



Governor Walker's Tax Reform Initiative

Wisconsin Department of Revenue
February 2013



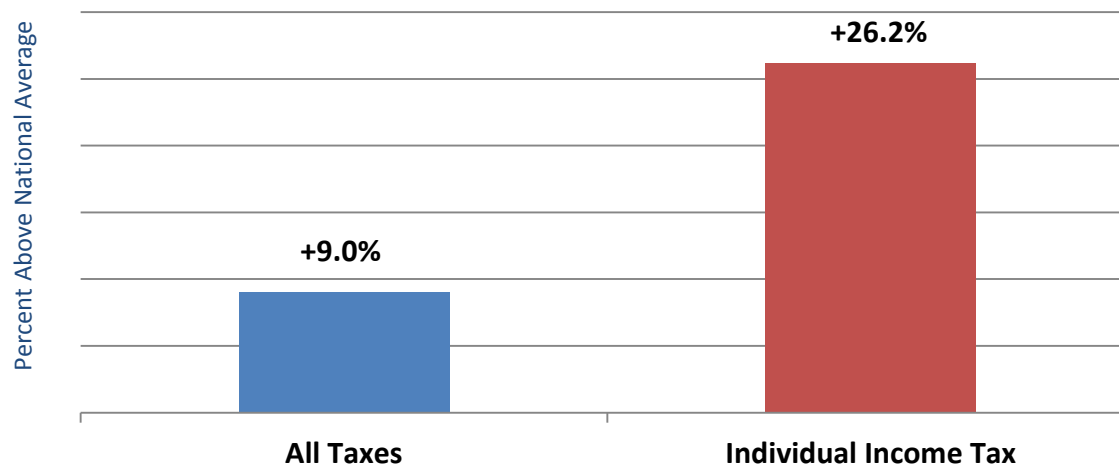
Tax Reform Goals

- Reduce Wisconsin's high tax burden
 - Put more money in people's pockets
 - Make Wisconsin more competitive with other states
- Direct the most relief to areas where it's needed the most
 - Middle class income tax relief is a priority
- Provide broad-based tax relief
 - Don't increase taxes for any taxpayers

