

Q&A: How a Flat Income Tax Would Harm Children and Families in Wisconsin

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Public resources should be invested in a way that broadly benefits everyone in Wisconsin, ensuring that families can make ends meet, and access affordable health care, strong schools and child care. When state leaders cut taxes, it often benefits wealthy individuals and corporations and restricts the resources available to support children and families. This is particularly harmful for families across the state who have been blocked from opportunity, including children and families of color, those with low incomes, and families in rural communities.

This Q&A examines how a flat income tax could harm children and families in Wisconsin and provides alternatives to ensure that every kid, every family, and every community in Wisconsin can thrive.

What is a flat income tax?

A flat income tax is a system where everyone pays the same tax rate, regardless of income. Currently, Wisconsin has a graduated income tax system with four tax brackets. Those with low incomes pay a lower income tax rate than higher-income Wisconsinites (see table below). If state leaders were to adopt a flat income tax there would be just one bracket with the same tax rate for everyone. This could mean

that some Wisconsinites with low incomes would see their income taxes *increase*, while wealthy residents would pay less.

Wisconsin Income Tax Brackets for Single Tax Filers in 2022

Taxable Income	Tax Rate
\$0 - \$12,760	3.54%
\$12,761 - \$25,520	4.65% for the income in this range
\$25,521 - \$280,950	5.3% for the income in this range
More than \$280,950	7.65% for income above \$280,950

Source: Wisconsin Department of Revenue

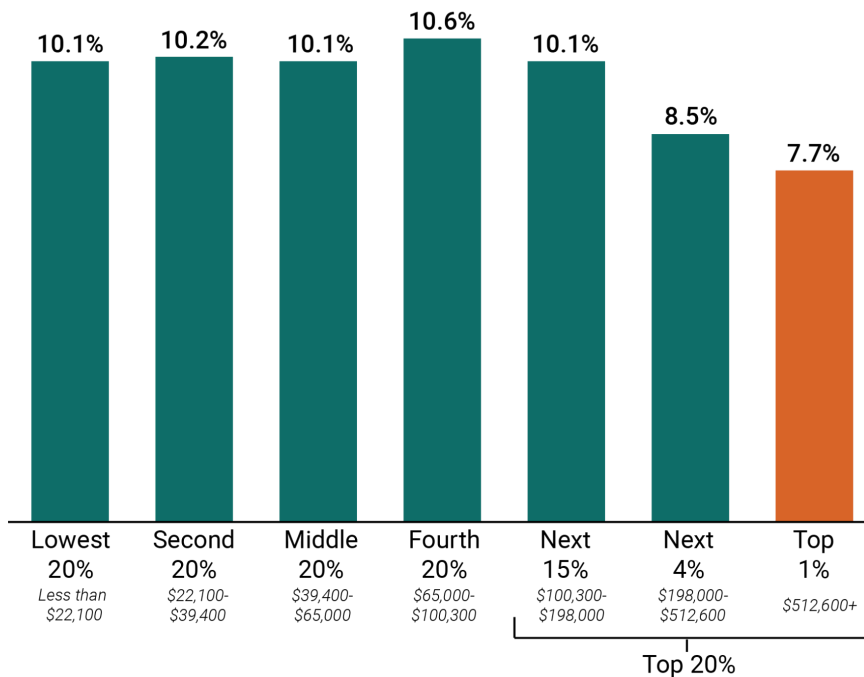
Who currently pays a larger percentage of their income for taxes – wealthy or poor Wisconsinites?

Wealthy Wisconsinites already pay a much lower effective tax rate—the percentage of income paid in state and local taxes—than low- and middle-income households. The [wealthiest 1% of Wisconsin taxpayers paid just 7.7% of their income in taxes compared to a rate of 10.1% for families with the lowest incomes in Wisconsin](#). If state leaders create a flat income tax rate, it could make Wisconsin's tax system even more unfair. It could mean asking families who are

already struggling to get by to pay a larger share of their income in state and local taxes, while cutting rates for the wealthiest residents of the state. This would disproportionately harm [children and families of color](#) and those [with low incomes who have been blocked from opportunity](#) and are more likely to have low incomes as a result.

Wisconsin's Tax System Requires Families With Fewer Resources to Pay a Greater Share of Income in Taxes

Total State and Local Taxes in Wisconsin as a Share of Family Income



Note: Data are for nonelderly taxpayers. Figures reflect the most recent data available as of 2018 law at 2015 income levels.
Source: Institute on Taxation and Economic Policy

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How would a flat tax affect children and families in Wisconsin?

A flat income tax could dramatically reduce state revenue, which would restrict resources available to invest in public services and supports that kids and families need to thrive. Without this basic foundation, many Wisconsinites will be left further behind, particularly [children and families of color and those furthest from opportunity](#). Wisconsin's current graduated income tax rates means the wealthiest households are more likely to pay what they owe, providing resources that could be used to fund programs that benefit kids and families and combat wealth and income inequality.

How would a flat tax affect communities across the state?

Our communities are the lifeblood of Wisconsin, and we need to make sure they have the resources they need to remain economically vibrant. The state government provides financial support to local governments, but the amount of Shared Revenue—the largest and most flexible source of state support for counties and municipalities—has fallen by nearly half over the last twenty-five years. The result is that [local governments have been less able to invest in local roads, neighborhoods, and services](#), and have been forced to rely on taxes and fees that fall most heavily on residents with the lowest incomes and communities of color. State lawmakers should take a different approach and make sure that local governments get the resources they need to provide critical services, particularly in rural communities. A flat income tax could restrict their ability to do so.

How can Wisconsin leaders create a more equitable tax system?

Wisconsin should be a state where children and families can thrive – regardless of zip code, income, or race and ethnicity. A flat income tax would benefit the richest residents of the state, while requiring low- and middle-income Wisconsinites to foot the bill. An equitable tax system ensures that wealthy Wisconsinites pay what they owe.

State policymakers can lead with targeted reforms to ensure that the tax code expands opportunity for all Wisconsinites – not just the wealthy. For example, state leaders can:

- Increase the Homestead tax credit, and adjust it annually for inflation, to help Wisconsinites struggling to cover their housing costs;
- Boost Wisconsin's Earned Income Tax Credit (EITC) to better support working families who are struggling to get by;
- Expand the state EITC to include adults without dependent children, as many other states have done;
- Reduce the sales tax on residential energy use to help families who may have difficulty paying for basic expenses;
- Increase the income tax rate for the top 1% of taxpayers; and
- Close tax loopholes that primarily benefit wealthier taxpayers, such as the manufacturing tax credit and the partial exemption for capital gains.

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About Kids Forward

Kids Forward inspires action and promotes access to opportunity for every kid, every family, and every community in Wisconsin, notably children and families of color and those furthest from opportunity. We envision a Wisconsin where every child thrives. Using a research- and community-informed approach, we advocate for effective, long-lasting solutions that break down barriers to success for children and families.