



Date: February 5, 2019

To: Assembly Ways and Means Committee and Senate Committee on Agriculture, Revenue and Financial Institutions

From: Jon Peacock, Research Director

Re: Opposition to Assembly Bill 4/ Senate Bill 18

Thank you for the opportunity to testify on this proposed tax cut. I am here representing Kids Forward, which has been advocating on behalf of Wisconsin children and families for nearly 140 years.

We oppose AB 4 and SB 18 for three reasons:

- First, Wisconsin cannot afford to make another large tax cut – without jeopardizing our ability to make critically important investments in the health and wellbeing of the state’s citizens and communities – unless lawmakers agree upon a way to pay for that tax cut.
- Second, if or when you do pass another tax cut, it should also benefit the lower-income Wisconsinites whose taxes have been raised by past decisions to cut the state Earned Income Tax Credit and the Homestead Credit.
- Third, a fiscal policy decision of this magnitude should not be rushed through the legislature and passed outside the budget process, where legislators and their constituents can take a careful look at the pros and cons of a wide variety of options relating to taxes and spending.

Coming back to our first concern, our state needs to invest in healthy and well-educated workers and communities, public infrastructure, and working families. For our state to prosper, we need to make investments that enable all Wisconsinites to succeed. Our economy, our communities, our schools, and our families will fare better when every person in the state has full access to opportunity.

Wisconsin lawmakers have approved billions of dollars of tax cuts over the last 8 years, but job growth in our state has consistently lagged well below the national average, and we have been underfunding many of the cornerstones of the state’s future economic strength. It’s time for our state to make significant investments in education at all levels, from early education through college and technical training. We need to make significant investments in infrastructure and in the health and well-being of our workers and communities. We need to reverse state-level policies that have stripped resources from families and communities of color, and have contributed to the alarming racial disparities in our state. And there are a wide variety of other needs for additional state funding, such as investing in the child welfare system, which has been overwhelmed by opioid epidemic.

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To be able to make those sorts of extremely important investments, our state needs adequate revenue. We should not repeat the mistake that lawmakers have frequently made in the past, of using a short-term budget balance to finance large, ongoing tax cuts. Instead, it's time to reconsider whether various tax breaks and tax loopholes are well structured and effective, and to find a way to pay for the proposal that has just been introduced.

Our second concern is that the proposed income tax cut does not help hundreds of thousands of low-income Wisconsinites who are struggling to make ends meet. There is a growing economic divide in Wisconsin. Economic trends have been contributing to that divide, but so have public policy decisions, such as the federal tax bill passed in late 2017, and policy choices made in Wisconsin. For example, low-income workers in our state are adversely affected by decisions such as cutting the state Earned Income Tax Credit, ending the annual inflationary adjustments to the Homestead Tax Credit, freezing the minimum wage, and charging premiums for adults in BadgerCare with incomes between 50 percent and 100 percent of the federal poverty level.

We appreciate that you are using an innovative way of making the proposed tax cut. This bill does a far better job than other recent income tax cuts – including the one approved in the December Extraordinary Session – of targeting the tax reduction for middle-income families. However, if the state can afford another round of tax cuts amounting to more than \$300 million, it's time to reverse the cuts the state has made to the Earned Income and Homestead Tax Credits. Also, if you really want to do something to make work pay, it is time for Wisconsin to expand the EITC to adults who don't have dependent children. Among the many states that have an EITC, Wisconsin is the only one that does not include childless adults and noncustodial parents.

Finally, as I mentioned at the outset, our third concern is the process for advancing this bill. We don't think it's wise to rush a major tax cut bill through the legislature and to do so outside the budget process. Wisconsin has a long and proud tradition of being deliberative in its budget decisions. State policymakers and your constituents need to be able to balance the pros and cons of your choices about tax policy against the competing options for spending state revenue.

Tax cuts are generally popular with the public, but polling in our state has shown that increased spending for schools is a higher priority with your constituents. We urge you to consider the tax and spending options in a deliberative way that allows you to balance a wide range of competing needs and objectives, and respects the role of your constituents in providing input into that process.