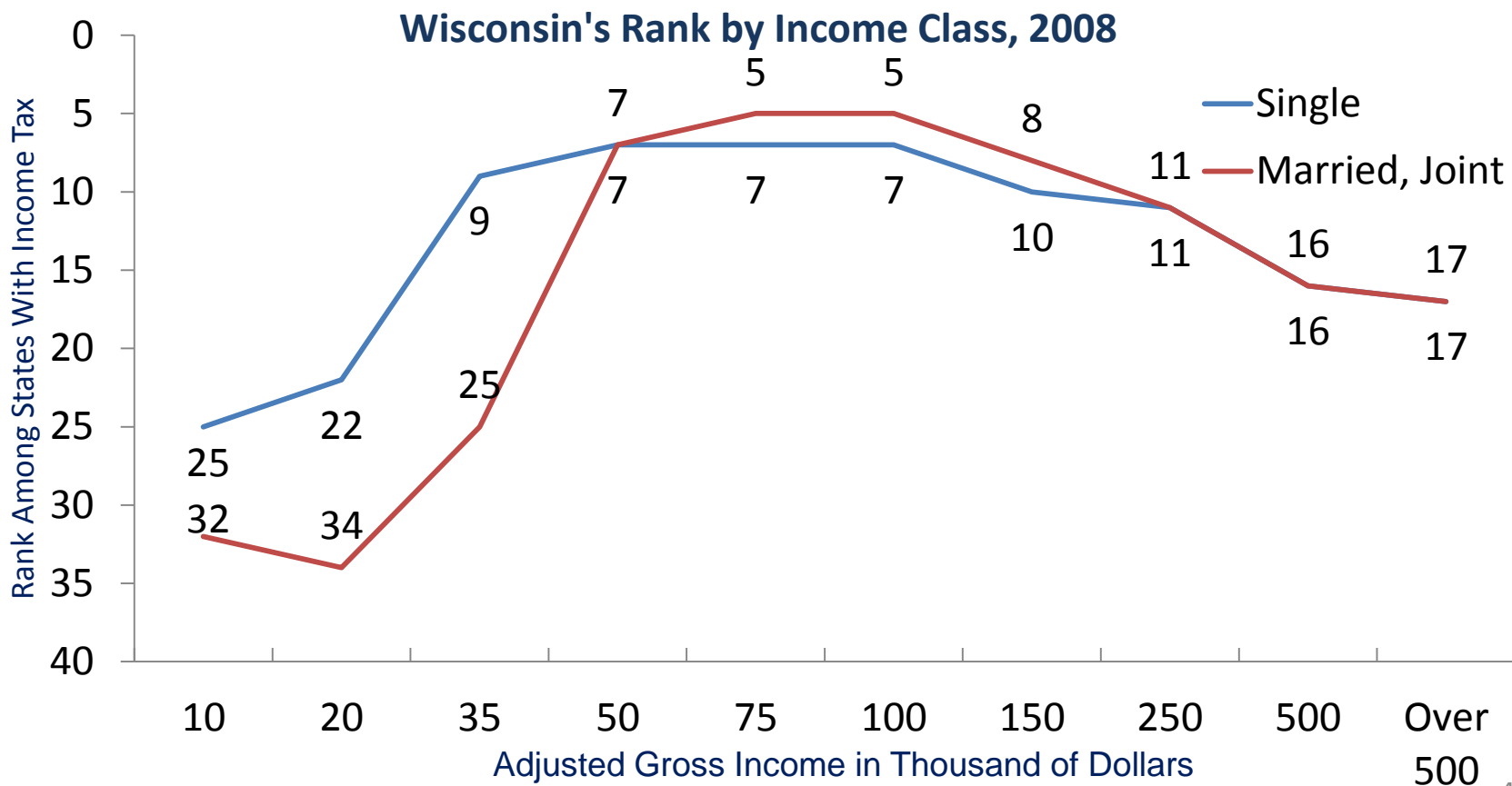
Wisconsin's Tax Burden Is High

The individual income tax burden is especially high, and reducing income taxes will reduce Wisconsin's overall tax burden

Wisconsin's 2009-10 State and Local Tax Burden Compared With Other States



Wisconsin Income Taxes Are Especially High for the Middle Class



Source: Minnesota Department of Revenue, 2008




Middle Class Income Tax Rates Are High

Tax rates are relatively high for our second and third brackets, and taxpayers move into those brackets quickly

Current 2013 Wisconsin Individual Income Tax Rates and Brackets

Marginal Rate	Single, Head of Household		Married Filing Jointly		Married Filing Separately	
	Taxable Income		Taxable Income		Taxable Income	
	Over	But Not Over	Over	But Not Over	Over	But Not Over
4.60%	0	10,750	0	14,330	0	7,160
6.15%	10,750	21,490	14,330	28,650	7,160	14,330
6.50%	21,490	161,180	28,650	214,910	14,330	107,450
6.75%	161,180	236,600	214,910	315,460	107,450	157,730
7.75%	236,600	or more	315,460	or more	157,730	or more

