

MEDIA RELEASE

ECONOMISTS BLAST PROPOSED MICHELS TAX PLAN

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Contact: Michael Rosen
rosenmatc@gmail.com
(414) 467-8908

MILWAUKEE—A national team of more than two dozen economists blasted Tim Michels' proposed income tax plan at a press conference in Milwaukee today.

"Do the flat tax math: a shift from a graduated rate income tax to a common or "flat" tax rate requires EITHER lower taxes for the rich financed by higher taxes for the middle class OR a lower common flat tax rate and huge cuts to the public sector," said Dr. William Holahan, Professor Emeritus of Economics at the University of Wisconsin Milwaukee. "Which is it, Mr. Michels? Inquisitive voters want and deserve to know."

Dr. Holahan was joined by Luz Sosa of Milwaukee Area Technical College's Economics faculty, Dr. Jeffrey Sommers of UWM, and Dr. Michael Rosen, retired from MATC, at the event.

"The idea that cutting taxes of the wealthy leads to increased investment, job growth and prosperity has proven demonstrably false for over four decades, most recently in Kansas," said Dr. Sommers, Professor of Political Economy & Public Policy Senior Fellow, Institute of World Affairs, University of Wisconsin-Milwaukee. "Michels' flat income tax will yield the same results—a windfall for the rich and an increased tax burden for the middle class. Abkhazia, Bosnia and Herzegovina, Bulgaria, Belarus, Uzbekistan, and Transnistria have tried flat taxes. The rich have predictably become much richer, even as their economies stagnated."

"What a 'flat tax' does in Wisconsin is let the richest residents of the state off the hook for taxes," said Laura Dresser, Associate Director, Center on Wisconsin Strategy, University of Wisconsin-Madison. "The state doesn't need policy that redistributes wealth up the income chain."

The economists released an open letter regarding the plan, signed by more than two dozen economists around the country, and shared graphics describing the effect of the Michels tax plan. (attached.)

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(FOUR PAGES TO FOLLOW)

Michels' Flat Tax Idea Only Benefits the Rich

Republican gubernatorial candidate Tim Michels has suggested Wisconsin replace its mildly graduated income tax with a "flat tax."

Republicans periodically propose this idea. Only multi-millionaires like Michels favor a flat tax because it would increase taxes on the middle class and working poor while handing the very rich a handsome tax cut.

For example, let's say the flat tax is established at 5.22%, the rate at which the state's revenue would remain the same—it is "revenue neutral." This would result in a tax **increase** for the 96.6% of taxpayers with adjusted gross income (AGI) between \$20,000 and \$300,000. In sharp contrast, Michels' proposal would result in an estimated **average tax cut of \$22,280** for the top 3.3% of filers with an AGI of \$500,000 and above.

Michels claims that he's only interested in the flat tax if it doesn't raise taxes on anyone. For that to happen, the flat tax rate would need to be 3.54%. Such a low rate — while being a windfall for the state's richest taxpayers — would reduce our state's revenue by \$5.59 billion in the first year, and \$3.855 billion per year thereafter.

For perspective, \$3.855 billion is more than University of Wisconsin-Madison's total budget and is seven times greater than the support that the state currently provides the university.

A 3.54% flat tax would mean draconian cuts to state services including public safety, K-12 education, healthcare, environmental protection, the University of Wisconsin and Technical College systems.

No matter how you slice it, Michels Flat Tax would be disastrous for all but the very wealthiest Wisconsin citizens.

Dean Baker (baker@cepr.net)
Senior Economist
Center for Economic and Policy Research 1611 Connecticut Ave., NW

Max Besbris
Assistant Professor of Sociology
University of Wisconsin-Madison

Mark Blyth
Director of the William R. Rhodes Center for International Economics and Finance
The William R. Rhodes '57 Professor of International Economics
Professor of International and Public Affairs

David Cooper
Director of the Economic Analysis and Research Network
Economic Policy Institute

John B Davis
Professor Emeritus, Department of Economics, Marquette University
Professor Emeritus, Economics and Business, Amsterdam School of Economics, University of Amsterdam

Leila E Davis
Assistant Professor of Economics
University of Massachusetts Boston

