

FAIR - AND - ADEQUATE

close tax loopholes

protect public structures

control property taxes

The Institute for Wisconsin's Future newsletter on tax policy

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Major Revenue Wins for Wisconsin



It's been the **best week for tax reform** that Wisconsin has seen in a long, long time, the culmination of years of preparatory work. After much debate and a close vote along party lines, Governor Jim Doyle signed into law a budget-repair bill that includes vital breakthrough tax reforms.

- **Combined reporting** for corporate income, to shut the loopholes used by some major corporations to avoid paying taxes.
- Joining the national Streamlined Sales Tax project moving toward a **sales tax on Internet sales**;
- Extending the **sales tax to digital products** that have avoided taxation;
- Creating a **hospital assessment** that will bring millions of federal dollars to the state and increase federal payments to many Wisconsin's hospitals.

Also this week, Governor Doyle proposed a budget for 2009-'11 that includes additional progressive tax reforms, including two **income tax hikes for the wealthiest households**. One will increase the top marginal income tax rate on households with incomes over \$300,000. The other will partially restore a higher tax on capital gains. These are major steps forward in the long-term effort to rebuild an adequate funding base for transportation, education, public safety and community development, providing a strong foundation for economic growth.

IWF played a major role in this process producing a **series of reports** on the need for tax reform and strategies for change. The first report was an overview of corporate tax avoidance. The second was on the need to increase non-profit hospital contributions to state and local revenue pools—especially important in a state where 92% of hospitals are non-profit. The third, in partnership the Wisconsin Council on Children and Families, was a catalog of revenue options, including all of the reforms endorsed by the governor. The fourth was an analysis of the combined reporting tax policy showing the benefits to small businesses and the minimal impact on most corporations who already operate in states where combined reporting is law. In fact, states with combined reporting have done better at business retention than those states without the policy.



IWF has done **popular education** on protecting local services by closing corporate loopholes, increasing hospitals' contribution to the state and enacting internet sales tax. This effort reached thousands of citizens and local leaders building support for revenue reforms. IWF's Research Director Jack Norman spoke on the issue for state legislators as well as statewide associations of city, county and education leaders. He appeared frequently in the media, emerging as the knowledgeable and eloquent voice of revenue reform.

Working with groups statewide, **IWF has helped move Wisconsin's revenue and funding structure into the 21st century**. This is a vital step toward protecting the community services and infrastructure key to economic recovery in our state.