

Flat Tax Helps Rich Get Richer and Solves Zero Problems

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Senator Smith writes about Republican flat tax proposals. Instead of providing tax relief for those who need it the least, Wisconsin has an opportunity to invest our surplus in targeted programs and put money in the pockets of the middle class.

MADISON - In the last year, Republicans talked a lot about a flat tax. They call a flat tax a “simplification” of our tax system, but that’s a simplification of the truth. They make it sound good, but in reality it shifts a bigger share of the tax burden onto middle class families.

So why do Republicans want it? Just last week, Senate Republican Majority Leader Devin LeMahieu (R-Oostburg) said, “We have the resources to do this.” Just because you can do something doesn’t mean it is a good idea. Why spend our hard-earned surplus on the wealthy when we face so many challenges?

Our income tax system only applies higher rates to “marginal” income, or income in excess of the base tax rate. This means wealthy residents pay the same as the rest of us on a certain amount earned, any income in excess of that is taxed at a slightly higher rate. Lowering the rate at which marginal income is taxed provides a windfall to the wealthy, while passing the middle

class and the working poor by.



It seems intuitive that the same tax rate across the board makes everything “equal,” but “equal” does not mean “equitable.” The working poor and middle class already pay a greater percentage of their total income when it comes to sales and property tax. These types of taxes concentrate the tax burden on the very poorest.

Let’s do some quick math for the Republicans’ 3.54% flat tax scheme. According to the U.S. Bureau of Labor Statistics, Wisconsin’s average estimated individual income is \$53,120 per year. That equates to roughly \$2,076 in taxes paid for single filers (adjusting income to reflect the state sliding scale standard deduction and personal exemptions). Someone making \$1 million per year is paying \$69,537 in income taxes. With a flat tax, someone earning the state average income would see a \$484 tax cut, or about a 23% cut. Someone earning a million would see a \$34,161 tax cut which equals just under a 50% tax cut.

The broader numbers further illustrate this. As cited by the Milwaukee Journal Sentinel, Wisconsin’s nonpartisan Legislative Fiscal Bureau (LFB) projected the effect of Wisconsin moving to a 3.54% flat tax. This proposal resulted in enormous gains for the richest taxpayers, with a corresponding dramatic drop in state revenues. Under this tax shell game, state revenue would drop by \$5.59 billion in the first year and \$3.86 billion per year after the first.

Spending \$5.59 billion of Wisconsin’s hard-earned \$7 billion surplus on a big tax break for the rich doesn’t curb inflation. It doesn’t add more workers to Wisconsin businesses. It solves zero problems Wisconsin currently faces. We must maintain an equitable tax system and make the investments Wisconsin needs.

