

Top Ten Fiscal Facts for Wisconsin

1. Wisconsin is frugal with the taxpayer's dollar.

- State and local employment ranks 41st out of 50 states.
- State and local payrolls ranks 33rd among the 50 states.
- State and local spending is 25th out of the 50 states.
- In 2009, we spent below the US average per capita on public health, police, parks and public welfare

2. Wisconsin is financially stable.

- The pension and debt liability is 42% less than the national average – 37th out of the 50 states
- The state budget deficit is only 12.8% of one year's spending – median among the 50 states

3. Wisconsin's overall taxes have not increased.

- Current state taxes are at a 25-year low as a percent of state income
- Wisconsin sales tax are the lowest among neighboring states, 3% below the national average
- Corporate income taxes are 12% below the national average
- Property taxes adjusted for inflation have been flat for a decade
- General state tax collection is lower now than ten years ago when adjusted for inflation

4. Annual tax cuts have contributed to the state deficit.

- Between 1999 and 2009, income tax cuts reduced state revenue by \$1 billion every year
- Removing the state tax on inheritances over \$650,000 has cost the state \$110 million a year
- Cutting the tax on computers has cost the state \$70 million each year.

5. The state tax system favors the wealthy and leans on low and moderate income families.

- Wisconsin's tax rate on the rich is near an historic low
- Middle-income families pay twice as much of their income for property taxes as the wealthiest 1%
- Low-income families pay six times more of their income for sales tax than wealthy households

6. Wisconsin's current fiscal crisis was caused by the Wall Street fiasco, not worker benefits.

- The state lost 160,000 jobs, 85,000 families lost their homes and millions of dollars in tax revenue
- Federal stimulus aid worth over \$1 billion for state and local government was not renewed

7. Cutting schools, community services and worker compensation hurts the state economy.

- The proposed cuts in public worker compensation will cost the state economy almost \$1 billion a year
- Every dollar invested in public infrastructure generates \$1.38 in growth.

8. Cuts are not necessary. The state is not "broke;" there are pockets of untouched money

- Increase sales tax by one penny and raise \$860 million each year.
- Extend sales tax to business and professional services and raise \$517 million a year
- Tax capital gains on investment profits for \$140 million a year

9. Cuts in Revenue Department staff costs the state \$40 million a year.

- Full staffing for the Revenue department can close the \$1.2 billion annual **tax gap** (the difference between what is owed and what is actually collected.)

10. Most states that cater to business tax demands do not prosper.

- Six out of ten states with the best economies rank in the bottom 40% for "business climate"
- Six out of ten states with the worst economies rank in the top 20 for best business climate

Walker's budget proposals: Taxes and revenue

1. Tax the poor to pay the rich

The governor would cut \$51 million from the Earned Income Tax Credit and Homestead Tax Credit. These are the only two programs directly targeting tax relief at low- and moderate-income households.

At the same time, he would cut \$83 million in taxes for multistate corporations and wealthy investors. This is in addition to the \$117 million in tax breaks passed earlier this year in the Special Session. The \$200 million in tax breaks would be accomplished by modifying Combined Reporting (the 2009 reform that closed the Las Vegas Loophole by which corporations avoided state income tax); restricting the tax on capital gains (profits from selling stocks and other valuables), creating credits for businesses that move to Wisconsin or hire new employees; and through credits for Medical Savings Accounts.

2. Ignore the tax cheats

Each year about \$1.2 billion in taxes are legally owed but are not paid. In 2010, the Department of Revenue used a beefed-up tax-collections capacity to recover \$41 million in delinquent taxes above its usual expectation. Rather than building on success by adding to the Department's tax-collecting capacity, the governor proposes a 5% cut in funding and a lowered goal for delinquent tax collections.

3. No call for shared sacrifice from the state's wealthiest

Nowhere is there a call for additional tax revenue from Wisconsin's wealthiest. There are many options to increase taxes moderately only on the very richest. Examples: a temporary one percentage point increase in the tax rate for incomes above \$250,000; reinstatement of the inheritance tax (which no longer exists) while exempting the first \$1 million dollars; elimination of the exemption of 30% of capital gains from taxation; extension of the sales tax to business services such as advertising and accounting.

4. Bitter freezes in the property tax

The governor would prohibit local governments—schools, municipalities, counties—from increasing revenue through property taxes (except to the extent of net new construction). This ensures deep cuts in local services, even in jurisdictions where taxpayers are willing to pay higher property taxes.

5. Increased structural deficit

Despite the cries for reducing the state's structural deficit, the governor's budget would actually increase the deficit by \$58.7 million, using Generally Accepted Accounting Principles (GAAP). Ironically, the use of GAAP is urged mainly by fiscal conservatives. Using GAAP, according to the governor's own budget documents, the state's deficit would grow during the two-year budget cycle, ending on June 30, 2013 with an estimated balance of negative \$3.0245 billion.