

Gov. Evers: Delivers on promise of 10-percent middle-class tax cut

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MADISON — Gov. Tony Evers tonight, during his 2023-25 Biennial Budget Message, announced provisions included in his budget proposal that will [deliver on the promise](#) he made last August to fight for a 10-percent middle-class tax cut. As [previewed](#) by the governor over the weekend, the plan aims to build upon income tax cuts he has signed since taking office that have returned \$1.4 billion annually to taxpayers by delivering more than \$1.2 billion in targeted tax relief to working families, parents, veterans, caregivers, seniors, and student loan borrowers, among others, while limiting tax giveaways to wealthy earners.

In his 2023-25 Biennial Budget Message delivered tonight, Gov. Evers continued to unveil his plans to bolster the state's current and future workforce, maintain economic momentum, and support kids and working families, including his plan to provide targeted, responsible tax relief:

“...While we must find ways to save where we can, we have a duty to invest in needs that have long been neglected. While we cannot afford to be careless or reckless, we have a duty to protect the future we've worked hard to build together. While we must continue to stay well within our means, we have a duty to create prosperity that will define our state for generations. Tonight, I'm proud to report that our 2023-25 biennial budget balances these important obligations.

“My plan to cut your taxes is a good example. I promised cutting taxes would be part of our agenda to help working families afford rising costs—and it is. And I'm proposing we do it responsibly by targeting relief to working Wisconsinites who need help affording rising costs. So, I'm

delivering on my promise of a 10-percent, middle-class tax cut and providing \$1.2 billion in tax relief for working families.

“Under my plan, if you’re a single filer making less than \$100,000 or a married joint filer making less than \$150,000, the cornerstone of my tax plan will cut your taxes by 10 percent. That’s real, sustainable relief that will keep income taxes low now and into the future without causing devastating cuts to priorities like public schools and public safety.

“And here’s who else we can help if we can get this done: seniors living on fixed incomes that haven’t kept up with rising costs; working families with kids to help afford child care and reduce child poverty; families providing care and assistance to an aging relative; and veterans and surviving spouses paying rent. My plan provides tax relief to help you, too. ...”

Over the course of his first term, Gov. Evers more than delivered on the promise he made before being elected governor in 2018 to provide a 10-percent, middle-class tax cut. In the 2021-23 biennial budget, the governor signed one of the largest tax cuts in Wisconsin state history, providing \$2 billion in individual income tax relief over the biennium and approximately \$1 billion annually going forward. When combined with the tax cuts Gov. Evers signed in [the 2019-21 biennial budget](#), as well as [2019 Wisconsin Act 10](#), 86 percent of Wisconsin taxpayers have seen an income tax cut of 15 percent or more, with 2.4 million taxpayers getting relief.

Additionally, Gov. Evers last year [directed](#) the Wisconsin Department of Revenue to revise its withholding tax tables, changing how much income employers withhold from an employee’s paycheck in taxes. Based on these directed changes and Gov. Evers’ prior tax cuts, over the course of the last year, a single filer making \$50,000 will have seen \$551 more in their paychecks while a married couple each earning \$50,000 combined will have seen over \$1,200 more for their household in their paychecks.

Gov. Evers’ tax plan draws stark contrast to a Republican-backed flat tax proposal to give enormous breaks to wealthy millionaires and billionaires rather than prioritizing relief for working families. Based on available details, Republicans’ plan would provide more than \$3.5 billion in tax breaks to the wealthiest 20 percent of Wisconsin tax filers, which is nearly four times what the remaining 80 percent of

filers would see combined. All told, nearly 80 percent of the flat tax plan will benefit the top 20 percent of earners who file taxes in Wisconsin.

A breakdown of the governor's proposals to create a fairer tax code, provide tax relief to working families, and limit special tax giveaways that primarily benefit the highest earners is available below.

PROVIDING LONG-TERM TAX RELIEF FOR WORKING FAMILIES

Income tax cuts signed by Gov. Evers since he took office have returned \$1.4 billion annually to taxpayers, overwhelmingly to the middle class.

