

Wisconsin Tax Heaven

The Corporate Contribution to State and Local Tax Revenue

December 4, 2006

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INSTITUTE FOR WISCONSIN'S FUTURE

Public Structures

What we value in Wisconsin

“We understand and appreciate that what breathes life and hope and happiness into our ‘homes’ is the quality of our neighborhoods, jobs, schools, parks, services, medical care, and transportation.”

Wisconsin Realtors Association



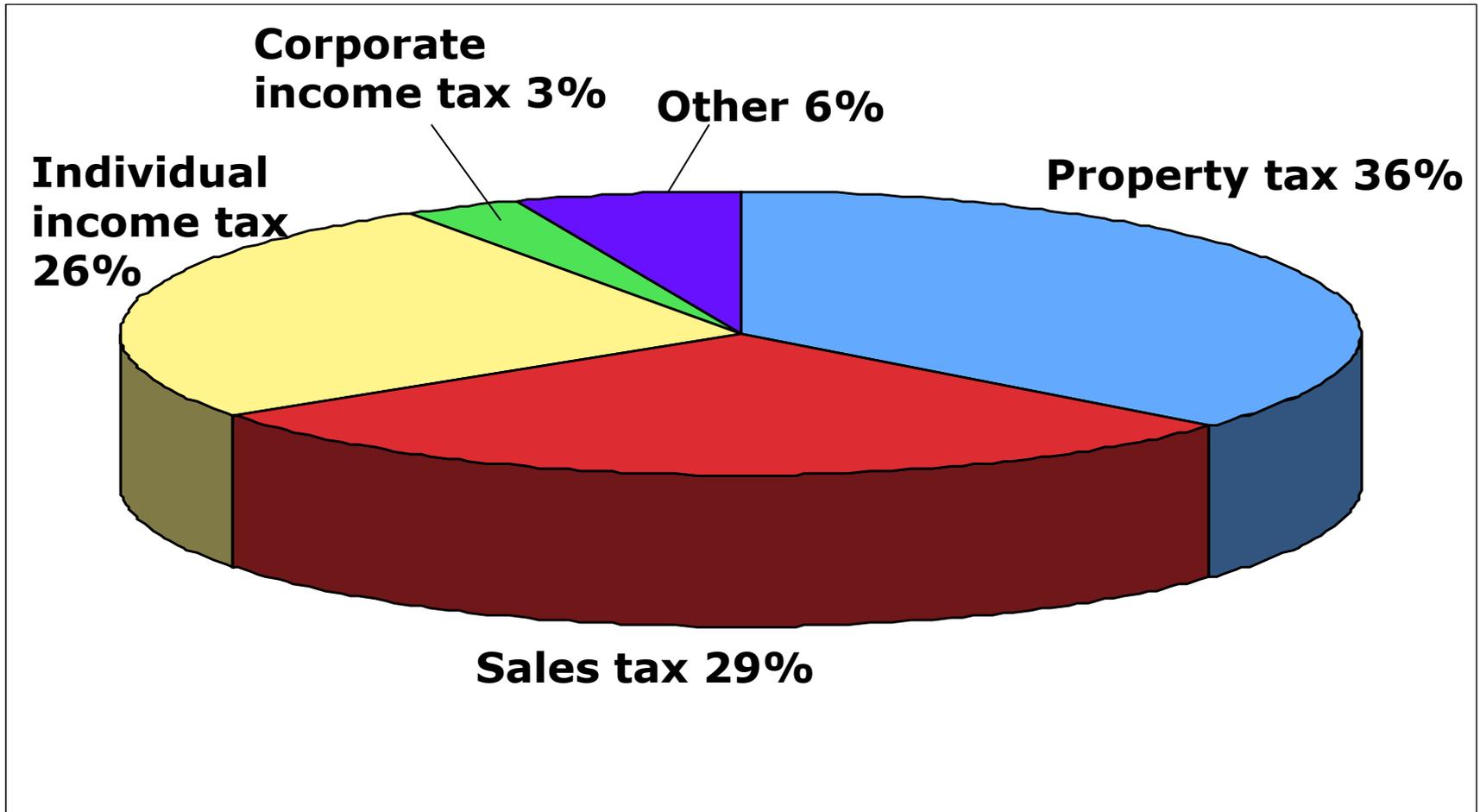
“Wisconsin counts among its many assets...

- A skilled, adaptable and dependable labor force
- A highly developed infrastructure
- An educational system among the best in the country...
- An exceptional quality of life...
- Abundant, well-managed natural resources
- Excellent ground, rail and air transportation...”

Forward Wisconsin

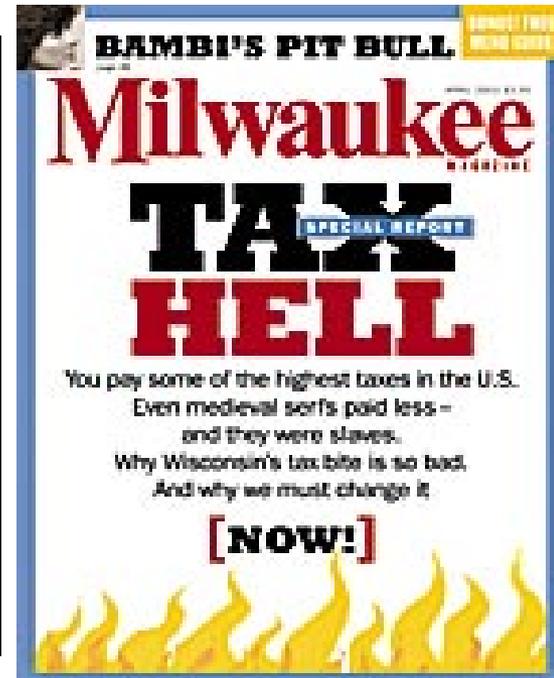
Taxes: Our collective investment in Wisconsin's high quality of life

Wisconsin state & local tax revenue 2004



The attack on taxes

Three examples of the claim that Wisconsin is overtaxed



Wisconsin

Policy
Research
Institute

Report



July 2003

Volume 16, Number 5

**Why
Wisconsin
Has High
Taxes**



**New Report Further Solidifies Wisconsin's Tax Hell Status, Need
for Green's Tax and Spending Limits**

Green calls Wisconsin's high tax burden the "single greatest hurdle" facing our state

Property tax

The largest source of revenue for Wisconsin's state and local services



\$7.4 billion in Wisconsin property taxes (2004) ...

... equal to 4.3% of total personal income ...

... which is **8th highest** among the 50 states

Individual income tax

A second revenue source

1 Wisconsin income tax 2005

For the year Jan. 1-Dec. 31, 2005,
or other tax year
beginning _____, 2005
ending _____, 20__.

Complete form using
BLACK INK

Your social security number	Spouse's social security number	
Your legal last name	Legal first name and middle initials	
If a joint return, spouse's legal last name	Spouse's legal first name and initials	
Home address (number and street)		
City or post office	State	Zip code
Filing status Check <input checked="" type="checkbox"/> box		
<input type="checkbox"/> Single		
<input type="checkbox"/> Married filing joint return		
<input type="checkbox"/> Married filing separate return		

