

Institute for Reforming Government: Tax Reform Coalition: Eliminate state income tax for massive middle class and small business tax relief

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Madison, Wis. — Today, a coalition of statewide and national reform groups applauded a new academic study released by UW Madison Professor of Economics Noah Williams on how Wisconsin could jumpstart its economy by eliminating the personal income tax, resulting in a massive middle class and small business tax cut. The study, [“Fundamental State Tax Reform: Eliminating the Income Tax in Wisconsin,”](#) details the positive economic impact that would occur in the state if lawmakers completely eliminated the state’s personal income tax and replaced a substantial portion of the revenue with a 3 percent bump in the state sales tax. According to the analysis, such a reform would lead to a **\$3.5 billion tax savings statewide** which comes out to an annual average of **\$1,700** per household.

The coalition in support of eliminating the Wisconsin personal income tax includes the **Institute for Reforming Government, Americans for Tax Reform (ATR), Wisconsin Manufacturers & Commerce (WMC), and Americans for Prosperity-Wisconsin (AFP-WI)**. If Wisconsin would eliminate the personal state income tax, it would become the 10th state without a personal income tax on wages and would be the only such state in the Midwest, giving a major boost to small businesses and making the state an attractive destination for job seekers.

According to Professor Williams, the founding Director of the Center for Research On the Wisconsin Economy (CROWE), such a fundamental tax reform would have the opportunity to substantially improve economic outcomes in the state of Wisconsin, leading to increases in output, employment, consumption, and after-tax

income. 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.

“This report shows how to cut taxes all around, but especially for middle class families and small business owners,” **said CJ Szafir, President of the Institute for Reforming Government.** “The reform would be a game changer for Wisconsin. More take home pay. Higher employment. Higher GDP growth. It would be a win all around.”

Williams also notes in his report that the vast majority of employers in Wisconsin, almost 90%, are pass-through entities, which means they actually file taxes as individuals. On average, a pass-through employer in Wisconsin has under 13 workers. Eliminating the income tax would put more money into workers’ paychecks, while also helping employers put capital into the company to grow and expand.

Grover Norquist, President of Americans for Tax Reform, heralded this positive impact on small employers. “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.”

The report also notes a projected employment gain of 175,000 over the first 8 years after implementation. This dramatic increase in projected employment numbers is due to larger take home paychecks encouraging people to return to the workforce, as well as pulling new workers, families, and entrepreneurs into Wisconsin.

“In order to draw more people into our state, Wisconsin must be willing to do something bold,” **said Kurt Bauer, President and CEO of Wisconsin Manufacturers & Commerce.** “The latest Census data shows people are migrating to low-tax states, while they are fleeing high-tax states. Becoming the only state in the Midwest without an income tax would serve as a beacon to workers and families looking for low costs, a high quality of life and ample career opportunities.”

Finally, Americans for Prosperity - Wisconsin State Director Eric Bott applauded the reform for its positive potential on working families.

According to the report, an average household will see savings of \$1,700 annually. “Putting money back into the pockets of families is huge,” said Bott. “With inflation already hitting pocketbooks, and projections that the price of everyday goods will continue to rise next year, families need all the relief they can get—and this is a blueprint on how to do it while helping improve GDP growth at the same time.”

CROWE Report can be found [HERE](#).

IRG’s Solution Series can be found [HERE](#).