

Business advocates applaud GOP tax cut plan, personal property tax repeal

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Business advocates in the state are applauding the Legislature's Joint Finance Committee for advancing a plan to cut income taxes by \$3.5 billion, as well as the recent repeal of the personal property tax.

Bill Smith, state director in Wisconsin for the National Federation of Independent Business, noted the majority of small businesses file individual income tax returns. In an interview Friday, he said 77 percent of NFIB Wisconsin's more than 10,000 members are organized as pass-through entities, and pay taxes based on the individual income tax rate.

While most of those businesses aren't in the highest income tax bracket, which would receive the most generous tax break under JFC budget plan, Smith said "it is critically important" to reduce the top rate. He said the move would stimulate private investment, as businesses that retain more capital are more likely to invest those dollars into equipment and benefits and wages for employees.

The JFC plan now goes to the full Legislature, also controlled by Republicans. After that, Dem Gov. Tony Evers would have to OK it as part of the overall two-year state budget. Some Dems are urging Evers to veto that top rate income tax cut if he can because it favors the rich.

But Smith defended the package.

"What the Legislature successfully did was they managed to provide, first of all, everyone with a tax cut, regardless of income," the veteran lobbyist told WisBusiness.com. "And second of all, they were able to spread those tax reductions through the brackets."

The state currently has four tax brackets that range from 3.54 percent to 7.65 percent. The top rate — which kicks in for salary above \$405,550 for married joint

filers — would drop to 6.5 percent under the GOP plan.

The middle brackets of 5.3 percent and 4.65 percent would both drop to 4.4 percent. The lowest bracket of 3.54 percent — which applies to the first \$18,420 of income for married joint filers — would drop to 3.5 percent.

Following the release of the GOP tax package last week, approved by JFC as part of its version of the state budget, Wisconsin Manufacturers & Commerce official Evan Umpir touted the plan for “proposing to significantly reduce and flatten” the state’s individual income tax.

“Specifically, this plan would help move Wisconsin outside the top 10 highest income tax states — making Wisconsin a more attractive place for employers and workers alike,” Umpir, director of tax, transportation and legal affairs for WMC, said in a statement.

Still, Smith added he “would have liked to have seen a little more” of a tax break for income below \$500,000, noting most small businesses in the state bring in closer to \$300,000 or so annually.

Meanwhile, NFIB Wisconsin and WMC are cheering for the end of the personal property tax, with both groups describing it as an unfair burden for the state’s business community.

Along with the direct financial impact, critics of the tax and others note the reporting requirements were the biggest complaint for many companies in the state.

After Evers last week signed legislation into law repealing the personal property tax, WMC thanked legislative leaders and the gov for eliminating “this archaic and unnecessary tax.”

“Oftentimes, navigating the red tape and recordkeeping for this tax could be more expensive than the tax itself,” Umpir said in a statement.

And in Friday’s interview, Smith noted the tax has been a declining source of revenue for local governments as exemptions added over the years resulted in a “grab bag” of confusion and complexity. Due to these changes, he said the bulk of the tax’s impact fell on small businesses that “haven’t carved out our own exemptions.”

“Good riddance to the small business tax, also known as the personal property tax,” he said. “It will be about a \$174 million tax cut ... Everyone will benefit in the small business community from eliminating the personal property tax. It should have been gone years ago, but we finally got it across the finish line.”

According to WMC, other Midwest states including Minnesota, Iowa, Illinois and Michigan have repealed their own personal property tax laws.

Now that Wisconsin has done the same, Smith is chalking it up as a “significant victory” for small businesses in the state.

“It’s not just so much the amount, it’s the complexity of it because of the exemptions, because of the administration of it,” he said. “There’s no consistency ... so it’s been a very confusing tax.”

Dale Knapp, director of research and analytics for the Wisconsin Counties Association, said the organization has heard from many businesses that the worst part about the tax was the reporting requirement.

“It required a lot of time to report and the tax was often relatively small,” he said in an email. “I think they will be happy they don’t have to do that anymore.”

See more from WMC on both issues here:
<https://www.wmc.org/news/press-releases/>

See the NFIB statements here: <https://www.nfib.com/wisconsin/news-information/>

See more at WisPolitics.com:
<https://www.wispolitics.com/2023/jfc-approves-3-5b-income-tax-package>

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