

Gov. Evers' Middle-Class Tax Plan

- The bill will have three separate components applicable to both years of the coming biennium and beyond:
 1. A nonrefundable tax credit equal to 10% of net income tax liabilities for certain income ranges.
 2. An expansion of the Earned Income Tax Credit
 3. Limitations on the Manufacturing and Agriculture credit for manufacturing filers.

1. Middle Class Tax Relief Credit

- The new credit would be a nonrefundable credit equal to 10% of the remaining tax liability after all other credits (besides the credit for taxes paid to other states) are applied for specified income ranges.
- The full 10% would be available for single filers with WI AGI below \$80,000 and married-joint filers with WI AGI below \$125,000.
- The 10% credit rate would gradually phase out as incomes increase beyond that point until being fully phaseout for single filers with WI AGI above \$100,000 and married-joint filers with WI AGI above \$150,000.
- For married-separate filers, the income thresholds would be half the values of those for married-joint filers.
- For those filers with incomes at or below the start of the phase-out thresholds, a minimum credit of \$100 will be available except that married-separate filers would have a \$50 minimum.
- The credit would be limited to full-year Wisconsin residents only and apply with tax year 2019.

2. Wisconsin Earned Income Tax Credit Expansion

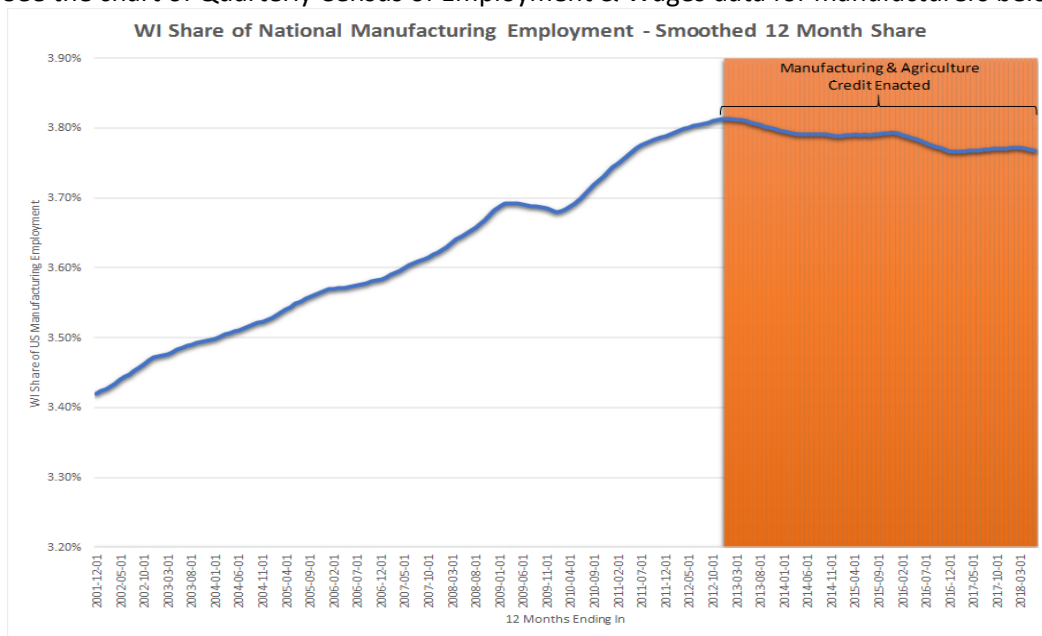
- Increase the credit rate as a percentage of the federal credit for those with 1 child to 11% from 4% and for 2 children from 11% to 14% beginning with tax year 2019.
- The current credit rate for filers with 3 or more qualifying children under the EITC would remain at 34%.

3. Limit on Manufacturing and Agriculture Credit for Manufacturing Claimants

- Limit the amount of qualified production activities income, which is the basis for the credit, that may be claimed by each firm to \$300,000 per tax year beginning with tax year 2019 for manufacturing firms only.
- Agricultural firms would continue to have the credit as it exists under current law.

