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State Representative Steve Doyle Column

### Are Tax Cuts the Answer?

The headlines are trumpeting, "Fifth fastest growing economy in the country". "Thirteenth in job creation". "Unemployment down to 4.8%". This is great news – if you live in Minnesota.

Here in Wisconsin we have more work to do. Our equivalent standings are 32<sup>nd</sup> in economic growth, 41<sup>st</sup> in job creation and an unemployment rate of 6.5%.

Politicians are putting their partisan spin on what the various statistics mean. However, we don't have a Republican economic problem or a Democratic economic problem. We have a Wisconsin economic problem and we don't solve it by pointing fingers. We need to quit talking about Republican or Democratic jobs plans and start executing a Wisconsin jobs plan. And that needs to start with a serious bipartisan discussion of how we tax and spend.

Wisconsin will soon have an opportunity to enact a significant tax cut. However, not all tax cuts are created equal and the array of cuts we adopt will have a substantial impact on the future of our state economy. We need to look past short-term political gains or favors to supporters and adopt a plan that strengthens our economy both now and in the long term. Both parties have thoughtful, reasonable ideas. We should pick the best of the best, regardless of whose idea it is. One of the options is the proposed income tax cut, but as you will see below that might not be the best option for hardworking Wisconsin families.

If we consider a tax cut as a means to spur economic growth and create jobs, then we want to target it where it will do the most good. A tax cut for the top tier income taxpayers will give them more money to invest. However, if they invest mostly in large companies, that will create jobs in China and India but not necessarily in Wisconsin.

How can we best target a tax cut? Let's take a look at the fictional John and Mary Smith family of Onalaska. They both work and together earn a modest income. They own a home and have two young children. What would help them the most? A reduction in middle class tax brackets would be nice. But their property taxes are a burden, so a break there would also help. They drive to Winona and Rochester to do some of their big shopping, so the elimination of sales tax on clothes, diapers, and other necessities would be a large benefit. Increased child care and earned income tax adjustments would go a long way for them.



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Most of us are more like John and Mary than the top income bracket filers. If those of us in the middle class get a tax cut, what will we do with it? We'll spend it. We'll buy televisions, cars, and clothes. We'll go out to eat. We'll maybe visit Wisconsin Dells. All these things will help create and preserve Wisconsin jobs and get our economy moving again.

Back to that idea of eliminating the income tax. While this may seem attractive when we have a budget surplus, we need to consider the long term ramifications as well as the impacts on our local communities. For example, while John and Mary might like the idea of an income tax cut, they might soon find their property taxes skyrocketing as the state tries to replace the lost income tax revenue. Because the income tax is the states' largest source of income, major changes to it would shift that burden to other taxes and fees, like the property tax. Now, John and Mary might be forced to cut back and conserve instead of spending in their community.

Now what if we shifted the burden to the sales tax? This would require us to have a sales tax of 13% instead of the current 5%. For border communities like La Crosse, this would be devastating as everyone would flock to Minnesota to do their shopping. We would be able to toss a bowling ball from Sears to J.C Penney in Valley View Mall and not hit a single person.

With the Governor's state of the state next week, we may soon know more details about his ideas for using our budget surplus. It is my hope that for every proposal we consider we always stop to think about the effects on people like John and Mary.