Fill in spouse's full name

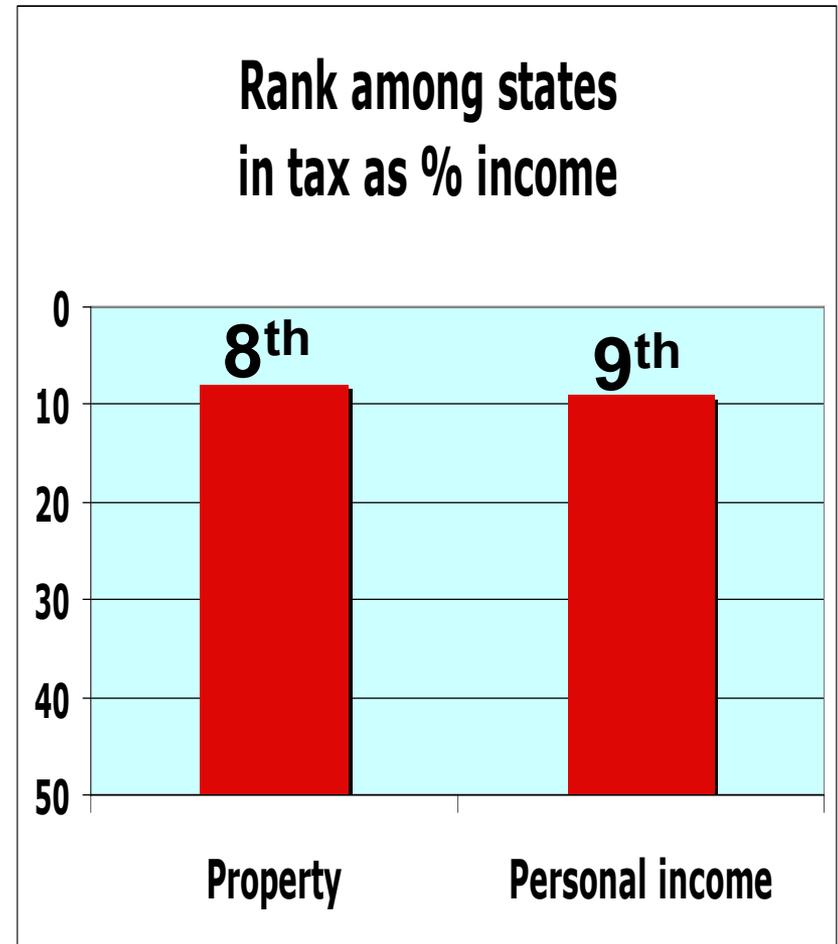
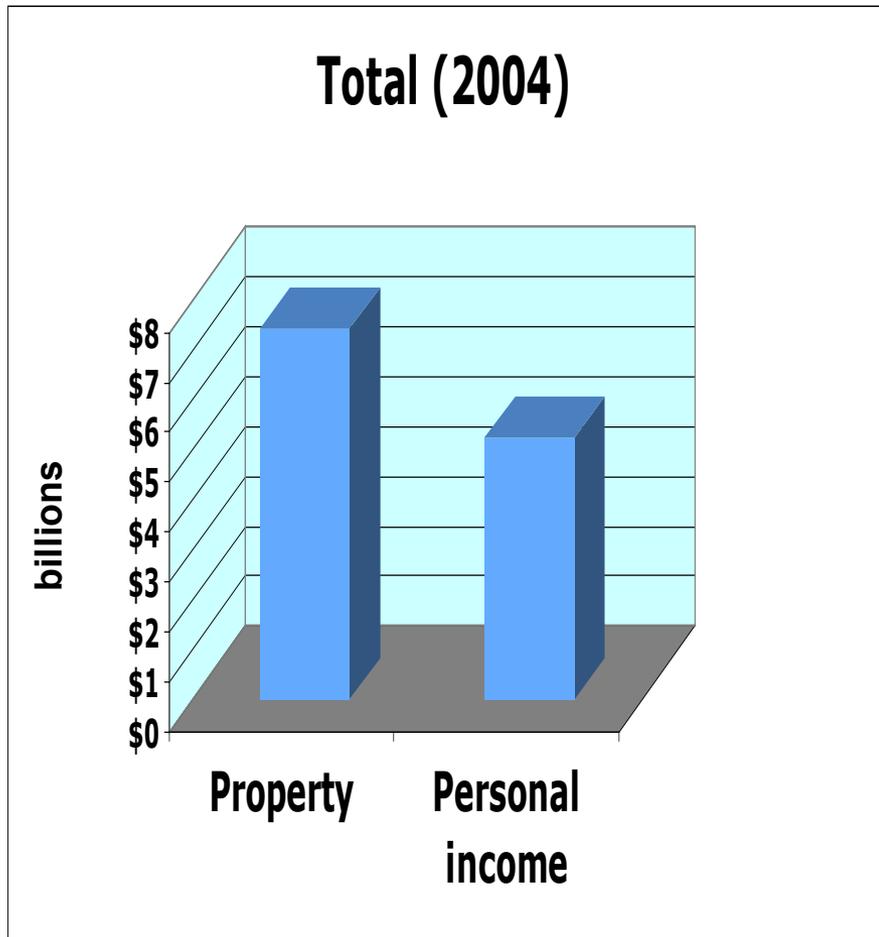
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\$5.3 billion in individual income taxes (2004) ...

... equal to 3.0% of total income ...

... which is **9th highest** among the 50 states

The two 'Attention-getters' in state and local taxes



The story usually stops there



James S. Haney

President, Wisconsin
Manufacturers &
Commerce

(April 2006)

“Our tax burden remains among the highest in the nation. We have ranked in the Top 10 for decades—it’s a chronic problem that needs to be solved.”

But there’s so much more to this tax story

Wisconsin has other revenue sources that are below the national average

Sales (& excise) taxes

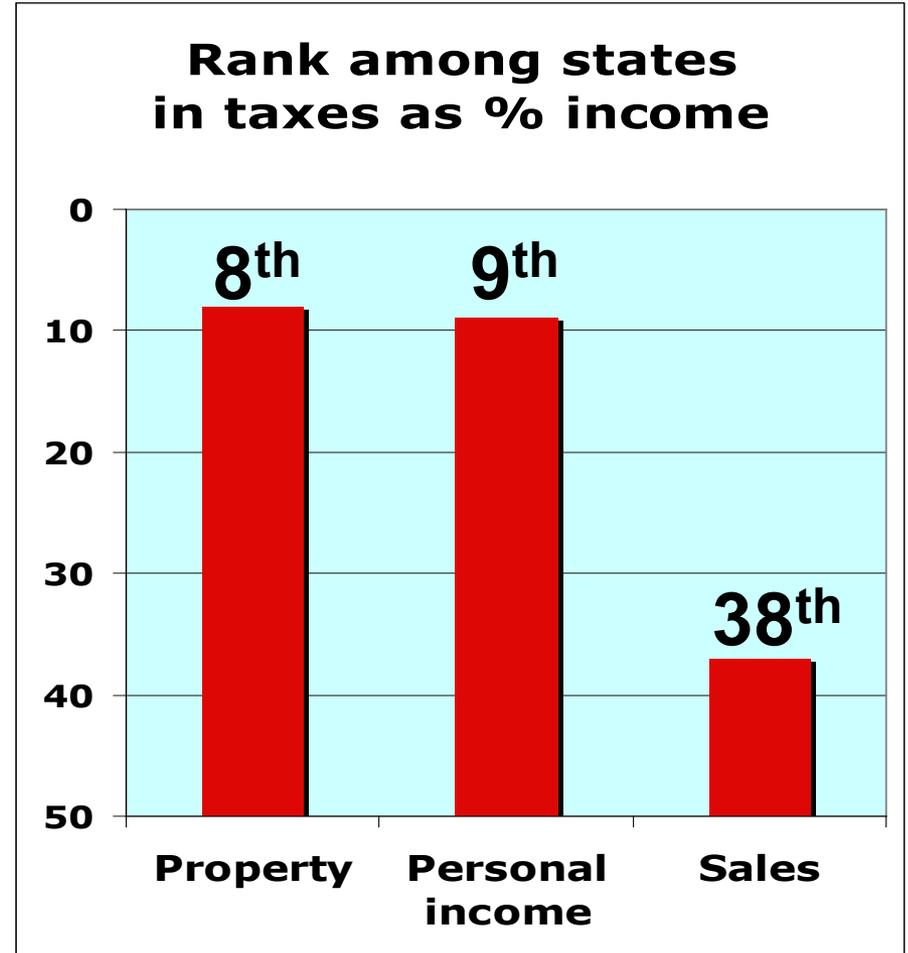


\$5.9 billion in general sales taxes and taxes on gasoline, liquor, tobacco, utility bills (2004) ...

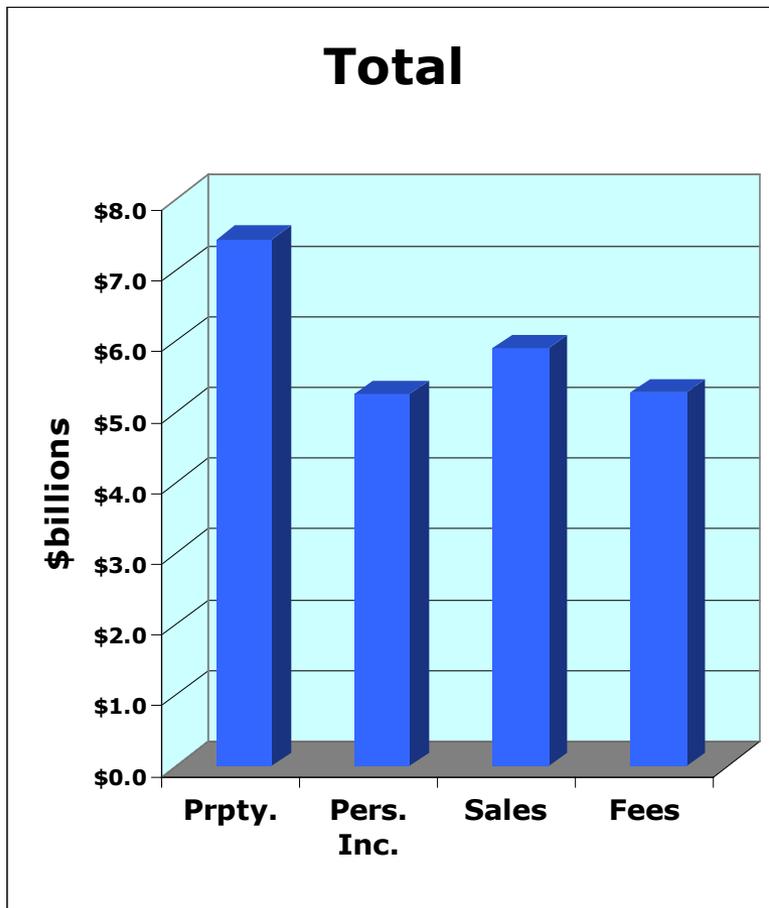
... equal to 3.4% of total income ...

