

FAIR - AND - ADEQUATE

close tax loopholes

protect public structures

control property taxes

The Institute for Wisconsin's Future newsletter on tax policy

August 2009

Eau Claire Citizen Alliance holds local budget alert for community



August 4 was a warm summer night -- too nice to be inside. But over 70 people crowded into a large meeting room at the Chippewa Valley Technical College eager to hear from diverse local officials and union leaders on how the cuts in state aid will impact the Greater Eau Claire area. This was the first time that leaders from the county, cities, school districts and the technical college worked together to outline the reductions in state funds to Eau Claire and Altoona as well as the resulting cuts in important services. The presentation included a powerful overview of the scope of programs handled by each sector. In addition, there was information on the significant state income tax cuts since 1998 that created the state structural deficit long before the recession hit. Citizens and business people met in small groups after the presentation to discuss their reactions, concerns and ways to spread the word to the larger community.

For news coverage and PowerPoint, see <http://www.wisconsinsfuture.org/>

Counties cut services and raise taxes due to low state aid



The amount of state aid given to all Wisconsin counties and municipalities through the shared revenue program will be reduced across the board by almost \$30 million.

Jefferson County cuts

The Jefferson County Board of Supervisors Finance Committee continued its Herculean efforts to reduce the 2009 county budget to address a \$5.2 million deficit. That means everything from the Highway Department, the Sheriff's Office, Human Services, Health Department, UW Extension, Clerk of Courts, Park Department, the Fair Park and all other departments once again will be subject to massive budget cuts. County Board Chairperson Shareon Schmeling said, "The public needs to be aware that this is a very serious gap between what our county department heads say they need to provide governmental services and what we can afford to tax the taxpayers. We have been downsizing and being frugal and economizing for the last four years, we do not have a lot of fat left to cut."

"Our record of tax control in the county is exemplary," she concluded. "As county chairperson, I am saying 2 percent does not work because of fuel prices, gas prices and asphalt prices. We will do our best to maintain services, but lines may be longer, grass may be longer and people might have to wait longer to get plowed out," Schmeling said. "The roads might not be in as good of repair as they used to be, and parks may not be as accessible or as open as often as they used to be. The public has to accept that is a choice they have made by supporting lawmakers who have instituted these draconian measures."

For the full story, see the [Jefferson County Daily Union](#)

Milwaukee County drops paramedic support

Milwaukee County dropped its contribution to the county wide paramedic program from \$3 million this year to zero in 2010. This will hurt everybody -- both the paramedic-equipped communities and the communities without paramedics that have been served by those with paramedics using the County subsidy to defray costs. "I can't put it in number form, but I can feel it in pain form," said Brian Satula, the fire chief in Oak Creek, which has paramedics. Satula and Ryan McCue, the mayor of Cudahy, which doesn't have paramedics, said the paramedic program has been rated as being among the best in the nation. "If each community runs the paramedic program independently, it would cost taxpayers a lot more money than if Milwaukee County were to continue to administer it," McCue said. [Milwaukee Journal Online](#)



Appleton looks at sales tax hike

Four years ago, Outagamie County Board Chairman Cliff Sanderfoot was dead set against a half-cent county sales tax. But after five years of state-imposed caps on property tax increases, coupled with 10 percent annual inflation in health insurance costs and the new state budget's reductions in aid to local governments, Sanderfoot's position is softening.



Outagamie County is one of the 11 Wisconsin counties that have resisted enacting the tax. The University of Wisconsin-Extension's Local Government Center estimates a half-cent sales tax is worth about \$18 million a year to Outagamie County.

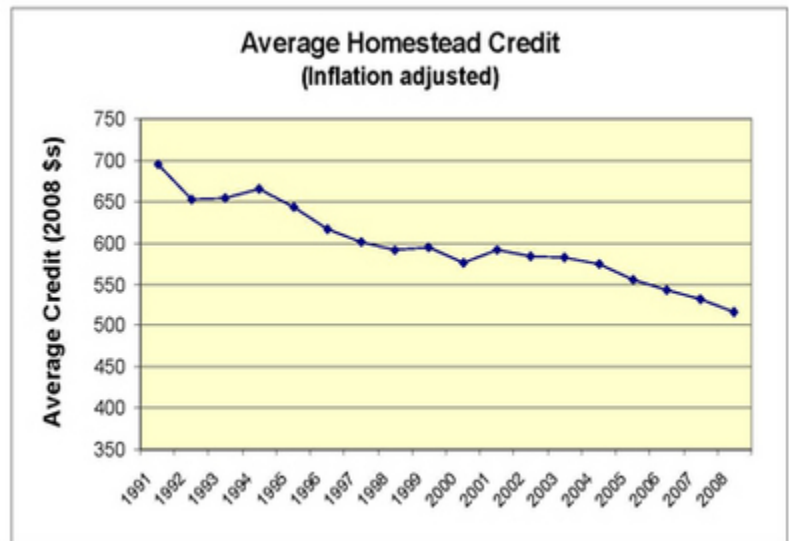
"There's a lot of money out there," Sanderfoot said Thursday. He is worried the county can't continue to live within the property tax caps and offer services the state mandates, particularly when a down economy has increased demand. As of June, for example, 196 people were waiting for help from the county's Community Options Program, which serves low-income people with disabilities and the elderly. "There are some people in the county who are probably hurting because they need help," Sanderfoot said. "This (the sales tax) is something that's out there." [Appleton Post Crescent](#)

