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Race to the Polls

# Building an Equitable Tax System

Wisconsin's tax system should take an active role in undoing the legacy of racial discrimination that makes it difficult for many families of color to thrive. With targeted reforms, state and local tax policies can expand opportunity and ensure that public resources are invested in a way that broadly benefits everyone.

Right now, Wisconsin's tax system isn't living up to its potential to be a powerful tool in promoting equitable opportunity. In its current state, Wisconsin's tax code is a major driver of economic inequality, and contributes to the increasing concentration of income and wealth in a few hands – hands that are most likely to be White, due to a long history of racial discrimination.

Our slanted tax system isn't the only reason for Wisconsin's enormous racial disparities, but it contributes by saddling residents of color with an unfair economic burden that makes it harder for them to succeed financially. Here are steps candidates can take to improve Wisconsin's state and local tax system in a way that gives residents of color access to opportunity.

- **Put more money in workers' pockets.** The Earned Income Tax Credit (EITC) puts more money into the pockets of working parents and gives a boost to workers of color, for whom a long history of racial discrimination depresses wages. The EITC can help make sure that parents can afford to make car repairs they need to get to work, catch up on utility bills, and pay for other costs important to family functioning. Expanding Wisconsin's EITC would help workers provide for their families and would partly counteract the effects of racial discrimination in the workforce.
- **Limit property tax credits that discriminate against renters.** At the state level, Wisconsin spends more than a billion dollars each year in the form of racially-slanted property tax credits to reduce local property taxes. These credits give larger tax breaks to homeowners than to renters, even though both groups pay property taxes. Homeowners pay property tax directly, while renters pay property tax as a portion of their rent, when landlords set the rent at a level they need to cover all expenses including property taxes.

Historic and current practices have set up roadblocks to homeownership for residents of color, lowering their homeownership rate. Nearly three out of every four White residents of Wisconsin own their own homes, compared to just one out of four Black residents and less than half Latinx, Asian, and Native American residents. The result is that many people of color are not eligible to receive the property tax credits available for White homeowners.

To remedy this, state lawmakers should expand the Homestead Credit, a property tax credit for households with low incomes that directly benefits both owners and renters. To pay for the increase in the Homestead Credit, lawmakers should limit tax breaks that disproportionately benefit wealthy, White residents.

- **Don't favor income from wealth over income from work.** Wisconsin is one of only a few states that gives preferable tax treatment to income earned from investments, taxing that income at a lower rate than income earned from working. Generations of racial discrimination have made it more difficult for people of color to build wealth that can be used to make investments, and as a result, tax breaks for income generated by wealth disproportionately benefit White residents and widen Wisconsin's racial disparities.