...which is **38th** among the 50 states

Wisconsin sales tax is low compared with other states



Another Wisconsin revenue source below the national average: **State and local fees**



\$5.3 billion in charges
and fees (2004) ...

... equal to 3.1% of
total income ...

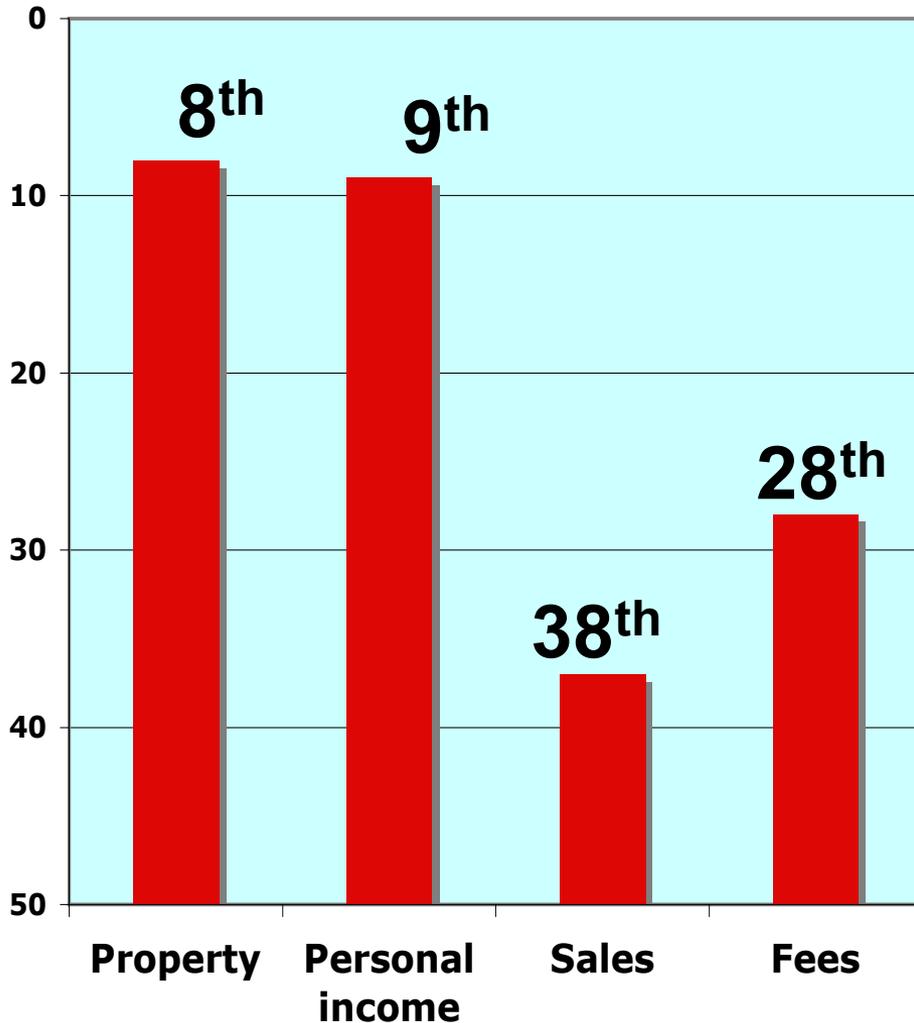
... which is **28th** among
the 50 states

Fees are lower in Wisconsin

- **Toll roads:**
 - Wausau to Madison (143 miles) \$0.00
 - **Florida's Turnpike (143 miles) \$8.60**
- **Auto registration:**
 - Wisconsin \$55
 - **California \$227**
- **Library fee:**
 - Wisconsin \$0.00
 - **Illinois \$50/six months**
- **College Tuition**
 - UW-Madison \$6,220 (engineering undergrad)
 - **Univ. Texas-Austin \$8,432 (engineering undergrad)**



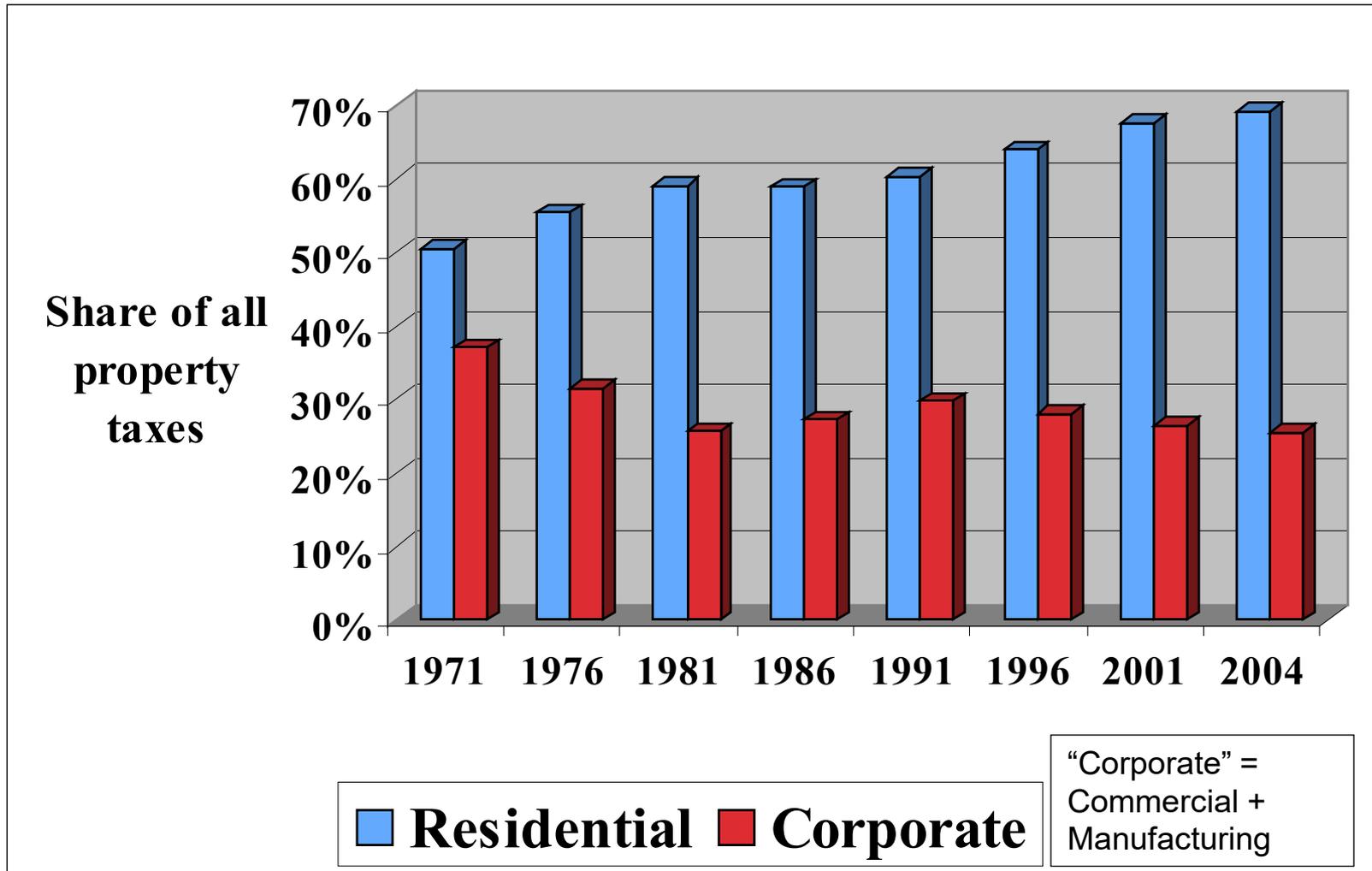
Rank



Wisconsin taxes are only high in two areas—property and personal income.

And when you look closely at property tax, it is not equally high for all taxpayers

Homeowner property taxes grow as corporate share drops



Doesn't the Wisconsin Constitution require "uniform" property taxes?

The Uniformity Clause

ARTICLE VIII.