The governor's 2023-25 biennial budget proposals add approximately \$1.2 billion over the biennium in tax relief for low- and middle-income Wisconsinites, especially those with kids and those who provide care to family members. The governor's proposals include:

- **Creating a nonrefundable Family and Individual Reinvestment (FAIR) Credit**, which would cut taxes by 10 percent for single filers at or below \$100,000 in annual adjusted gross income and married-joint filers at or below \$150,000.
 - The credit would gradually phase out for single filers with adjusted gross incomes between \$100,000 and \$120,000 and married-joint filers with incomes between \$150,000 and \$175,000.
 - Below the start of the phase-out thresholds, the credit will have a \$100 minimum for single and married-joint filers and a \$50 minimum for married-separate filers.
 - This will provide total tax relief of \$418.7 million in fiscal year 2023-24 and \$420.9 million in fiscal year 2024-25, with over 1.9 million Wisconsin tax filers seeing an average tax cut of over \$200 annually.
- **Increasing Wisconsin's supplement to the federal Earned Income Tax Credit (EITC)** for working families with one or two children.
 - Targeted tax relief through the EITC has been effective in reducing child poverty to help kids succeed, yet Wisconsin's credit for those with one or two children lags most other states and should be increased.
 - Beginning with tax year 2023, the governor's budget will increase the percentage of the federal credit that filers with one dependent child may claim from 4 percent to 16 percent and increase the percentage that filers with two children may claim from 11 percent to 25 percent.

- Under these changes, nearly 200,000 filers with children will receive total tax relief of \$60.7 million in fiscal year 2023-24 and \$63.8 million in fiscal year 2024-25, and the average tax relief for these taxpayers will be over \$300 annually.
- **Expanding the current state Child and Dependent Care Tax Credit** from 50 percent of the federal credit to 100 percent beginning with tax year 2023.
 - Most people eligible for the credit could receive up to \$600 if they are claiming it for one qualifying individual's expenses or \$1,200 for two or more qualifying individuals' expenses.
 - This will provide over \$27 million annually in tax relief to over 100,000 Wisconsin taxpayers at an average benefit of over \$260 per filer.
- **Creating a caregiver tax credit** equal to 50 percent of the qualifying expenses incurred by those providing care or support to adult family members requiring assistance with one or more daily activities, limited to \$500 in a tax year.
 - For single filers, the credit will be available for those with incomes up to \$75,000, subject to a phase-out for those with incomes between \$75,000 and \$85,000. The credit will be available to married-joint filers with incomes up to \$150,000, subject to a phase-out for those with incomes between \$150,000 and \$170,000.
 - This will result in \$96.7 million in tax relief in fiscal year 2023-24 and \$98.3 million in fiscal year 2024-25, providing an estimated 240,000 taxpayers with an average tax cut of nearly \$400.
 - Qualifying expenses under the credit include modifications to a dwelling for the care or support of a family member, purchase or lease of assistance equipment, and acquisition of goods or services or support to assist in caring for a qualified family member.

PROVIDING TARGETED TAX RELIEF FOR SENIORS AND VETERANS

The governor's budget proposal provides targeted property tax relief by:

- **Enhancing the Homestead Credit** to provide increased property tax relief to lower-income Wisconsinites, particularly seniors and individuals with disabilities.
 - Over the years, Republicans have eroded the value of the state's Homestead Credit by failing to adjust the credit for inflation, and due to inflationary adjustments in Social Security benefits, the number of senior

claimants of the Homestead Credit has been greatly reduced in recent years.

- The governor's budget will increase the maximum eligible household income under the program from \$24,680 to \$35,000 and restore indexing for the credit beginning with tax year 2023, which is vital for those on fixed income streams such as Social Security or disability payments.
 - Beneficiaries will see approximately \$100 million in targeted property tax relief over the biennium through this expansion of the Homestead Credit.
- **Expanding the Veterans and Surviving Spouses Property Tax Credit** to include renters and increasing availability of the credit to those with disability ratings in excess of 70 percent.
 - This proposal would extend the credit for renters at the rate of 20 percent for those with heat included in their rent and 25 percent for those without heat included in their rent.
 - In total, these provisions will provide \$26.2 million in relief in fiscal year 2023-24 and \$27.3 million in fiscal year 2024-25. This proposal was [previously announced](#) along with the governor's other budget investments to support Wisconsin's 300,000 veterans.

PROTECTING STUDENT LOAN BORROWERS

Keeping [his promise](#) to student loan borrowers, the governor's budget includes adopting federal tax changes that would ensure federal student debt relief received by Wisconsinites would not be subject to state taxes. The federal ARPA exempted student debt relief from being subject to taxation until 2026, but unlike residents of more than 40 other states, Wisconsinites who qualify for student debt relief will be subject to state income tax if current law is not changed per the governor's recommendation. More than 300,000 Wisconsinites have applied and been fully approved for student loan debt relief under President Biden's plan, and the governor believes they should not be penalized for receiving that relief.

