

Badger Institute: Governor, legislature deserve applause for meaningful tax reform

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July 08, 2021- Gov. Tony Evers today signed into law significant tax reforms that were included in the Legislature's 2021-23 biennial budget. The relief, totaling more than \$2 billion, was in line with recommendations put forth by the Badger Institute and the Tax Foundation in a joint 2019 report titled Wisconsin Tax Options: A Guide to Fair, Simple, Pro-growth Reform.

"Gov. Evers and the Legislature deserve applause for realizing Wisconsinites deserve to hold on to more of their own money," said Mike Nichols, president of the Badger Institute. "We still have a long way to go. Eight states levy no individual income tax at all. Nine have a flat tax. Wisconsin, meanwhile, still has one of the 10-highest top marginal individual income tax rates in the country.

"That said, the old rap that we're a tax hell is no longer true," Nichols added.

"We're a cooler place today by far. Gov. Evers' decision to let these cuts stand is tremendous news for Wisconsinites who work hard for their money, for competition and for the sort of growth that can lift everyone."

The measure signed by the governor will reduce the state's second-highest individual income tax rate from 6.27% to 5.3% effective retroactive to Jan. 1, 2021. Wisconsin's second-highest rate is higher than the top marginal rates in 23 other states (not counting the eight with no income tax). It kicks in at just over \$24,000 in taxable income for single filers and \$32,000 for married couples, affecting a vast majority of the state's taxpayers who end up paying more than they would with the same amount of income in most other states. It also impacts a vast majority of Wisconsin's small businesses, most of which pay taxes under the individual rather than the corporate income tax code.

"This reduction will provide substantial relief to individuals, families, and businesses," said Katherine Loughead, a senior policy analyst at the Tax Foundation

and primary author of Wisconsin Tax Options. “If this income tax cut is paired with a repeal of the state’s tangible personal property tax and a freeze in the state’s unemployment insurance tax rates, these reforms will help the state emerge from the pandemic in a better position to experience stronger long-term economic growth.

“However, a great deal of work remains to be done,” she said. “The national tax landscape is rapidly growing more competitive, with Wisconsin being the eleventh state to enact income tax rate reductions this year alone. Many states have additional reforms in the works, so if Wisconsin is going to compete to attract and retain residents and employers, further pro-growth tax modernizations ought to be added to the agenda.”