FINANCE

Rule of taxation| uniform; income, privilege and occupation taxes. SECTION 1. *[As amended Nov. 1908, April 1927, April 1941, April 1961 and April 1974]* The rule of taxation shall be uniform but the legislature may empower cities, vil-

But the Constitution does allow property to be exempt from tax

Some property tax exemptions

Category	Exempt value	Property tax if not exempt
Manufacturing machinery & equipment	\$11.9 billion	\$245 million
Pollution abatement equipment	Not available	Not available
Computers	\$3.1 billion	\$74 million
Manufacturing inventory	Not available	Not available

Corporations enjoy many tax cuts unavailable to the average household

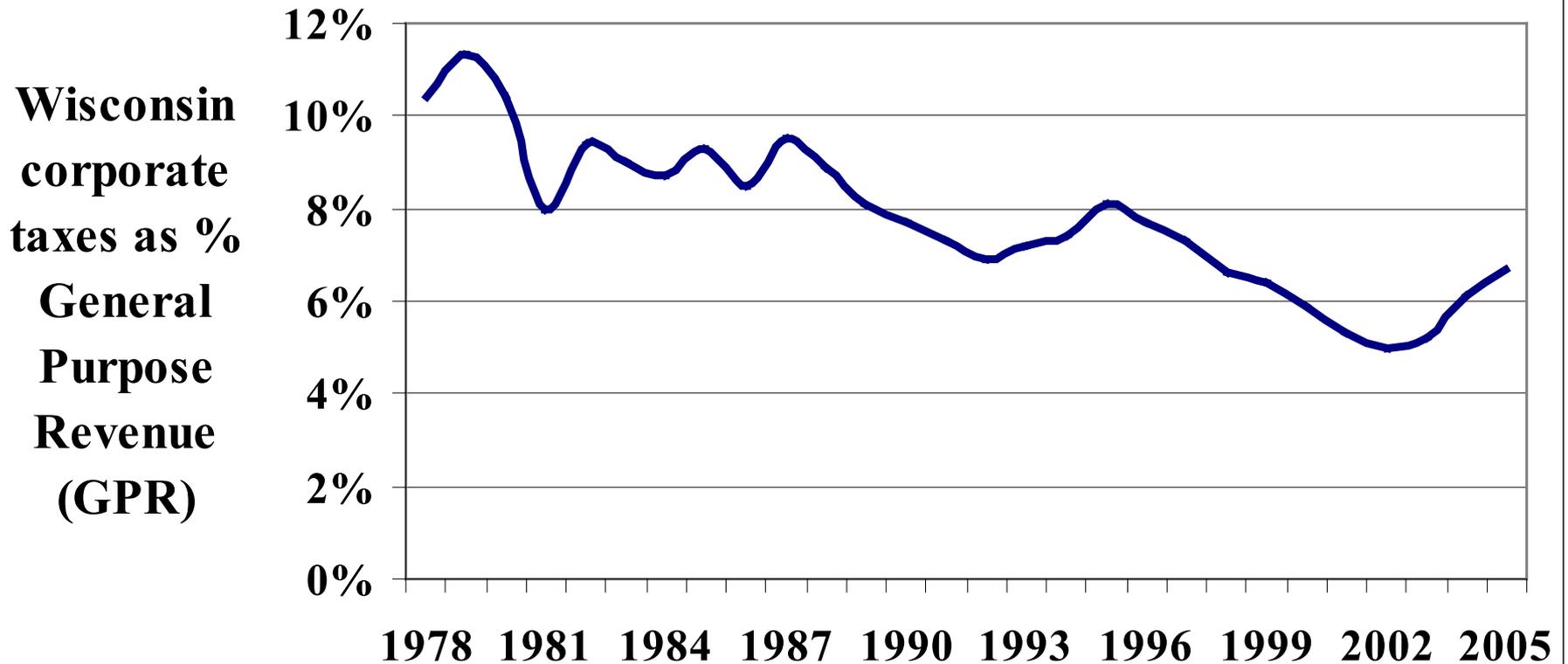
Here are some sales tax exemptions

Category	Value of exemption
Manufacturing machinery & equipment	\$159 million
Vehicles sold to commercial carriers	\$24 million
Legal services	\$113 million
Architectural, engineering and surveying services	\$75 million
Accounting services	\$56 million
Advertising	\$103 million
Computer services	\$136 million
Management consulting/public relations	\$56 million
Credit rating and collection services	\$10 million

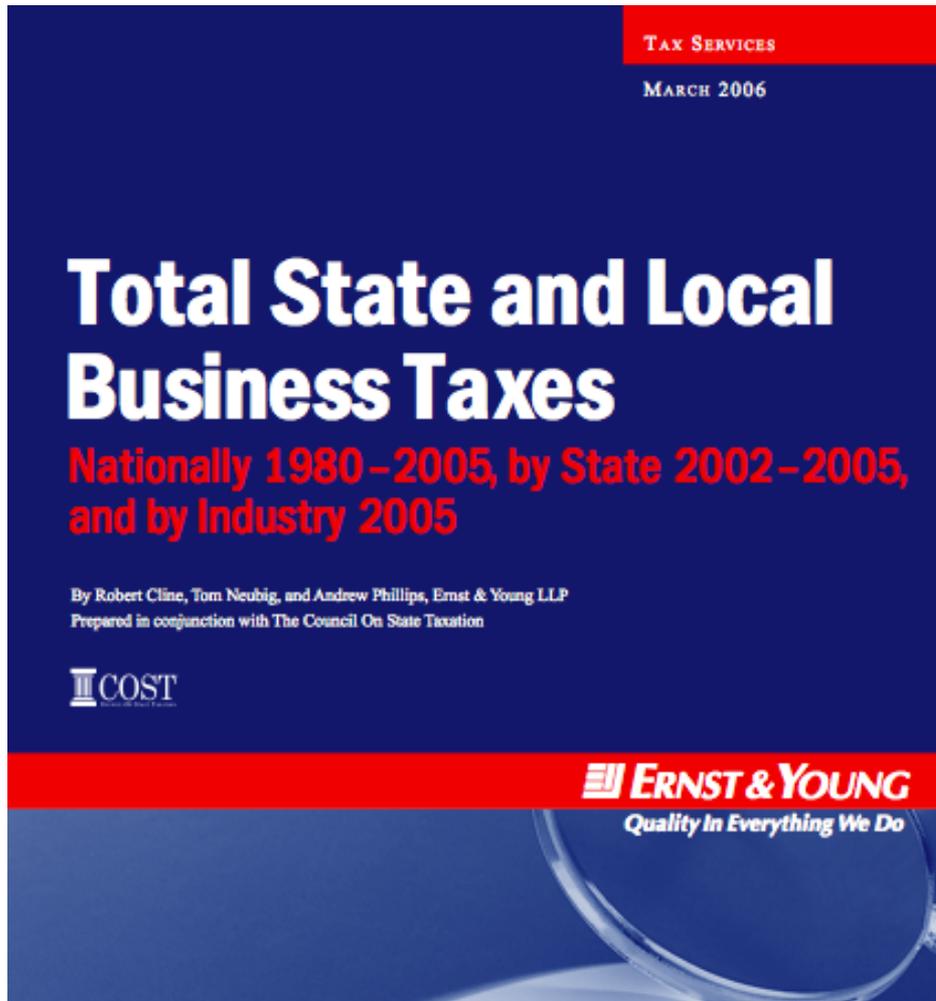
And there are many credits for the corporate income tax

Income tax credit program	Value 2004
Manufacturing sales and use tax	\$39 million
Research expense	\$17 million
Research facilities	\$1 million
Dairy and Livestock investment	\$13 million
Farmland Preservation	\$13 million
Farmland Tax Relief	\$11 million
Historic Rehabilitation	\$2 million
Development Zone	\$56 million (2001-'04)

