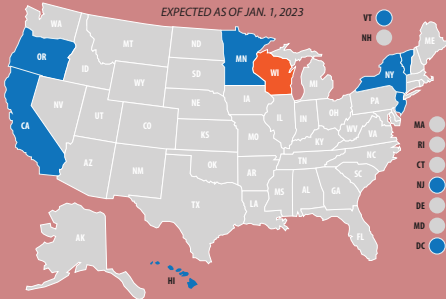




7.65%

**By 2023,
Wisconsin &
Minnesota
will stand alone
with the highest
top marginal
individual income
tax rates of all the
non-coastal states.**

EXPECTED AS OF JAN. 1, 2023



14 states

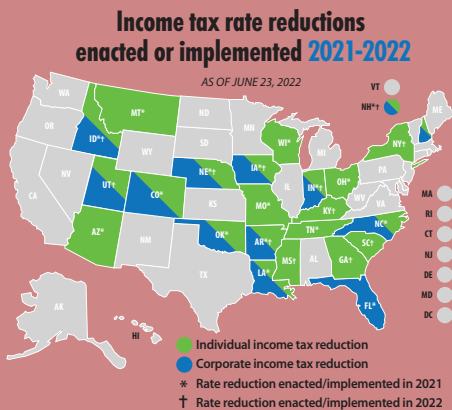
**already have or are in the process of moving toward a flat tax -
including Illinois,
Michigan, Indiana
and Iowa.**



- Wisconsin, meanwhile, remains mired in mediocrity, placing 27th overall in the Tax Foundation's 2023 *State Business Tax Climate Index*. →

25 states

have lower top marginal individual income tax rates now than they did in 2012.



9 states

have no individual income tax at all.



THE SOLUTION

A flat tax would foster growth and investment, help Wisconsin keep and attract talent, lighten the burden on small businesses and encourage high-net-worth individuals – who can easily move elsewhere – to remain in the Badger State.

In short, a flat tax would dramatically improve Wisconsin's standing in an increasingly competitive tax environment. Reducing corporate income taxes as part of any reform would make Wisconsin more attractive to businesses of all types.

It is essential if Wisconsin is to provide opportunity for its poorest residents and prosperity for all.

Given Wisconsin's strong budget surplus and continued projected revenue growth, policymakers have an opportunity to rebalance Wisconsin's tax structure by shifting reliance away from economically harmful taxes on productivity and toward less harmful taxes on consumption.

At 5%, Wisconsin's state sales tax rate is well below average, and the average combined state and local sales tax rate of 5.43% is the fourth lowest in the country. The state's sales tax base excludes many consumer services, providing opportunities to broaden it.

Policymakers can use moderate sales tax base broadening, sales tax rate increases or both to offset income tax and corporate tax rate reductions. All of Wisconsin's immediate neighbors have state and average local sales tax rates in the 6% to 8% range, leaving plenty of room for Wisconsin to raise sales taxes while remaining at or below the levels of its neighbors.

Will some taxpayers pay more?

No taxpayers would have to face an income tax increase if a flat tax is adopted. Wisconsin has a sliding scale standard deduction that would allow the state to adopt a single-rate structure without raising the income taxes of those currently in lower brackets. Low- and moderate-income taxpayers could be held harmless by increasing the sliding scale standard deduction and adjusting phaseout thresholds.



**BADGER
INSTITUTE**

The Badger Institute/Tax Foundation report offers five comprehensive tax reform options to enhance Wisconsin's competitiveness by reducing economically harmful taxes on labor and investment.

For more information on Wisconsin's tax structure and reform ideas, visit:

badgerinstitute.org/taxes-and-spending