The governor's budget also adopts most of the major remaining provisions of the Tax Cuts and Jobs Act of 2017, which have resulted in increased tax collections in the numerous other states that automatically adopted them. These provisions will raise \$187.6 million in fiscal year 2023-24 and \$200.6 million in fiscal year 2024-25.

PROVIDING TAX RELIEF FOR WISCONSIN BUSINESSES

Small businesses make up more than 99 percent of Wisconsin businesses, employ nearly half of Wisconsin workers, and are more likely to hire locally, buy supplies locally, and reinvest in local communities.

Supporting small businesses has been key to Gov. Evers' successful economic recovery efforts and remains a key priority in his plans to bolster Wisconsin's workforce and maintain the economy's momentum. A [recent 2023 report](#) shows that, as a share of aid Wisconsin received under the American Rescue Plan Act (ARPA), Wisconsin ranks number one in the country for both aid Gov. Evers directed to support businesses and aid the governor directed toward economic development.

In his 2023-25 budget, the governor is continuing his support for small businesses and providing them with additional tax relief by:

- **Fully repealing Wisconsin's outdated personal property tax** and providing more than \$200 million in tax relief for businesses.
 - The governor has long supported repealing this burdensome tax on businesses, and because this provision also provides \$202.4 million in fiscal year 2024-25 to compensate all local taxing jurisdictions for the reduction in their property tax bases, homeowners will be protected from any shift in property tax burden.
 - Payments to local governments to offset the reduction in property taxes will continue and increase with inflation.
- **Increasing the refundable share of the research credit for businesses** from 15 percent under current law to 50 percent beginning in tax year 2024.
 - This increase will provide \$16.1 million in tax relief to businesses in fiscal year 2023-24 and \$64.4 million annually beginning in fiscal year 2024-25, further incentivizing critical research and development spending by Wisconsin businesses and improving their competitiveness in developing new products.
 - Refundability of the research credit is important because many of the most innovative start-up companies do not have the tax liability to offset with a nonrefundable credit. Providing enhanced refundability gives new firms a meaningful incentive to conduct research in Wisconsin.

CREATING A FAIRER TAX CODE

The governor's proposal ensures the wealthiest earners in Wisconsin pay their fair share by minimizing special tax breaks that primarily benefit millionaires and billionaires while generating the ongoing revenue needed to invest in key priorities like public safety, infrastructure, and K-12 schools. Gov. Evers' tax fairness proposals include:

- **Limiting the manufacturing portion of the Manufacturing & Agriculture Credit** to only apply to the first \$300,000 in qualified production activities income for each firm qualifying for the credit and preserving the agricultural portion of the credit as it is under the current law.
 - This credit has failed to demonstrate any measurable success at increasing Wisconsin's share of national manufacturing employment or increasing wages in the manufacturing sector while costing the state more than \$400 million a year.
 - Wisconsin's relative standing in manufacturing wages has declined, with Wisconsin manufacturing workers only ranking 34th among the 50 states for average annual wages.
 - Meanwhile, in tax year 2021, a mere 7,560 taxpayers—approximately 0.3 percent of all individual income tax filers with a net tax liability—claimed the manufacturing portion of the credit for a total of \$402.4 million, approximately \$53,300 per claimant.
 - Sixty-seven percent of the total tax break went to taxpayers with incomes greater than \$1 million, and more than half of those claims were to taxpayers with incomes greater than \$5 million. In 2021, approximately 170 claimants with incomes greater than \$5 million claimed \$149.7 million in the manufacturing credit, or nearly \$900,000 per claimant.
 - Limiting the credit will generate \$348.7 million in fiscal year 2023-24 and \$306.4 million in fiscal year 2024-25, which will be used to offset some of the additional tax relief provided to lower- and middle-income Wisconsinites and support small business growth and development.
- **Limiting the current 30 percent long-term capital gains exclusion** to individuals with incomes below \$400,000 and married-joint filers with incomes below \$533,000.
 - This exclusion is another large tax break that primarily benefits a small share of the overall taxpayer population by providing a preferential rate for disproportionately high-income earners on income derived from capital asset sales.
 - For very high-income Wisconsin taxpayers subject to the highest tax

bracket, instead of facing the ordinary 7.65 percent marginal rate that applies to wage and salary income, investment gains qualifying for the capital gains exclusion have an effective preferential rate of 5.355 percent. This is only slightly above the marginal tax rate faced by most middle-class taxpayers.

- The governor's recommendation preserves the exclusion for all but the highest income earners while continuing to provide relief to ordinary retirees and small investors.
- The limits to the 30 percent long-term capital gains exclusion will raise an estimated \$185.2 million in fiscal year 2023-24 and \$154.2 million in fiscal year 2024-25.