



MEMO

TO: Members, Wisconsin State Assembly

FROM: Chris Reader, IRG Action Fund Executive Vice President

DATE: September 12, 2023

RE: Support for Assembly Bill 386

IRG Action Fund encourages you to support Assembly Bill (AB) 386 on the Assembly floor today. This almost \$3 billion tax relief package will help over 1.7 million tax filers in Wisconsin by providing on average savings of \$772 per tax filer. This help is needed now more than ever as the negative impacts of inflation continue to increase the cost of living.

Help Stop the Exodus.

It's no surprise to us that people are [moving out of Wisconsin](#) toward states with lower tax burdens, or no income tax at all. Workers, families, and retirees make decisions based on what makes sense for them – and staying in a high tax state is making less sense these days when there are states across the country fighting to lower (and eliminate) their income tax rates as they try to entice people to their states. Indeed, in 2021 over 92,000 tax filers left Wisconsin, 60% of whom went to a flat income or no-income tax state. That's over \$4 billion of income that walked out of our state. If you're concerned about state revenue, that's over \$400 million, in one year, of state revenue that walked away - largely to states with lower tax burdens.

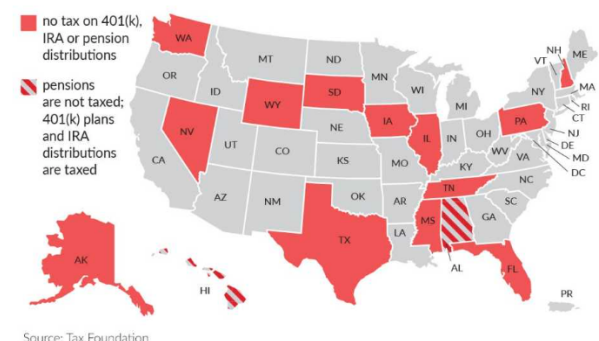
Help the Middle Class.

AB 386 is your chance to turn the tides in Wisconsin to tell taxpayers that you understand they are hurting in today's economy and need help. While AB 386 may not be the complete [elimination of the state income tax](#) that we would like to see, it is a \$772 annual savings for each tax filer. That's real money to help buy gasoline and groceries in the face of rising pressures from the economy.

Help Retirees.

Specific to retirees, AB 386 is your chance to help keep retirees in Wisconsin. Too many leave Wisconsin's high tax burden upon retirement. And with [AARP](#) and other

State Taxes and Retirement Distributions



organizations making sure seniors are aware of which states tax retirement income and which do not, it's not a surprise that many end up in states with better tax climates like Florida. After all, as AARP states, "every penny counts for retirees." **AB 386 helps make Wisconsin more like Florida for retirees.** We can't keep them from traveling south in the Winter, but we can convince them to maintain their residence in Wisconsin.

Mythbusting.

AB 386 is also a carefully crafted bill that addresses Gov. Evers' [veto message](#) from when he vetoed the larger tax reform that was included in the state budget.

The Governor stated that a tax cut would trigger a requirement in the federal State and Local Fiscal Recovery Fund (SLFRF) of the American Rescue Plan of 2021 to repay federal money. While the SLFRF in 2021 did not allow COVID-19 relief money to be used for tax cuts, it would take incredible accounting gymnastics to justify saying that reducing an income tax bracket in 2023 or 2024 to lower future tax liabilities for middle class workers and retirees is somehow spending federal relief money that was allocated to states in 2021. Further, this provision has been [found unconstitutional](#) by multiple federal Circuit Courts of Appeal, making it unenforceable in many states and casting doubt on the provision's legal survival.

His second objection was that the earlier tax cut reduced taxes for every Wisconsinite – including those who earn the most. AB 386 addresses this argument by not touching the top income tax bracket. While we believe cutting the top bracket is vital to truly drive economic growth, we also are in support with finding common ground – and AB 386, which had a bipartisan vote coming out of committee, is a real effort at compromise.

Finally, he cited a belief that such a cut (including cutting taxes of top-earners) would put Wisconsin in a fiscally irresponsible position going forward, "almost certainly" leading to budget cuts for schools, healthcare providers, and more. While we agree that simply slashing taxes without regard for the balance sheet is irresponsible, the tax plan in July did not do that, and the one that will be before the Governor soon most certainly does not as it leaves the top bracket, and the state revenue it generates, alone. The scoring from LFB does not take into account the dynamic effect of tax reform and the growth in personal income and state revenue that would occur. As has occurred with every tax cut over the last decade, AB 386 will lead to an increase in economic activity, which means more sales tax being paid and more income tax generated.

Vote Yes.

While our preferred tax reform would still be one that [eliminates the state income tax](#) altogether, as we [proposed in 2021](#), Assembly Bill 386 is a good next step. It's a promise to the middle class and retirees that, despite the crushing impacts of inflation, Wisconsin policymakers understand that families, workers, and retirees need help right now. This tax cut plan will lead to real money in paychecks.

We encourage you to vote yes today and help Wisconsin's working middle class and retirees.