Indeed, corporate income tax is a declining share of state tax revenue



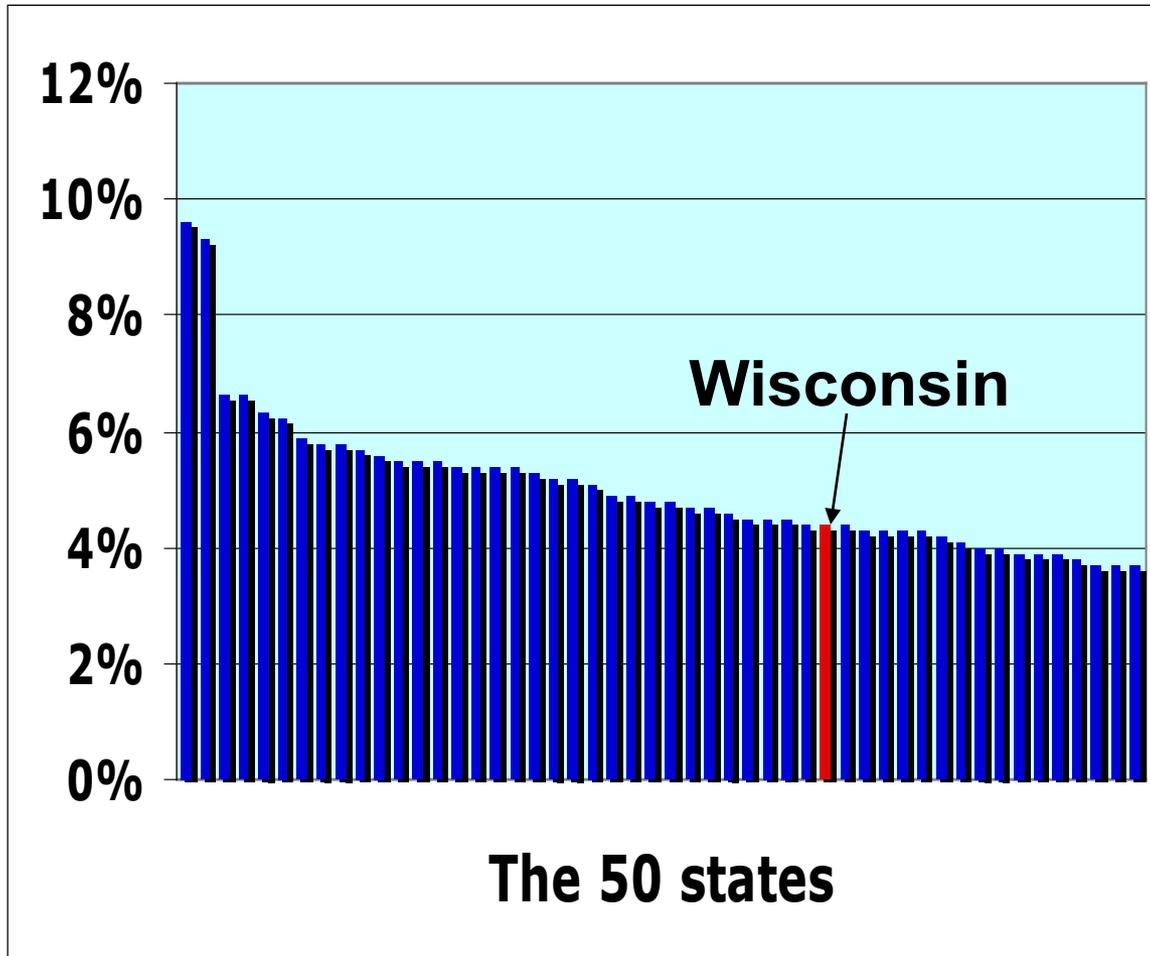
The business community's own measure of business taxes



Ernst & Young, the second largest accounting firm in the U.S., publishes an annual review of state and local business taxes

Ernst & Young on Wisconsin

Method A: 33rd among the states

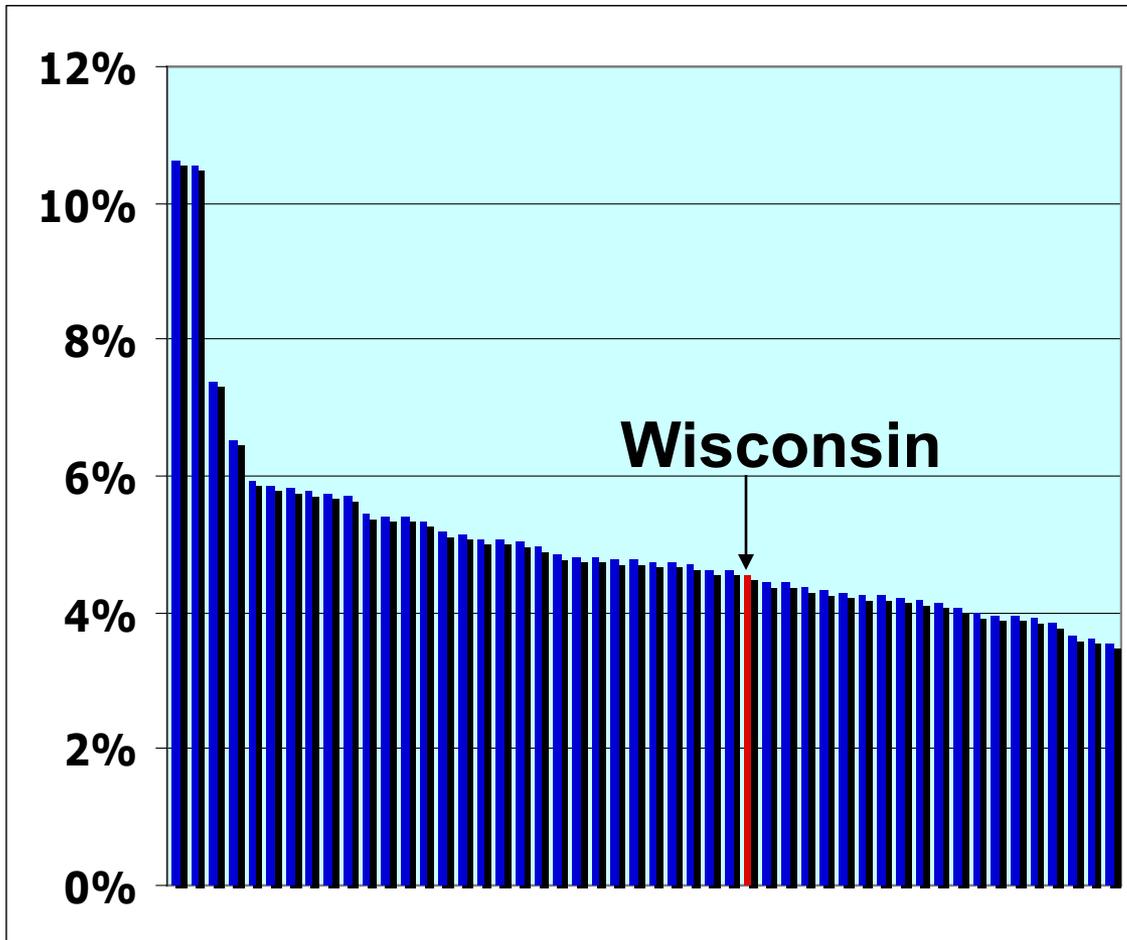


Total business taxes as a percentage of private-sector gross state product

Source: Ernst & Young

Ernst & Young on Wisconsin

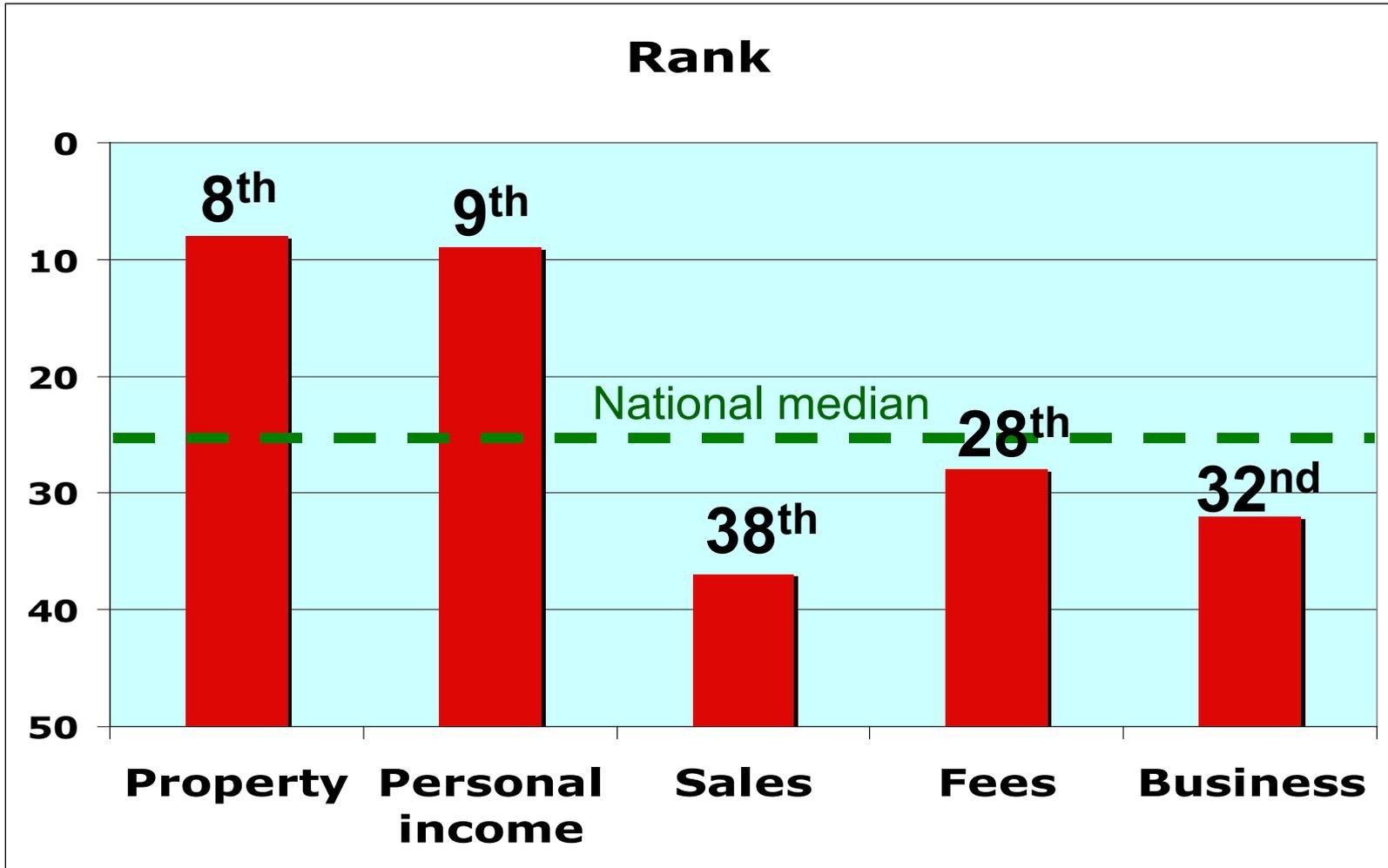
Method B: 31st among the states



Total business taxes as a percentage of total personal income

Source: Ernst & Young

An accurate view of Wisconsin's rank among states



Business brags about low taxes



Forward Wisconsin is a state marketing and business recruitment organization.