Governor Walker's Tax Reform Initiative Reduces Middle Class Income Tax Rates

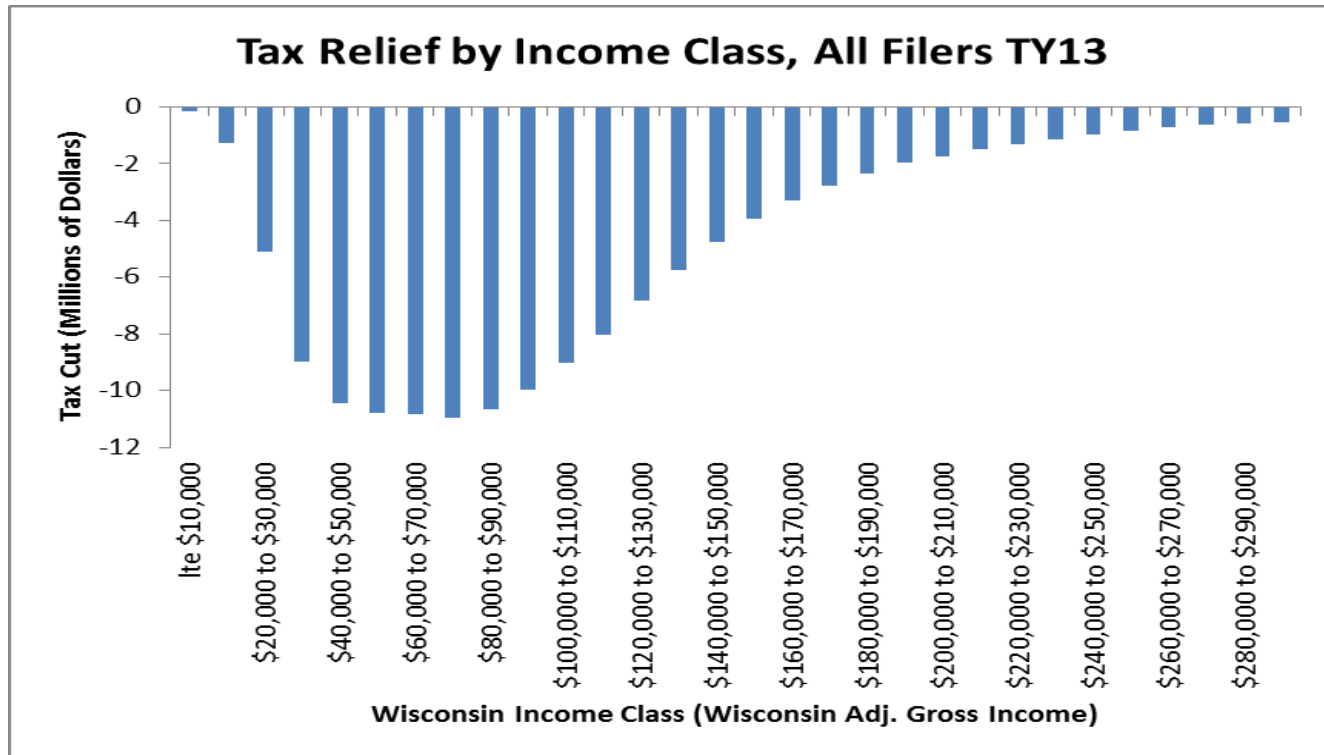
Tax Rate Reduction			
Rate	Bottom Rate	2 nd Rate	3 rd Rate
<i>Before</i>	4.60%	6.15%	6.50%
			
<i>After</i>	4.50%	5.94%	6.36%

Overall Income Tax Reduction From Rate Cuts: \$343 million
(Amount of reduction in budget bill for Tax Years 2013 and 2014)

