

The Badger Institute: Commends Michels' call for a flat state income tax

Posted on Wednesday, Oct 5, 2022

>> **WisPolitics is now on the State Affairs network. Get custom keyword notifications, bill tracking and all WisPolitics content. [Get the app or access via desktop.](#)**

October 5, 2022 — The Badger Institute today commended gubernatorial candidate Tim Michels for [proposing](#) that Wisconsin adopt a flat income tax of “around 5 percent,” a policy recommendation made by the Badger Institute and Tax Foundation in a report released in July.

[Tax Reform Options to Improve Wisconsin's Competitiveness](#), authored by Tax Foundation senior policy analyst Katherine Loughead, recommends that Wisconsin move from a graduated income tax rate to a flat individual income tax.

“A flat tax would dramatically improve Wisconsin’s standing in an increasingly competitive tax environment,” said Badger Institute President Mike Nichols. “Across the nation, people are fleeing high-tax states for those with lower taxes. Fourteen states already have or are moving toward a flat tax, including Illinois and Michigan and Indiana and Iowa. This is exactly what’s needed here in Wisconsin.”

By next year, the Badger State and Minnesota will stand alone with the highest top marginal individual income tax rates of all the non-coastal states.

Nichols pointed out that a large projected state budget surplus will make the move to a flat tax even more feasible. He added that the Badger Institute/Tax Foundation plan flattens the rate while providing targeted tax relief to low- and moderate-income taxpayers by increasing the sliding scale standard deduction. Standard deduction amounts and phaseout thresholds could be increased so that those currently paying lower income tax rates would not experience a tax increase.

“A flat tax would benefit individuals, families and even small businesses,” said Nichols. “Many people don’t realize that Wisconsin’s top marginal individual income tax rate applies to approximately two-thirds of pass-through business income, affecting many of Wisconsin’s small businesses.”

In July of 2021, Gov. Tony Evers signed into law a measure that reduced the state’s second-highest individual income tax rate, a recommendation put forth by the Badger Institute and the Tax Foundation in their joint 2019 report titled [Wisconsin Tax Options: A Guide to Fair, Simple, Pro-growth Reform](#).

You can learn more about the Badger Institute and Tax Foundation tax reform recommendations [here](#).