Additional background on the Manufacturing and Agriculture Credit

- 21 individuals with an adjusted gross income of \$30 million or more a year are estimated to receive \$38.9 million in tax breaks (average of \$1.8 million each) – This is an increase from tax year 2017 estimates.
 - <http://legis.wisconsin.gov/eupdates/Asm54/LFB%20Man%20and%20Ag%2010.25.18.pdf>
 - This is a *projection* for tax year 2019, not credits actually received
 - <https://www.politifact.com/wisconsin/statements/2017/feb/17/gordon-hintz/11-people-get-22-million-wisconsins-gop-backed-man/>
- 79% of the Man & Ag tax credit goes to individuals with adjusted gross incomes of over \$1 million – Again, this is an increase from tax year 2017 estimates.
 - <http://legis.wisconsin.gov/eupdates/Asm54/LFB%20Man%20and%20Ag%2010.25.18.pdf>
- The Man & Ag tax credit will have cost the state more than \$1 billion by the end of 2019.
 - <http://www.wisconsinbudgetproject.org/six-reasons-to-eliminate-wisconsins-costly-ineffective-manufacturing-tax-credit>
- Tax Year 2017 Estimated Distribution to Tax Year 2019 Estimated Distribution Increase:
 - Went from 15 individuals to 21 individuals (increase of 6) making \$30 million or more (AGI) receiving credit of \$27.6 million to receiving credit of \$38.9 million (increase of \$11.3 million).
 - The average per individual increased from \$1,839,075.33 to \$1,854,250.71 (increase of \$15,175.38)
 - Went from 74% of the Man & Ag tax credit going to individuals making over \$1 million a year to 79% (increase of 5%)
- There is no evidence that the MAC has caused manufacturing employment to grow more rapidly in Wisconsin compared to the nation as a whole. Wisconsin’s share of manufacturing employment has been almost entirely stable over the past six years since the MAC was enacted. See the chart of Quarterly Census of Employment & Wages data for manufacturers below.



Fiscal Effects of Proposals

- The following table shows the effects on a tax year basis to demonstrate the amount by which tax liabilities will change due to the changes. The table after that shows the fiscal effects on a fiscal year basis.

Tax Year Effects on Liabilities (\$ millions)		
<u>Component</u>	<u>TY2019</u>	<u>TY2020</u>
Middle Class Tax Relief Credit	\$ (414.8)	\$ (414.7)
EITC Expansion	\$ (26.4)	\$ (26.7)
Manufacturing & Agriculture Credit	\$ 222.2	\$ 235.4
Interaction of Provisions	\$ 0.3	\$ -
Total	\$ (218.7)	\$ (205.9)

Fiscal Year Effects (\$millions)		
<u>Component</u>	<u>FY20</u>	<u>FY21</u>
Middle Class Tax Relief Credit	\$ (424.4)	\$ (414.8)
EITC Expansion	\$ (26.4)	\$ (26.7)
Manufacturing & Agriculture Credit	\$ 280.3	\$ 237.7
Interaction of Provisions	\$ 0.3	\$ -
Total	\$ (170.2)	\$ (203.7)

- Note: Fiscal year amounts vary from tax year amounts because fiscal years are a blend of tax years.
- On an ongoing tax year basis, the Manufacturing & Agriculture Credit limitations pay for more than half of the fiscal effect of the Middle Class Tax Relief Credit and the EITC expansion.

Distributional Effects

- The two tables below demonstrate the tax year effects for TY2019 and TY2020.
- The limits to the manufacturing portion of the Manufacturing & Agriculture Credit for corporate filers are not included below since this pertains to individual income taxes only.