Laura Dresser
Associate Director, COWS
UW Madison

Zohreh Emami
Professor Emerita of Economics
Alverno College

Deborah M. Figart
Distinguished Professor Emerita of Economics
Stockton University

James K. Galbraith
Former Executive Director
Joint Economic Committee, United States Congress

Abera Gelan
Professor (and Chair) of Political Economy and Public Policy
Department of African and African Diaspora Studies
University of Wisconsin-Milwaukee

Chad Alan Goldberg
Martindale-Bascom Professor of Sociology
University of Wisconsin–Madison

Samuel Hashner
Director of Graduate Studies, Public Service Program
Marquette University

William Holahan
Professor Emeritus of Economics
University of Wisconsin Milwaukee

Michael Hudson
Distinguished Research Professor of Economics
University of Missouri–Kansas City

Amanda Kass
Assistant Professor of Public Service
DePaul University

Nolan Kopkin
Associate Professor of Political Economy & Public Policy
Department of African and African Diaspora Studies
University of Wisconsin-Milwaukee

Marc V. Levine
University of Wisconsin-Milwaukee
Center for Economic Development

Cheryl Maranto
Assoc. Prof. of Marketing Emerita
Marquette University

Ellen Mutari
Professor Emerita
Stockton University

Phil Rocco
Associate Professor of Political Science
Marquette University

Joel Rogers
Director of COWS, Chair of EPIC-N (Educational
Partnerships for Innovation in Communities Network), and
Noam Chomsky Professor Law, Public Policy, and
Sociology, University of Wisconsin-Madison

Michael Rosen
Professor Emeritus of Economics
MATC

Jon Shelton
Associate Professor and Chair, Democracy and Justice
Studies
UW-Green Bay

Timothy M. (Tim) Smeeding
Lee Rainwater Distinguished Professor of Public Affairs and
Economics
University of Wisconsin Madison

Jeffrey Sommers
Professor of Political Economy & Public Policy
Senior Fellow, Institute of World Affairs
University of Wisconsin-Milwaukee

Luz Sosa
Economics Faculty
Milwaukee Area Technical College

Monica Unda-Gutierrez,
Assistant Professor, Economics
Marquette University

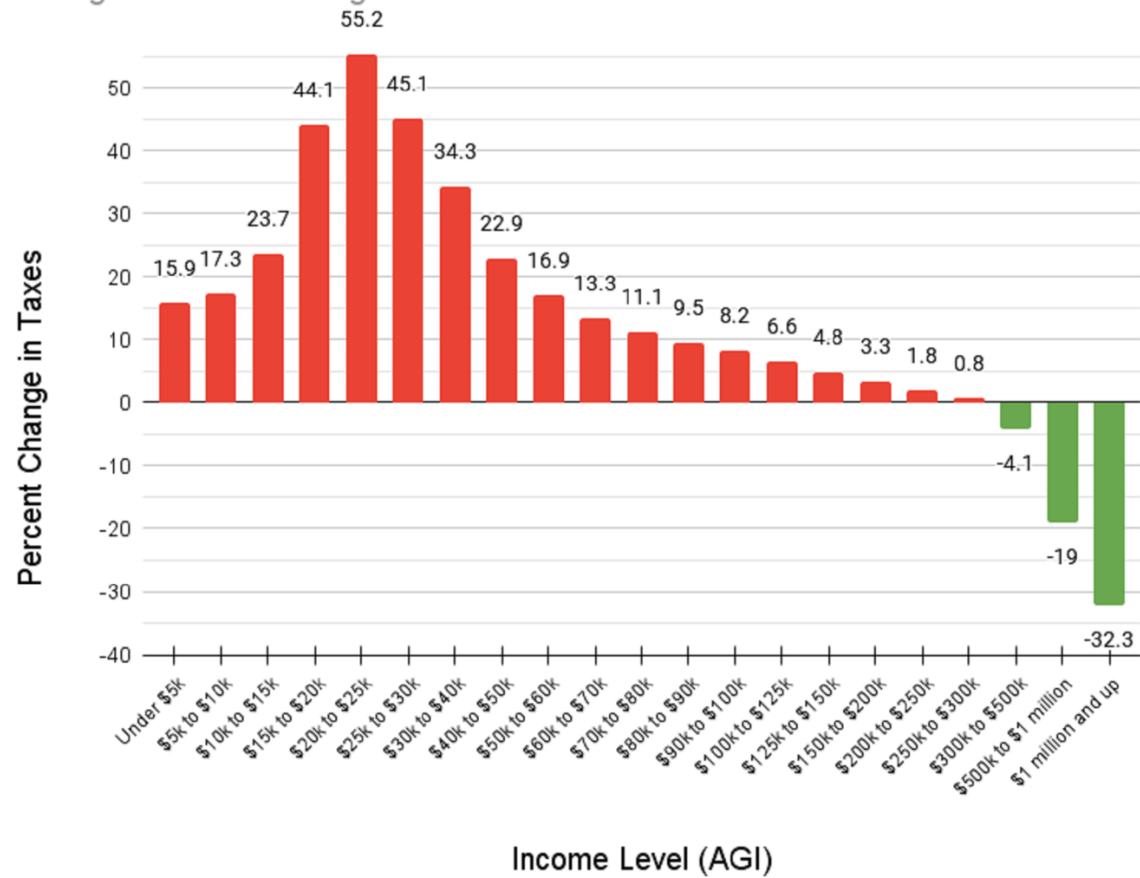
Paul Van Auken
Professor of Sociology
University of Wisconsin-Oshkosh

