

FAIR - AND - ADEQUATE

close tax loopholes

protect public structures

control property taxes

The Institute for Wisconsin's Future newsletter on tax policy

September/ October 2009

National Tax Foundation Prescribes Poison Pill for Wisconsin



If national think tanks could be sued for malpractice, Wisconsin would collect a sizable settlement.

In its recent report, *2010 State Business Tax Climate Index*, the Washington, D.C. based Tax Foundation lays out how Wisconsin could 'improve' its tax policies. It recommend taxing groceries, eliminating business development incentives, slashing the state investment in health, education and transportation, and making everyone pay a flat income tax rate.

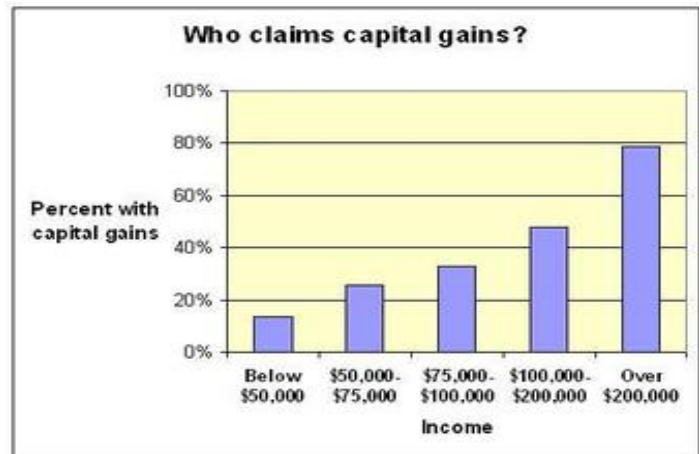
"It's a total losing proposition for middle class families, small business, students and senior citizens," states Jack Norman, Research Director for the [Institute for Wisconsin's Future](#) (IWF).

[Click here for IWF's critique](#) of the Tax Foundation report.

Paying their share — capital gains tax collects from the most affluent

The Wisconsin capital gains tax was increased in the 2009 budget to help fill serious revenue gaps impacting state, local and educational services.

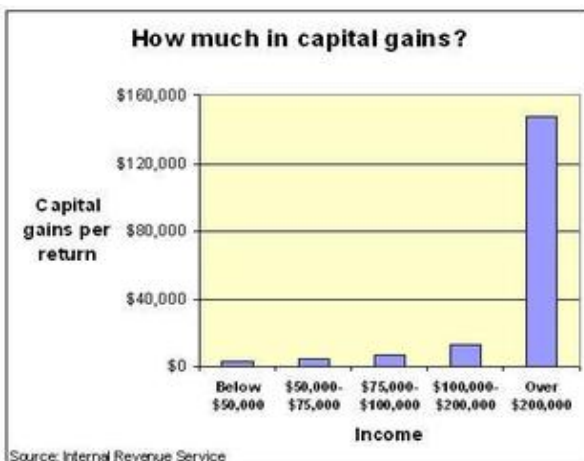
This tax affects a small minority of taxpayers, primarily the wealthiest households. There were 2.96 million federal tax returns filed in Wisconsin in 2007. Of those, 627,470 claimed capital gains. Of this limited number, almost 80% were from households with income over \$200,000 per year.



The total amount of capital gains claimed in Wisconsin that year was \$10.44 billion. For families with incomes below \$50,000 the average capital gains were \$2,800.

Even for families with income between \$100,000 - \$150,000, the average capital gains was \$13,000. But for the wealthiest households with income over \$200,000 – the capital gains averaged \$147,862.

P.S. A capital gain is the amount of profit made from the sale of stocks, bonds or other non-residential property.



<http://www.irs.gov/taxstats/article/0..id=171535.00.html>

Wisconsin group calls for one penny sales tax to help K-12 schools

Schools are scrambling to meet basic operating costs across Wisconsin. The 2009 -2011 state budget reduced aid for schools – a lot. According to the Wisconsin Taxpayers Alliance (9/8/09) "...94 districts saw aid drop 15% or more." An added problem is local spending caps. "Further complicating school budgets this year, the governor and legislature reduced the amount of new revenue that school districts can raise locally. Last year, the state allowed districts to raise revenue by \$275 per student each year. For the next two years, however, the limit falls to \$200, the same as in 1995-96."