<http://forwardwi.com>

- “Wisconsin business taxes are lower than those in 35 other states.”
- “Wisconsin ranks fourth lowest in the nation in business taxes as a percent of all state and local taxes.”
- “The state's business-friendly attitude is reflected in positive business tax changes that have been made in every biennial legislative session since the early 1970s.”
- “Corporate Income Tax... rate has not been changed in the past 20 years.”
- “Wisconsin's business taxes are among the lowest in the country.”

Wisconsin corporate income tax: Two-thirds of firms pay zero tax

Gross receipts (2003)	# of firms	% with \$0 net tax
\$0 to \$100,000	14,146	80%
\$100,000 to \$1 million	17,274	68%
\$1 million to \$10 million	12,524	57%
\$10 million to \$100 million	6,425	58%
Over \$100 million	4,275	62%
Total corporate filers	54,644	67%

An insider's view of corporate income tax

**Including previously undisclosed Wisconsin
income tax payments by individual companies**

*But some precautions are
necessary, in order to
avoid violating state law.*



How to get income tax data Form P-100 and its 'secrecy clause'

APPLICATION TO ASCERTAIN WISCONSIN NET INCOME TAX REPORTED AS PAID OR PAYABLE

(Enclose fee of \$4.00 for each income year for which you desire information)

SEND TO:
Wisconsin Department of Revenue
Central Files Section
P.O. Box 2995
Madison, WI 53708-0903
Telephone (608) 266-2690
Fax # (608) 261-4507

Date _____

I, _____ whose address is _____
(Print or type) (Street or R.R. No.)

_____ (Post office) (State) (Zip code)

hereby make application to ascertain the Wisconsin income tax reported as paid or payable for the year _____

_____ of the following named taxpayer:

Name of taxpayer _____
(Print or type)

Address of taxpayer _____
(Include street, city & state)

Business or occupation _____

If this information is obtained for any person other than the applicant or for any firm or corporation, state name and address of that person, firm or corporation. (If none, write "None.")

Reason for requesting this information _____

In making this application I hereby affirm and declare that I understand the provisions of Section 71.78(2) of the statutes relating to the divulgement, publication, or dissemination of information obtained from the above stated Wisconsin income tax return; that I am a resident of the state of _____, and that the information obtained is not for the use or benefit of a nonresident person or firm, or a foreign corporation.

(Signature of applicant)

Notary Public - Complete this section for mailed applications.

State of _____ }
County of _____ } SS

On this the _____ day of _____, 19____, before me,

_____, the undersigned officer, personally appeared

_____, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and acknowledge that he/she executed the same for the purpose therein contained.

IN WITNESS WHEREOF I hereunto set my hand and official seal.

(SEAL) _____
Notary Public _____ County _____ State _____

LEAVE BLANK

Nature of identification:
Driver's license number, other identifying documents, or personally known by _____

Address of taxpayer shown on latest return _____
Fee paid _____ Date of notice to taxpayer _____ Years provided _____

By: _____
(Person in charge)

"I hereby affirm and declare that I understand the provisions of Section 71.78(2) of the statutes relating to the divulgement, publication, or dissemination of information obtained from the above stated Wisconsin income tax return..."

The law and its ‘loopholes’



**“...no person may divulge or circulate
... information ...**

**...This subsection does not prohibit
publication by any newspaper ...**

**... or prohibit any public speaker
from referring to such information in
any address ...”**

Some national brands

Company	2003 Wis. income tax	2003 profits
Coca-Cola	\$596,532	\$0.7 billion
Exxon Mobil	\$913,726	\$21.5 billion
Home Depot	\$1,161,896	\$3.7 billion
Kimberly-Clark	\$0	\$1.7 billion
Kraft Foods	About \$8 million*	\$3.5 billion
McDonald's	\$0	\$1.5 billion
Merck	\$0	\$6.8 billion
Microsoft	\$0	\$7.5 billion
PepsiCo	\$0	\$3.6 billion
Target	\$547,292	\$1.6 billion
Wal-Mart	\$547,096	\$8.0 billion

Source: Wisconsin Department of Revenue

* Based on company statements to media

Biggest Wisconsin public firms

Company	2003 Wis. income tax	2004 tax
Johnson Controls	\$0	-
Manpower	\$0	\$0
Kohl's	\$0	-
Harley-Davidson	About \$13 million	-
Rockwell Automation	\$0	-
Fiserv	\$0	-
Marshall & Ilsley	\$0*	-
Briggs & Stratton	\$2,428,975	-
Snap-on	\$0	\$0
Oshkosh Truck	\$2,619,019	-

* Based on company statements to media

**Marshall & Ilsley subsidiaries did pay. See later slides for details

Sources: Wisconsin Department of Revenue; *The Business Journal of Milwaukee*

Largest Wisconsin public companies, continued

Company	2003 Wis. income tax	2004 tax
The Manitowoc Co.	\$0*	\$0
MGIC Investment	\$0	\$0
A.O. Smith	\$0	\$0
Modine Manufacturing	\$74,008	\$278,932
Banta	About \$1 million*	\$85,196
Joy Global	\$0	-
Sensient Technologies	\$0	\$0
Wausau Paper	\$0	\$0
School Specialty	\$0	\$0
Associated Banc-Corp	\$0	\$0
Journal Communications	\$0/\$1,235,017**	\$0/\$2,553,312**
Actuant	\$0	-
Brady	\$0	-

*Based on company statements to media

**Tax payments are for Journal Sentinel Inc. subsidiary

Sources: Wisconsin Department of Revenue; *The Business Journal of Milwaukee*

Largest public companies, continued

Company	2003 Wis. income tax	2004 tax
Bucyrus International	\$0	\$0
Marten Transport	\$44,479	\$22,734
Gehl	\$0	\$0
Johnson Outdoors	\$0	-
Anchor BanCorp	\$2,450,690	-
The Marcus Corp.	\$36,373	-
Weyco Group	\$806,405	\$1,453,579
Twin Disc	\$0	\$0
Ladish	\$0	\$0
Badger Meter	\$125,798	\$418,391
Bank Mutual	\$61,452	\$0
State Financial Services	\$0	\$0

Case study: Johnson group

	2000	2001	2002	2003	2004
Johnson Bank (Milwaukee)	-	-	\$0	\$0	\$0
Johnson Bank (Racine)	\$0	\$0	\$0	\$0	\$0
Johnson Financial Group	\$0	\$0	\$0	\$0	\$0
Johnson Outdoors	\$0	\$0	\$0	\$0	-
JohnsonDiversey	\$0	\$0	\$0	\$0	\$0
S.C. Johnson & Son	-	-	\$0	\$0	-

JohnsonDiversey bonuses grow

“In the past year, JohnsonDiversey Inc. has laid off 10 percent of its staff, sold a major business and reduced its debt by about 40 percent. Now its top management is headed toward cash incentive payments ranging from \$800,000 to \$4.4 million each.” (*The Business Journal of Milwaukee* Nov. 17, 2006)

Case study: Banks

Big Firms Avoid State Tax

Banks Especially Aggressive In Using Loopholes

The Capital Times :: FRONT :: 1A

Wednesday, May 14, 2003

“...Banks in Wisconsin have been especially aggressive in their use of shell subsidiaries to reduce their tax liability. The Department of Revenue now estimates over 80 percent of state banks have established subsidiaries in Nevada, a state with no corporate income tax...”

4 Banks Cut State Tax Deal

Monday, July 12, 2004

“...Department of Revenue officials contend state law prohibits them from releasing details of individual audits and settlements...”

Banks: M&I, the state's biggest

	'97	'98	'99	'00	'01	'02	'03	'04
Marshall & Ilsley Corp.	\$0	\$0	\$0	\$6,032,124	\$295,255	\$0	\$0	\$0
M&I Marshall & Ilsley Bank	\$420,710	\$574,274	\$780,830	\$1,173,789	\$3,350,103	\$3,716,112	\$5,464,139	n.r.
Marshall & Ilsley Trust Co.	-	-	-	\$2,560,830	\$2,266,981	\$1,896,708	\$2,001,897	\$1,141,303
M&I Bank of Mayville	-	-	-	-	\$4,875	\$3,727	\$2,270	\$3,031
M&I Marshall & Ilsley Bank (Fond du Lac)				n.r.	n.r.	n.r.	n.r.	n.r.
M&I Marshall & Ilsley Bank (Green Bay)				n.r.	n.r.	n.r.	n.r.	n.r.
M&I Marshall & Ilsley Bank (Kenosha)				n.r.	n.r.	n.r.	n.r.	n.r.