Income Tax Payments Are Reduced For Taxpayers At All Income Levels

Middle Class Taxpayers See the Greatest Relief

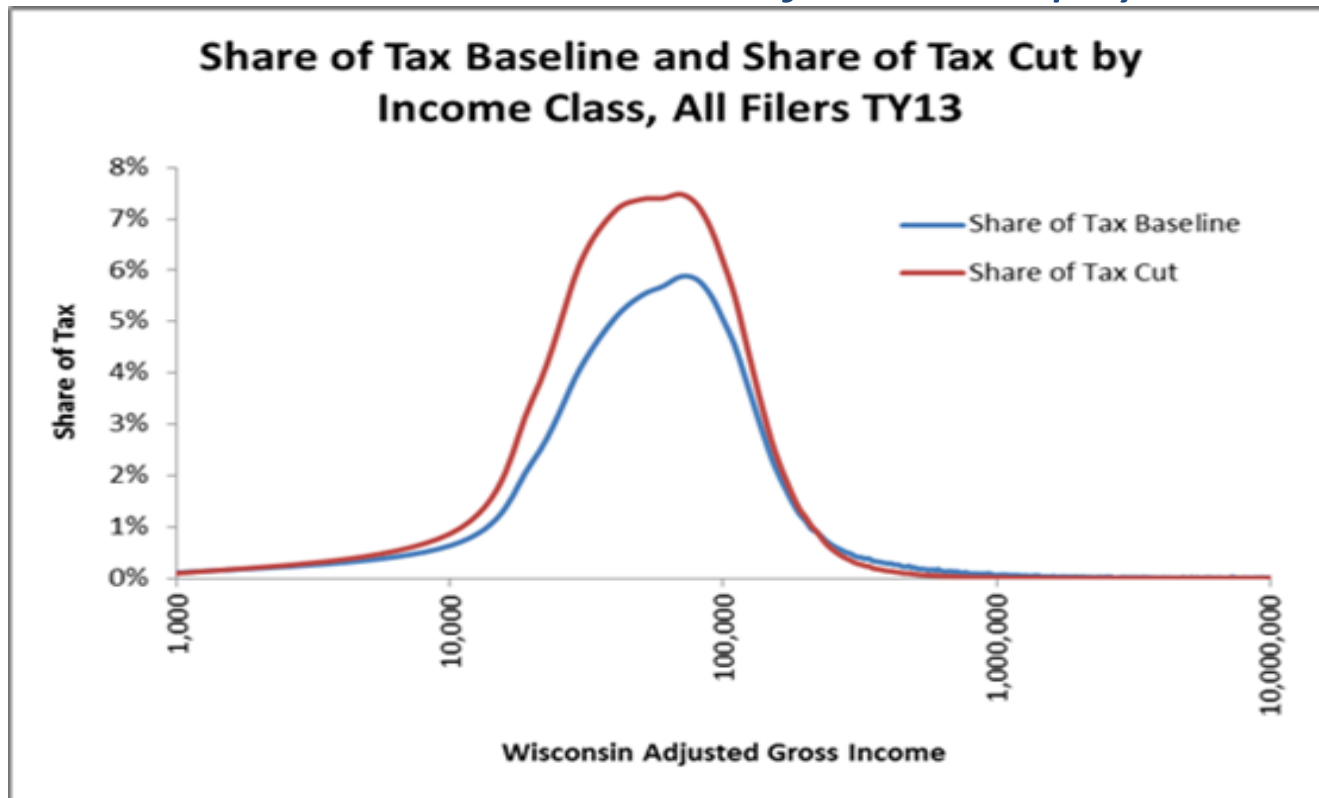
No taxpayers see tax increases



Middle Class Taxpayers

See the Greatest Income Tax Relief

The share of relief directed to middle class taxpayers is greater than the middle class share of total tax payments

