



WISCONSIN CATHOLIC CONFERENCE

TO: Senator Rob Hutton, Chair
Members, Senate Committee on Universities and Revenue

FROM: David Earleywine, Associate Director

DATE: April 25, 2023

RE: Opposition to SB-1, Establishing a Flat Individual Income Tax Rate

The Wisconsin Catholic Conference (WCC), the public policy voice of Wisconsin's Catholic bishops, appreciates the opportunity to testify in opposition to Senate Bill 1, which would create a flat individual income tax rate.

This testimony will highlight the Catholic Church's principles and social tradition applied to taxation, and why Wisconsin citizens are not best served by a flat tax.

The Judeo-Christian tradition is the foundation for a variety of secular legal tenets and the basis of Catholic social teaching. The *Compendium of the Social Doctrine of the Catholic Church*, which summarizes this social teaching, has this to say about taxation:

Tax revenues and public spending take on crucial economic importance for every civil and political community. The goal to be sought is public financing that is itself capable of becoming an instrument of development and solidarity. Just, efficient and effective public financing will have very positive effects on the economy, because it will encourage employment growth and sustain business and non-profit activities and help to increase the credibility of the State as the guarantor of systems of social insurance and protection that are designed above all to protect the weakest members of society.

Public spending is directed to the common good when certain fundamental principles are observed: the payment of taxes [739] as part of the duty of solidarity; a reasonable and fair application of taxes; [740] precision and integrity in administering and distributing public resources. [741] In the redistribution of resources, public spending must observe the principles of solidarity, equality and making use of talents. It must also pay greater attention to families, designating an adequate amount of resources for this purpose. [742]¹

By all these measures, the flat tax does not best serve the people of Wisconsin. The tax is by definition regressive and therefore neither just nor equitable. It will not foster social cohesion nor uphold the dignity of the most vulnerable.

¹ Pontifical Council for Justice and Peace, [*Compendium of the Social Doctrine of the Catholic Church*](#), 355 (2006).

In fact, it will dramatically reduce Wisconsin's revenues. According to the Legislative Fiscal Bureau (LFB), in fiscal year 2021-22, individual income tax collections totaled \$9.21 billion and comprised nearly 45% of state general fund tax revenue."² This revenue is used to fund K-12 education, the UW System, the Department of Corrections, Medicaid, local governments, and other social programs. The LFB estimates that the proposed flat tax would "reduce state general fund tax revenues by: (a) \$2,113.5 million in 2023-24; (b) \$2,845.1 million in 2024-25; (c) \$4,314.7 million in 2025-26; and (d) \$5,059.0 million in 2026-27 and annually thereafter."³ In effect, by 2026, Wisconsin would collect less than half of the income tax it collected in fiscal year 2021-22.

To make up for this revenue loss, the State would have several options. It could increase sales and property taxes, both of which are regressive because taxpayers with low to middle incomes would pay a disproportionate share of the tax burden. The state could choose to drastically cut funding for some, or all, of the programs listed above. Or it could choose a combination of funding cuts or other non-income tax reforms.

In all three scenarios, those in poverty and those in need of assistance will likely see their situation worsen.

Some will argue that private charity can and must do more to assist those in need. The Catholic Church is the largest private charity in the United States. But private charity cannot substitute for what only the public sector can do through the just collection and distribution of tax monies. Private charity cannot make up for the State's abdication of responsibility to assist the most poor and vulnerable. Simply put, taxes are the price we pay to live in a civilized society.

In closing, here are some questions for legislators to consider when formulating tax policies:

- 1) How is the proposed tax more "just, efficient, and effective" for all Wisconsin's residents than the current system?
- 2) How will the state of Wisconsin continue to be the "guarantor of systems of social insurance and protection that are designed above all to protect the weakest members of society" if tax revenue declines?
- 3) How will the proposed tax strengthen "solidarity, equality and making use of talents" for all Wisconsin's residents?
- 4) How will the proposed tax assist the formation and maintenance of families?

Again, thank you for the opportunity to testify and we respectfully urge you to oppose this bill.

² Legislative Fiscal Bureau, *Informational Paper #2: Individual Income Tax* (January 2023) https://docs.legis.wisconsin.gov/misc/lfb/informational_papers/january_2023/0002_individual_income_tax_informational_per_2.pdf

³ Legislative Fiscal Bureau, *LRB 1049/1: Individual Income Tax Four-Year Phase-In of 3.25% Tax Rate* (January 12, 2023) https://www.wheelerbilltracking.com/upload/files/frontpage/doc_122770752063c1846c9d9456.70204616.pdf