Banks: Associated, #2 in state

	'00	'01	'02	'03	'04
Marshall & Ilsley Corp.	\$6,032,124	\$295,255	\$0	\$0	\$0
M&I Marshall & Ilsley Bank	\$1,173,789	\$3,350,103	\$3,716,112	\$5,464,139	n.r.
Marshall & Ilsley Trust Co.	\$2,560,830	\$2,266,981	\$1,896,708	\$2,001,897	\$1,141,303
Associated Banc-Corp	\$0	\$0	\$0	\$0	\$0
Associated Bank	-	-	\$0	\$0	-
Associated Trust Co.	\$151,003	\$0	\$0	\$0	\$0

Source: Wisconsin Department of Revenue

n.r. = "no record"

- = did not request or not yet received

Banks: Settling the Nevada issue?

	'00	'01	'02	'03	'04
AnchorBank	\$728,983	\$0	\$2,159,170	\$2,450,690	-
Business Bank (Appleton)	\$0	\$0	\$31,417	\$95,685	\$229,083
Charter Bank Eau Claire	\$0	\$48,990	\$254,131	\$428,221	\$660,713
First Banking Center	\$0	\$0	\$0	\$0	\$632,784
First Business Bank-Madison	\$0	\$0	\$0	\$0	\$0
First Business Bank-Milwaukee	\$0	\$0	\$0	\$0	\$0
First National Bank in Manitowoc	\$0	\$0	\$0	\$181,304	\$418,352
Great Midwest Bank	\$0	\$178,197	\$491,450	\$456,682	\$33,068
National Exchange Bank	\$0	\$0	\$0	\$0	\$1,196,746
Ozaukee Bank	\$0	\$0	\$306,246	\$671,951	\$542,564
Park Bank	\$0	\$45,242	\$103,908	\$162,360	\$147,986
Peoples Bank of Wis.	\$0	\$0	\$0	\$84,105	\$489,402
Wauwatosa Savings Bank	\$0	\$0	\$210,071	\$177,895	\$338,161

Wisconsin Manufacturers & Commerce (WMC)

Leading the fight for lower taxes



**Tell Your Legislator: "Let the People Decide!"
We Need the Wisconsin Taxpayer Protection Amendment!**

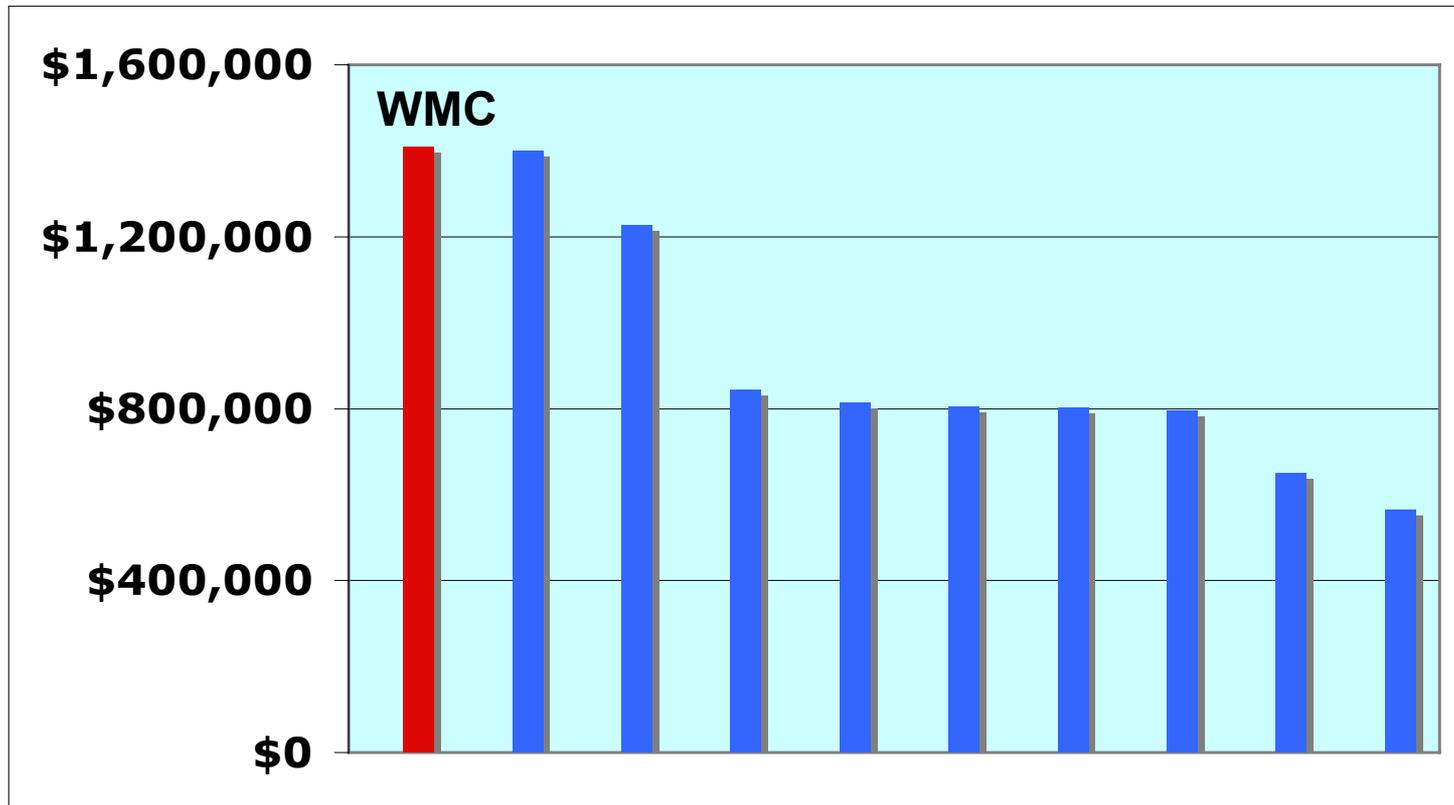
WMC's Anti-tax campaign: Advertising in all media



WMC: No. 1 lobbyist

Most lobbying spending in Wisconsin

Top 10 lobbyists: 2005-06



Source: Wisconsin Ethics Board

WMC leadership: Cut our taxes!



Terry D. Growcock
Chairman and Chief Executive Officer
The Manitowoc Company, Inc.

WMC Chairman Terry D. Growcock

“Growcock ... cited what he called **excessive corporate taxation** ... Growcock said Wisconsin's **corporate tax rate is high ...**”

(Manitowoc Times Reporter Jan. 15, 2006)

WMC President James S. Haney

“Wisconsin should strongly consider: **Eliminating the corporate income tax**—That’s right, not reducing it, not providing more credits, getting rid of it altogether.”

(WMC statement, June 26, 2006)

“Excessive corporate taxation”

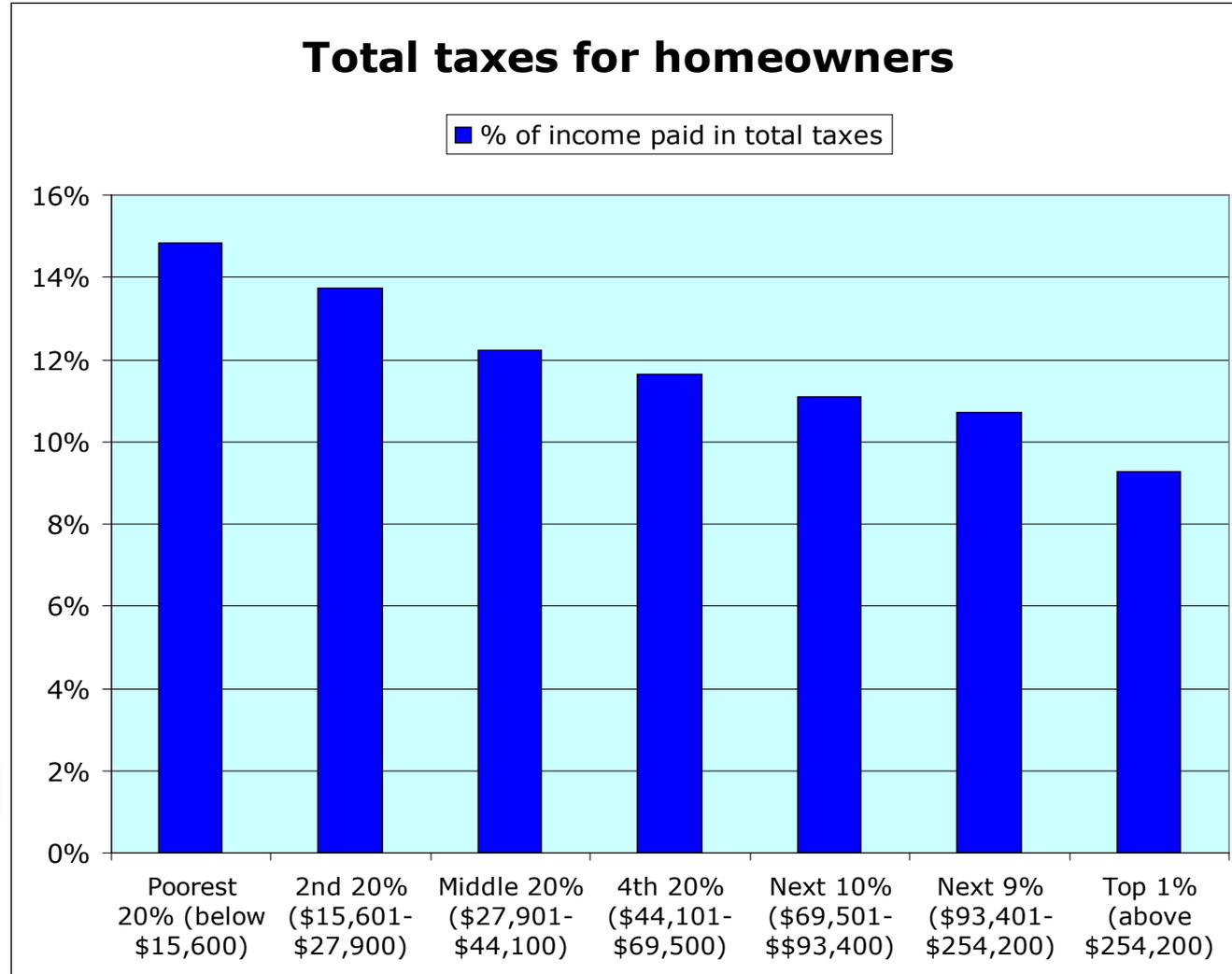
for WMC’s Board of Directors?