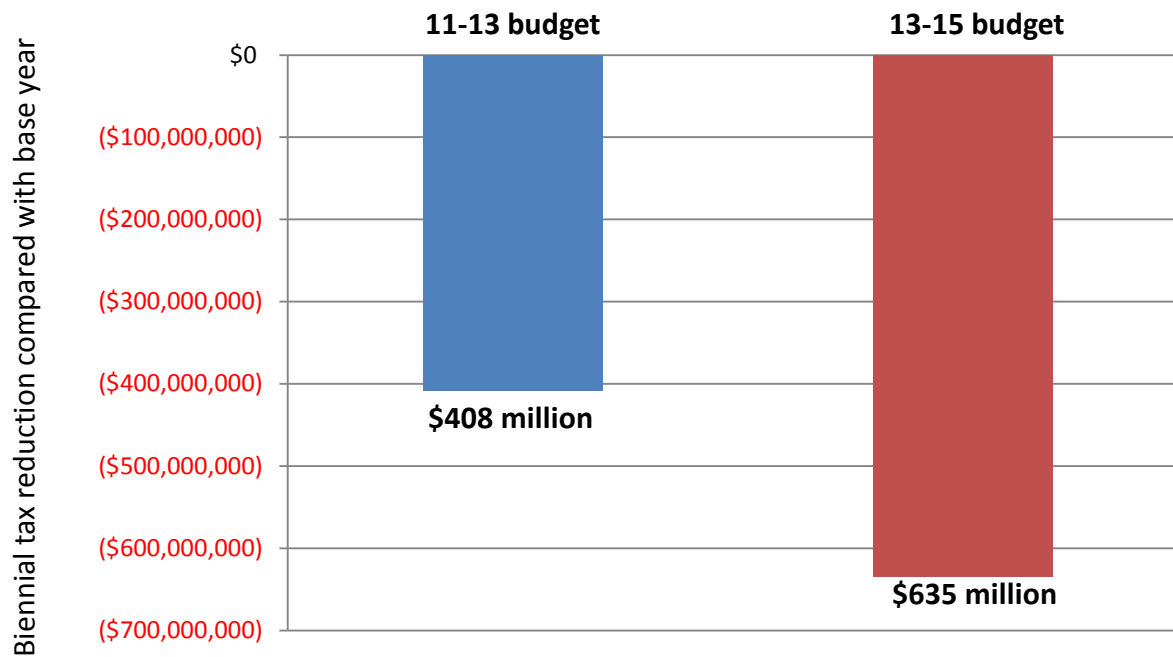


Taxpayers Will See Significant Savings

- Typical family will see income tax savings of \$212 for two years of 2013-15 budget cycle
 - Savings of \$106 per year for Tax Years 2013 and 2014
 - Family with two adults working, two children and median family of four income of \$80,607
 - Tax liability under current law would be \$3,510 per year

Reversing Direction on State Taxes

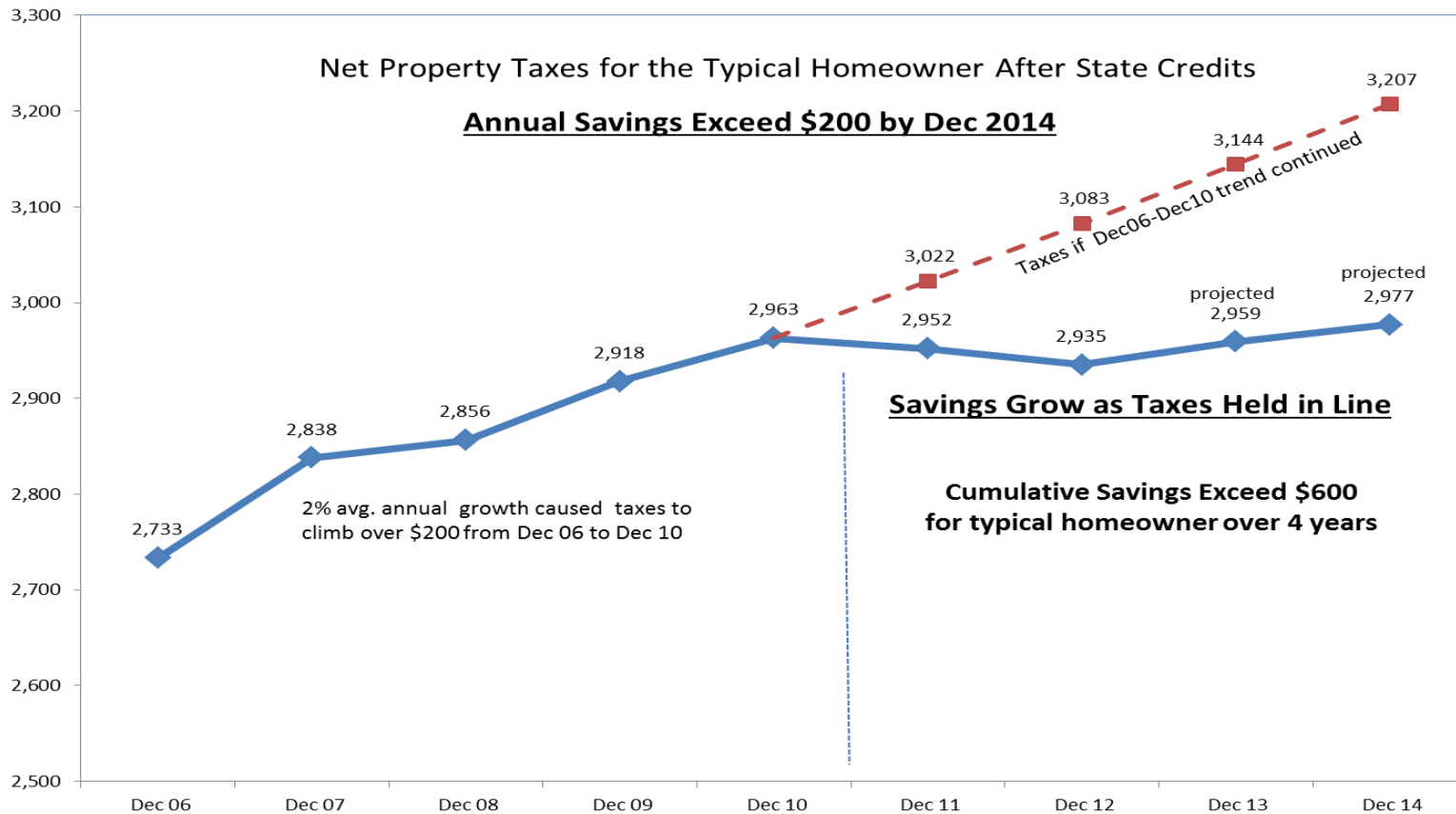
State taxes have been cut in the most recent two budgets