Tax Year 2019 Distribution by Income												
Wisconsin Income Category	Returns	Wisconsin Income	Net Tax Baseline		MAC Limits		10% Cr		EITC		All Together	
			Count	Amount	Count	Amount	Count	Amount	Count	Amount	Count	Amount
Under \$5,000	472,394	-1,054,392,599	43,298	3,661,621	128	4,855	15,155	-732,054	10,504	-795,201	25,729	-1,516,703
5,000 to 10,000	220,080	1,607,556,767	28,053	6,387,496	115	4,810	8,824	-591,970	14,833	-2,138,389	23,773	-2,715,791
10,000 to 15,000	188,594	2,343,643,384	77,855	11,894,976	65	5,307	61,842	-3,793,841	22,280	-4,506,912	82,592	-8,298,496
15,000 to 20,000	173,681	3,039,010,623	115,743	27,707,263	56	8,687	103,029	-8,995,906	23,869	-4,929,766	116,387	-13,951,502
20,000 to 25,000	171,290	3,852,698,570	143,142	54,284,425	55	12,273	132,796	-12,778,614	26,059	-4,903,790	137,824	-17,700,666
25,000 to 30,000	169,642	4,664,903,845	152,377	91,763,372	43	6,952	143,744	-13,881,476	26,586	-3,975,530	146,239	-17,857,551
30,000 to 40,000	316,192	11,024,135,689	309,859	297,265,623	115	19,448	296,716	-33,280,738	47,717	-4,304,968	298,096	-37,455,580
40,000 to 50,000	255,796	11,456,316,827	254,341	392,107,251	130	39,419	245,305	-38,681,993	21,745	-803,172	245,407	-39,265,291
50,000 to 60,000	197,046	10,799,884,038	196,289	415,271,975	114	37,592	189,575	-40,217,622	3,047	-49,996	189,618	-40,114,073
60,000 to 70,000	156,367	10,133,389,673	155,914	416,618,200	116	49,477	151,026	-40,461,753	28	-1,836	151,048	-40,413,767
70,000 to 80,000	126,600	9,436,668,448	125,758	406,504,824	111	41,712	121,710	-39,480,185	8	-791	121,719	-39,439,630
80,000 to 90,000	107,750	9,144,268,944	107,546	410,624,429	88	31,309	104,047	-36,963,627	*	*	104,056	-36,934,113
90,000 to 100,000	92,086	8,736,203,695	91,966	405,928,910	103	67,539	89,353	-32,525,907	*	*	89,366	-32,460,322
100,000 to 125,000	172,629	19,270,752,600	172,415	931,082,473	313	285,768	141,527	-76,535,792	*	*	141,679	-76,259,226
125,000 to 150,000	104,864	14,295,722,918	104,766	713,679,366	242	229,451	90,634	-33,005,059	*	*	90,715	-32,781,003
150,000 to 200,000	100,945	17,287,951,342	100,814	887,056,327	536	653,908	0	0	0	0	554	653,590
200,000 to 250,000	41,959	9,298,771,122	41,847	491,227,991	415	740,521	0	0	0	0	419	740,609
250,000 to 300,000	21,077	5,743,301,942	21,004	309,767,869	335	748,172	0	0	0	0	339	748,337
300,000 to 500,000	30,223	11,387,937,495	29,836	639,697,157	859	2,842,405	0	0	0	0	859	2,842,405
500,000 to 1,000,000	15,660	10,606,633,677	15,520	639,469,727	1,072	10,351,336	0	0	0	0	1,072	10,351,336
1,000,000 and over	7,641	23,553,016,727	7,469	1,227,264,442	1,512	155,439,752	0	0	0	0	1,512	155,439,586
Total	3,141,975	196,628,375,728	2,295,813	8,779,265,716	6,522	171,620,694	1,895,284	-411,926,538	196,694	26,412,206	1,969,004	-266,387,849

- Total individual income tax relief for filers with incomes below \$150,000 is \$437.2 million in Tax Year 2019 under this plan.