For a look at the revenue collected by counties with the sales tax, see the attached link to a Department of Revenue county-by-county overview. <http://www.revenue.wi.gov/esd/cotax09.html>

State budget helps low-income taxpayers

Sometimes, the tiniest details in tax laws have a big impact on people's lives. The Wisconsin state budget for 2009-10 includes two changes in tax law details that benefit families with lower incomes. The first change is to the Homestead Tax Credit which is an income tax credit or a direct refund provided to homeowners and renters to offset the growing cost of local property taxes. The tax credit was originally designed for a family of four earning less than \$24,500 a year (in 1991). This amount was never indexed for inflation which meant that as wages went up with the cost of living (up to 3 percent a year), the income level to get a tax credit stayed the same leaving more and more people unable to apply.

The **Wisconsin Council on Children and Families** has worked for many years to convince state leaders that the income eligibility amount should go up, showing how much their failure to act was costing families most in need. The real value of the average credit fell \$178, or 26 percent. In this year's budget, there is finally a provision that makes sure families' income eligibility to receive the credit is linked to inflation. In addition, this year's budget increased the deduction for dependents from \$250 to \$500 which will lower the amount of taxes owed for households with children and other dependents.



Report shows moderate income and seniors have highest tax rates



Modest-income homeowners and homeowners over 65 years old are bearing the brunt of Wisconsin's property tax increases, according to a path-breaking new report on the unpopular tax.

Homeowners in the bottom 40% of income had a property tax burden more than twice that of homeowners in the upper 40%, according to the study by Rebecca Boldt and Bradley Caruth, both of the state's Department of Revenue, and Andrew Reschovsky of UW-Madison. Tax burden measures the tax as a percentage of income.

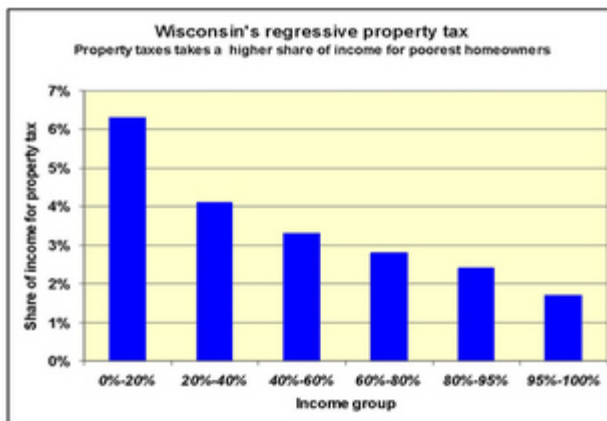
The three researchers used pioneering techniques to track property taxes and income for three-quarters of a million Wisconsin homeowners who stayed in the same house between 2000 and 2005. Previous studies of property taxes have almost never been able to connect property taxes to individual homeowners and their incomes.

The study found tremendous variation in property tax burdens, with 41% of homeowners actually seeing a decrease in property taxes, after adjusting for inflation. But falling property taxes were most likely to be seen only by higher-income homeowners.

For lower-income and older homeowners, property tax burdens generally grew during the five-year period. By 2005, the poorest fifth of homeowners paid 6.3% of their total income in property taxes, about three times the ratio paid by the richest fifth, after taking state and federal tax relief programs into account. [see chart]

The authors argue that Wisconsin's two property tax-credit programs are too small and poorly targeted.

For the full report, go to www.lincolnst.edu/pubs/1565_Exploring-Changes-in-Homeowner-Property-Taxes-in-Wisconsin--2000-to-2005



QUOTE OF THE MONTH

"It's likely that another stimulus will be necessary. But the 'second stimulus' will work only if it is firmly focused on the priorities of job creation and direct aid to state, county and municipal governments. Banks and financial institutions were never 'too big to fail.' State and local governments are."
(*Dire States* by John Nichols) [The Nation](#)