment can Ease Uncertainty, Especially with a Roadmap Provided

Uncertainty often causes cessation of forward movement; and a dark tunnel is far less attractive for entry than a tunnel with light at its end. Perception drives behavior, which drives action and economy. A gradual change and promise of improved long-term trajectory can pay off exponentially for Wisconsin. This committee proposes careful, nimble planning with plans for positive trajectory. We seek to build trust, optimism and good faith; and we seek to reduce uncertainty. Accurate information is key.

Supply Chain, Crime, Inflation, Education and Healthcare can be Substantially Impacted by these Fiscal Decisions

Each of these key concerns is substantially impacted by our legislative and fiscal decisions, and now is the time to address these thoughtfully and responsibly. As our election candidates continue to reveal positions, we seek to facilitate our members' understanding of overall impact on Wisconsin's growth and success.

Debunking the Debunking

Partisan disagreement has emerged on this front, where some claim the surplus should have been more quickly disbursed, if not immediately exhausted, by allocation to schools and local communities, [Wisconsin Examiner](#). IBAW members who have presented their voices tell us they seek optimization for schools and local communities, but not at the cost of the many sweeping challenges which can simultaneously be addressed for a more lasting holistic betterment for our kids and communities.

Current Governor Tony Evers and the Surplus

Governor Evers ordered the Department of Revenue to revise its withholding tax tables January 10, 2022. Tax tables affect how much income employers withhold from an employee's paycheck in taxes. The governor noted there hadn't been a revision to the tax tables since 2014. Evers stated that single filers who make \$50,000 will see \$551 more in their paychecks. A married couple who each earns \$50,000 will see a combined \$1,200 more for their household, [Tony Evers Website](#). In 2021, Evers signed one of the largest tax cuts in state history, with focus on public school funding, [Wispolitics.com](#). "In 2021, Wisconsin was one of 13 states to enact laws permanently reducing individual and/or corporate income tax rates (several additional states implemented previously enacted cuts in 2021 as well)." [Tax Foundation | Loughhead 2022](#). "The state budget signed last summer brought down the income tax rate from 6.27% to 5.3% for income between about \$25,000 and about \$281,000 a year, or between \$34,000 and about \$375,000 for married filers. The state's top income tax bracket, for all income above \$281,000 for individuals and \$375,000 for married filers, has a rate of 7.65%," [Madison.com | Schmidt 2022](#).

A new report ([The Wisconsin Policy Forum report](#)) on state income taxes found most Wisconsinites have lower tax rates than they did 40 years ago – but for residents with the lowest incomes, that rate has gone up. [Wisconsin Public Radio | Kirwan 2022](#). Using data provided by the state Department of Revenue, the report looked at the average income tax rate for different income classes. The average rate was calculated by taking the total taxes owed by all taxpayers in a group and dividing it by their total adjusted gross income. For the top 1 percent of taxpayers, the average income tax rate fell by 30.6 percent between 1980 and 2020, going from 7.9 percent to 5.5 percent. The middle 20 percent of taxpayers saw their average income tax rate fall by 20 percent over that time, from 3.1 percent in 1980 to 2.5 percent in 2020. But the bottom 20 percent of taxpayers in the state saw their average tax rate increase by nearly double over the 40-year period, starting at 0.2 percent in 1980 and rising to 0.5 percent in 2020. Jason Stein, research director for the Wisconsin Policy Forum and author of the report, stated the following: "If you're on the conservative side, you're going to welcome that because you're gonna feel like it maybe makes the state's economy a little more competitive or may provide more incentives for people to look for ways to earn more money." "The report from [Tax Foundation](#) comes as Republicans at the Wisconsin Capitol push toward lowering and eventually eliminating Wisconsin's personal income tax," [Yount 2022](#).

Committee Mission and Proposed Solutions

Our committee's mission is to empower IBAW members related to public policy concerns, by facilitating high quality bi-directional communication to promote that our membership's voice is heard; while simultaneously crafting, presenting and distributing informational toolsets and forums for our members. During this year of mid-term elections, state gubernatorial election and new Milwaukee Mayor; we are seeking elevated frequency of communication and action items. The IBAW Public Policy Committee serves to collaborate for greatest understanding and leverage, while enhancing the value and distinction of IBAW membership. This committee works in collaboration with IBAW's Executive Director and Board of Directors in selecting and posturing upon public policy issues and inviting discussion.

We send grateful thanks to Mayor Cavalier Johnson for his June 17 discussion with IBAW members and his professed dedication to improving collaboration between Milwaukee and the State of Wisconsin. This committee recognizes Milwaukee's impact upon our entire state, and we support betterment for Milwaukee. We additionally refer to the Mayor's Inaugural Address [Milwaukee.gov](#).

Eric Searing, Director of External Relations for WILL (Wisconsin Institute for Law and Liberty), advises "We have largely kept our powder dry with some of the proposals that are being floated... we think that something should be done, but the details will matter."

The IBAW Public Policy Committee seeks and pledges careful due diligence as elections approach. We advocate proper research by all those who vote in the August 9 primary and the November 8 elections. Candidates may present differing approaches to these critical opportunities, and we additionally propose research to the changes created by the recent overturn of Roe v. Wade and resulting state decisions relative to new state responsibility.

This committee seeks thorough evaluation, fact-checking, opposition research, collaboration and a gradual, nimble process of change. Accordingly, we plan to deliver a multi-part series of information and advocacy. With elections quickly upcoming, we are advocating our own continued committee research and voice along with the individual voices of our members. Future forums and further analysis will follow.

About the Committee

Current IBAW Public Policy Committee Members include Jessica Ollenburg (Chair), Matt Walker, Tom Parks and Thomas "TK" Kingston, in collaboration with Steve Kohlmann, IBAW Executive Director, and the IBAW Board of Directors.

IBAW will be further represented by Jessica Ollenburg through her recent appointment to the State of Wisconsin's Legislative Study Committee on Occupational Licensing, working with state legislators.

To express your viewpoint as an IBAW member, please contact a current Public Policy Committee member or contact Chairperson Jessica Ollenburg at JessIBAW@OllenburgLLC.com

Endnotes:

<https://taxfoundation.org/wisconsin-income-tax-reform/>

https://taxfoundation.org/state-income-tax-rates-2022?mc_cid=c08595a0f0&mc_eid=0abd398519

<https://files.taxfoundation.org/20210330145640/Evaluating-West-Virginia-Income-Tax-Repeal-Plans1.pdf#page=10>

https://madison.com/news/local/govt-and-politics/gop-bill-looks-to-phase-down-eventually-eliminate-state-income-tax/article_8e213b91-4645-54e9-9f2d-899aa8308724.html

https://www.thecentersquare.com/wisconsin/new-tax-report-comes-as-wisconsin-looks-at-dropping-its-income-tax/article_ea3b1832-8e95-11ec-8038-2f43438ae187.html

<https://tonyevers.com/2022/01/12/because-of-gov-evers-wisconsinites-begin-new-year-with-more-money-in-their-pockets/>

<https://www.nbc15.com/2022/01/11/gov-evers-directs-revision-tax-tables-more-money-into-wisconsinites-pockets/>

<https://www.wpr.org/report-last-40-years-wisconsins-income-tax-has-become-less-progressive>

<https://wispolicyforum.org/research/informing-the-tax-debate-a-closer-look-at-trends-and-changes-in-the-states-income-tax/>

<https://wisconsinexaminer.com/2022/01/26/surplus-another-golden-opportunity-republicans-are-determined-to-miss/>

<https://city.milwaukee.gov/mayor/Speeches-and-Remarks/Inaugural-Address>