Tax Year 2020 Distribution by Income												
Wisconsin Income Category	Returns	Wisconsin Income	Net Tax Baseline		MAC Limits		10% Cr		EITC		All Together	
			Count	Amount	Count	Amount	Count	Amount	Count	Amount	Count	Amount
Under \$5,000	470,547	-1,125,274,492	43,114	3,660,970	125	4,798	15,126	-734,538	10,279	-766,475	25,729	-1,498,561
5,000 to 10,000	212,393	1,538,685,817	27,439	6,206,015	118	4,818	8,683	-582,909	13,784	-1,927,112	23,773	-2,505,329
10,000 to 15,000	184,216	2,288,868,209	72,204	11,266,543	67	5,455	56,352	-3,353,404	21,098	-4,215,131	82,592	-7,546,140
15,000 to 20,000	166,802	2,917,289,170	108,601	25,845,839	49	7,884	95,983	-8,395,769	22,343	-4,628,424	116,387	-13,007,830
20,000 to 25,000	167,289	3,762,832,979	139,211	51,121,108	57	10,728	128,772	-12,329,401	25,272	-4,914,414	137,824	-17,250,709
25,000 to 30,000	165,390	4,548,528,501	147,424	87,513,023	49	10,972	138,626	-13,456,677	25,914	-4,118,407	146,239	-17,563,268
30,000 to 40,000	315,399	11,006,890,473	309,101	291,251,302	106	18,256	295,460	-32,808,120	48,239	-4,862,548	298,096	-37,648,345
40,000 to 50,000	260,346	11,668,568,826	258,820	395,644,292	127	38,029	249,547	-39,108,837	26,225	-1,117,529	245,407	-40,192,280
50,000 to 60,000	201,334	11,033,637,144	200,523	422,986,774	113	39,026	193,591	-40,950,625	5,184	-95,215	189,618	-41,007,611
60,000 to 70,000	161,739	10,485,666,736	161,279	431,282,386	113	45,635	156,054	-41,816,709	44	-2,224	151,048	-41,774,874
70,000 to 80,000	126,927	9,499,843,037	126,635	409,514,937	106	50,044	122,412	-39,689,148	9	-761	121,719	-39,642,688
80,000 to 90,000	108,427	9,202,742,178	108,204	412,806,833	91	27,225	104,551	-36,758,280	*	*	104,056	-36,732,978
90,000 to 100,000	93,511	8,873,442,678	93,374	412,420,536	91	51,274	90,520	-32,076,707	*	*	89,366	-32,028,135
100,000 to 125,000	178,311	19,911,784,709	178,098	962,819,527	298	276,616	143,358	-77,458,771	*	*	141,679	-77,190,751
125,000 to 150,000	113,477	15,477,192,058	113,390	774,225,850	235	232,898	97,261	-35,264,606	*	*	90,715	-35,037,937
150,000 to 200,000	110,470	18,934,342,683	110,338	972,678,617	510	614,676	0	0	0	0	554	614,676
200,000 to 250,000	47,444	10,513,897,592	47,334	556,154,097	402	697,389	0	0	0	0	419	697,389
250,000 to 300,000	23,599	6,431,494,015	23,519	346,230,268	360	810,383	0	0	0	0	339	810,383
300,000 to 500,000	33,316	12,533,509,185	32,978	704,691,096	856	2,805,263	0	0	0	0	859	2,805,263
500,000 to 1,000,000	17,248	11,680,938,290	17,088	707,225,592	1,089	10,059,106	0	0	0	0	1,072	10,059,106
1,000,000 and over	8,426	25,843,629,019	8,262	1,357,791,159	1,613	166,431,183	0	0	0	0	1,512	166,431,183
Total	3,166,610	207,028,508,805	2,326,934	9,343,336,765	6,573	182,241,658	1,896,295	-414,784,502	198,411	-26,650,416	1,969,004	-259,209,435

- Total individual income tax relief for filers with incomes below \$150,000 is \$440.6 million in Tax Year 2020 under this plan.