The fallout is serious. Several small rural school districts are facing bankruptcy. Classes are getting larger, school materials are in short supply and important student programs are being cut back and sometimes eliminated altogether. The Wisconsin Alliance for Excellent Schools is initiating a campaign to raise the state sales tax by one penny and channel the funds directly to K-12 schools.

Why a sales tax? A one penny sales tax hike can produce about \$850 million annually. Wisconsin is a relatively low sales-tax state and the sales tax has been providing a declining share of state General Purpose Revenue, which leaves room for increases.

Why now? Read on....



Eau Claire students say cuts have an impact

While the Eau Claire school board has yet to adopt the 2009-10 budget, students already are feeling the impact of cuts approved last spring.

Brittany Landorf, one of two student representatives on the board, told members Monday students are feeling the effect of larger class sizes, and some are having issues with class schedules.

Wisconsin school referenda in tough times

With most Wisconsin school districts contemplating or committed to sizable local property tax increases for 2009-10 and looking at continued service and program cuts combined with more property tax increases in 2010-11, this is not the best time to be asking the voters to approve a referendum. Personal budgets are tight, the economy is uncertain and there is a delicate balance between program and service cuts as demonstrations of fiscal responsibility and program and service cuts undermining quality to the extent that it is difficult to garner further support (the "**starve the beast**" idea).

Yet because the problems caused by the latest state budget were piled on top of 16 years of struggles due to the broken state school finance system, some districts feel they have no choice. These include districts seeking building projects and districts who feel they cannot endure any more cuts and continue to provide the quality of education they are committed to.



<http://madisonamps.org/2009/09/09/wisconsin-school-referenda-in-tough-times/>

Paying more for less — Appleton school district cuts not enough; property taxes expected to rise 10 percent

Despite cutting staff and assigning more students to each teacher, school district officials expect they will need nearly 10 percent more property revenue in the next budget. State aids for 2009-10 will be \$3 million less than last year, shifting more of the budget-balancing burden to local property taxes.

"In order to sustain education programs we have in Appleton, we need to raise revenues," Don Hietpas, chief financial officer, said. Hietpas said the board already had made \$3 million in reductions last spring after a February referendum failed, but then the state cut funding to schools — after Appleton and other districts locked in staffing for this fall.

"We are doing more with less," Supt. Lee Allinger said. "We have not staffed our programs with less staff than we are now, for the number of kids we have." Appleton has reduced its spending in technology, curriculum, capital projects, site and department budgets and co-curriculars by 18 percent over the last two years. Federal stimulus dollars provide some relief, but for a two-year period only.

<http://www.postcrescent.com/article/20090918/APC0101/909180431/1979>

Racine Rep Cory Mason pushes millionaire tax for job training fund



State Rep. Cory Mason, D-Racine, unveiled a bill that he says will train and educate thousands of Wisconsin workers. It would be financed by a 1% income tax increase on Wisconsin residents earning \$1 million or more, producing \$145 million, which would be leveraged by \$135 million in federal matching funds.

The measure, called the Wisconsin Jobs Initiative, was presented at the State Capitol in a press conference by Mason and State Reps. Tamara Grigsby, D-Milwaukee, and Kim Hixson, D-Whitewater.

"Everywhere I turn in my district, people ask what can be done to get them back to work," Mason said. "What I am proposing today will train and educate at least 40,000 Wisconsin residents statewide and give employers the skilled workers they need."

<http://racinenews.org/2009/09/08/representative-mason-announces-wisconsin-jobs-initiative/>

Right wing tantrum and Milwaukee County budget conflict turns ugly

Milwaukee police cite a man for shoving a woman and throwing another man to the ground. All this was captured on video by FOX 6 News outside a rally at Serb Hall of the Citizens for Responsible Government. Those protesting outside were union workers opposed to budget cuts proposed by Milwaukee County Executive Scott Walker.

One of the union protesters, Bill Mollenhauer, said, "I'm glad that they're issuing a citation. I think something needs to be done to the perpetrator that violently shoved my wife and then threw me into a bush."



http://www.fox6now.com/news/witi-091005-budget-fight_0_6774221_story

QUOTE OF THE MONTH

"Spending more, adding extracurricular activities and increasing the percentage of students deemed advanced on state tests could help Wisconsin school districts that want to attract more students," according to David Welsch, an assistant professor of economics at the University of Wisconsin-Whitewater and lead author of a study, which is slated for publication in the Economics of Education Review. **DUH!**

<http://www.jsonline.com/news/education/62482962.html>