Company	2003 Wis. income tax	2004 tax
Ariens	\$0	\$0
Associated Banc-Corp	\$0*	\$0*
Badger Meter	\$125,798	\$418,391
Castle-Pierce Printing	\$0	-
Church Mutual Ins.	\$309,806	340,243
ConAgra	\$0	\$124,234
D&S Manufacturing	\$146,872	\$151,533
Deere & Co.	\$0	-
Emerson	\$0	\$0
Greenheck Fan	\$0	\$0
Hutchinson Tech.	\$0	\$0

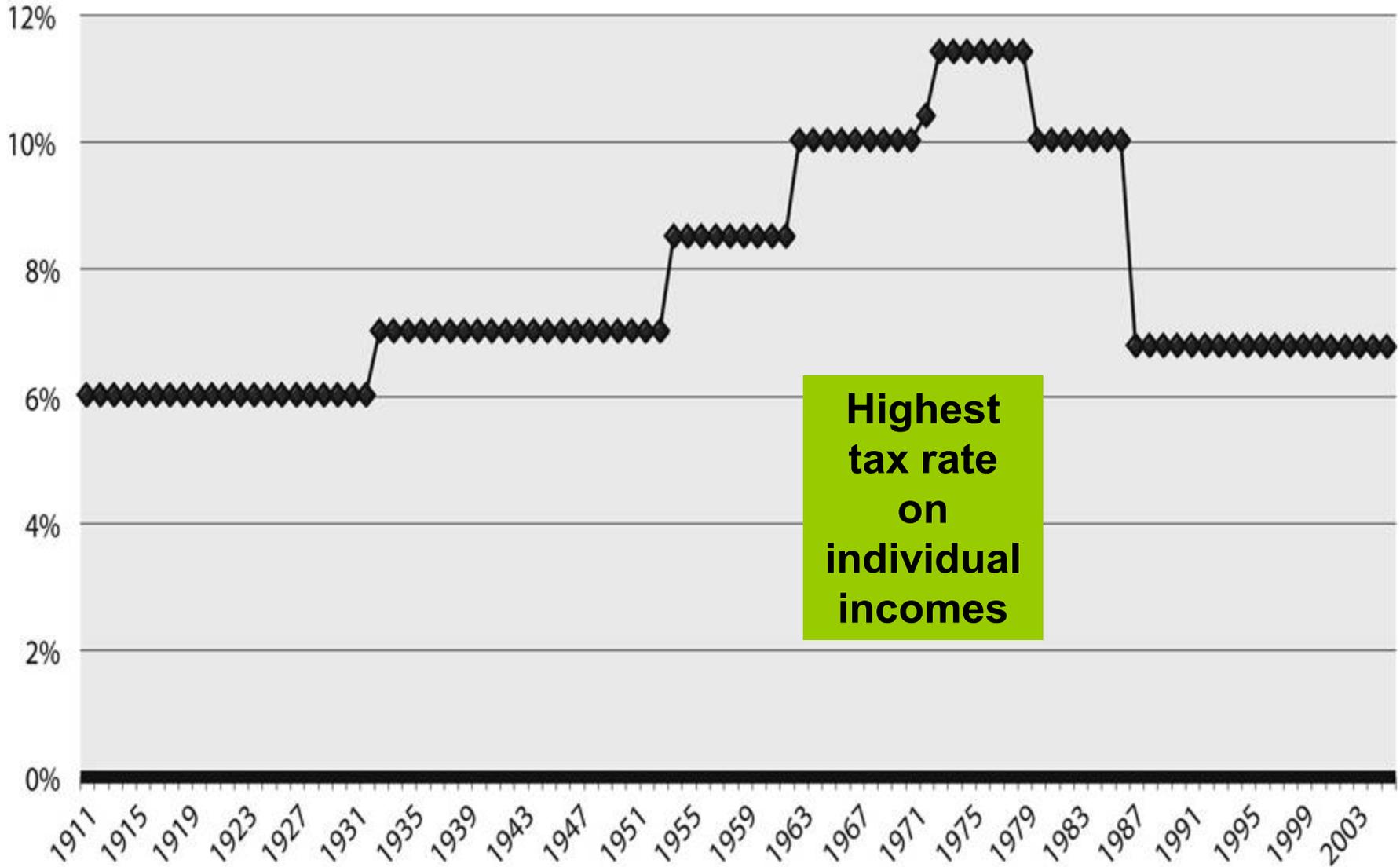
Company	2003 Wis. income tax	2004 tax
J.P. Cullen & Sons	\$0	\$0
Janesville Sand & Gravel	\$112,558	\$127,409
Lakeside Foods	\$476,069	\$120,236
Market & Johnson	\$0	\$0
Northwestern Mutual	\$526,689	-
Quad/Graphics	\$2,675,187	\$2,164,306
Sentry Insurance	\$1,775,667	\$2,758,965
Serigraph	\$0	\$0
Snap-On	\$0	\$0
The Manitowoc Co.	\$0	\$0
The Swiss Colony	\$320,539	\$470,998
U.S. Bank	\$298,660	\$1,245,559
Wausau Paper	\$0	\$0
Webcrafters	\$0	\$0

So who does pay for Wisconsin's quality of life?

Under the current tax system, lower income married homeowners have the highest burden of state and local taxes



Income-tax rate for the wealthy at lowest level since 1931



Source: Wisconsin Legislative Fiscal Bureau

Tax Cut Fever



Causes:

- Stagnant wages
- An unfair tax system that creates higher taxes for working families
- Inaccurate propaganda to rationalize corporate tax welfare
- Revenue shortfalls that lead to annual cuts in state and local services

Prognosis: A state losing the very qualities that attract people and businesses

How do we keep Wisconsin a wonderful place to live?

- **Ensure there is adequate revenue to maintain schools, roads, the environment and the local services that citizens need**
- **Make sure all entities are paying their fair share**
- **Make sure revenue and spending decisions are based on comprehensive and accurate information**



Wisconsin needs better laws for disclosing who pays what in taxes

Even WMC pushes ‘transparency’



Wisconsin’s Business Tax Climate Needs Serious Improvement

By Jeff Schoepke, Director, Tax & Corporate Policy, Wisconsin Manufacturers & Commerce

“The more transparent a tax system, the easier for taxpayers to know what taxes they actually pay and for what purpose.”

Wisconsin needs a tax disclosure law that shows:

- Tax Incidence [how tax responsibility is distributed among income groups and other categories]**
- Tax expenditures [a full list of tax credits and other tax cut programs for corporations that reduce state and local revenue]**
- Income tax payments [easy-to-access data on corporate income tax payments]**

State auditors agree

“We recommend the Legislature consider enacting public disclosure requirements to improve transparency in the use of state funds for economic development projects.”

A Review of State Economic Development Programs

Wisconsin Legislative Audit Bureau

August 2006

We have inherited the work of many generations who built a state that is robust, intelligent, healthy and compassionate

It is our responsibility to leave Wisconsin even better for the next generation



The tax system provides resources for that effort. Our current system is distorted. The challenge is to expose its problems and reform it so it is both adequate and fair.