Mark Weisbrot
Co-Director, Center for Economic and Policy Research

*Organizations listed for identification purposes only
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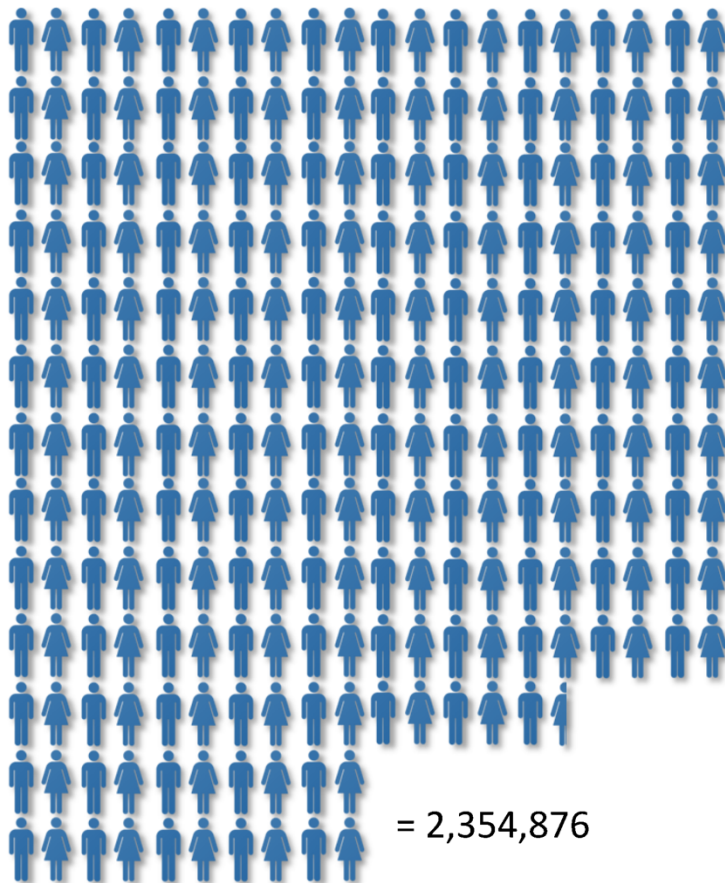
Tax Change by Income Level Under GOP "Flat Tax"

Among those with a change in taxes



The GOP Flat Tax: raising taxes on WI families

Filers with a Tax Hike



Each symbol represents 10,000 tax filers

Filers with a Tax Cut



= 64,135

Data from nonpartisan Legislative Fiscal Bureau (LFB) - April 2022. Reflects estimated number of filers with a tax change from 2022 law under revenue-neutral Flat Tax proposal. 74.5% of filers are expected to have a change in taxes under such a plan. Filers with no change in taxes are not included in this chart.