Total tax cuts from income tax rate cuts and other initiatives: \$1.043 billion in two budgets

Holding the Line on Property Taxes

Property taxes have been controlled in the most recent two budgets





Tax Relief is an Ongoing Effort

- The middle class income tax relief in the 2013-15 budget is possible due to spending control and sound fiscal management
- The income tax reform package in the 2013-15 budget is paid for and is fiscally responsible
- Tax reduction will continue in the future as the Wisconsin economy expands and more jobs are created

Appendix 1

Wisconsin's 2009-10

State and Local Revenue Rankings

	\$ Millions Collected State & Local	Per \$1000 Income	State Rank	% above + % below - US average
All taxes, charges and own source revenue	34,670	166.1	16	+ 4.8%
All Taxes	24,390	116.7	9	+ 9.0%
Property Tax	9,644	46.2	9	+ 23.9%
Individual Income Tax	5,792	27.7	12	+ 26.2%
Sales Tax	4,238	20.3	35	- 15.6%
Corporate Income Tax	852	4.1	11	+ 12.7%

- The most recent combined state and local revenue rankings are displayed above
- Ranks exclude the District of Columbia

Appendix 2

Comparing Wisconsin's Average Effective Income Tax Rates

Wisconsin exceeds national average at all income levels except the lowest quintile

Wisconsin Income Tax Burden by Income Class							
Income Quintile	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	Top 1%
Average Effective Rate	0.00%	2.00%	3.40%	4.00%	4.60%	4.70%	5.40%

Average Income Tax Burden of All States by Income Class							
Income Quintile	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	Top 1%
Average Effective Rate	0.20%	1.40%	2.20%	2.70%	3.10%	3.60%	4.30%

Appendix 3

Tax Cuts In 2013-15 Budget Bill

Tax Law Change	FY14 Tax Reduction	FY15 Tax Reduction
Individual income tax – Middle class rate cuts	\$172.6 million	\$170.6 million
Veterans and surviving spouses property tax credit expansion	0.0	8.6
Manufacturing and agriculture credit – 2011 Act 32 phase-in	31.6	70.6
Health insurance premium deduction – 2007 Act 20 phase-in	54.2	60.1
Child care deduction – 2007 Act 20 phase-in	3.4	5.8
IRA conversion provisions– 2009 Act 161	9.0	18.0
Other changes	8.7	21.4
Total	\$279.5 million	\$355.1 million

Total tax cuts: \$635 million in 2013-15 budget bill