

# Citizens' guide to a strong community



Protecting what we rely on and cherish  
in Milwaukee and Wisconsin

March 19, 2007

Institute for Wisconsin's Future  
[www.wisconsinsfuture.org](http://www.wisconsinsfuture.org)

# We all need strong Public Structures: Government systems that boost the economy and serve the common good



# Why we value Public Structures

**“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**

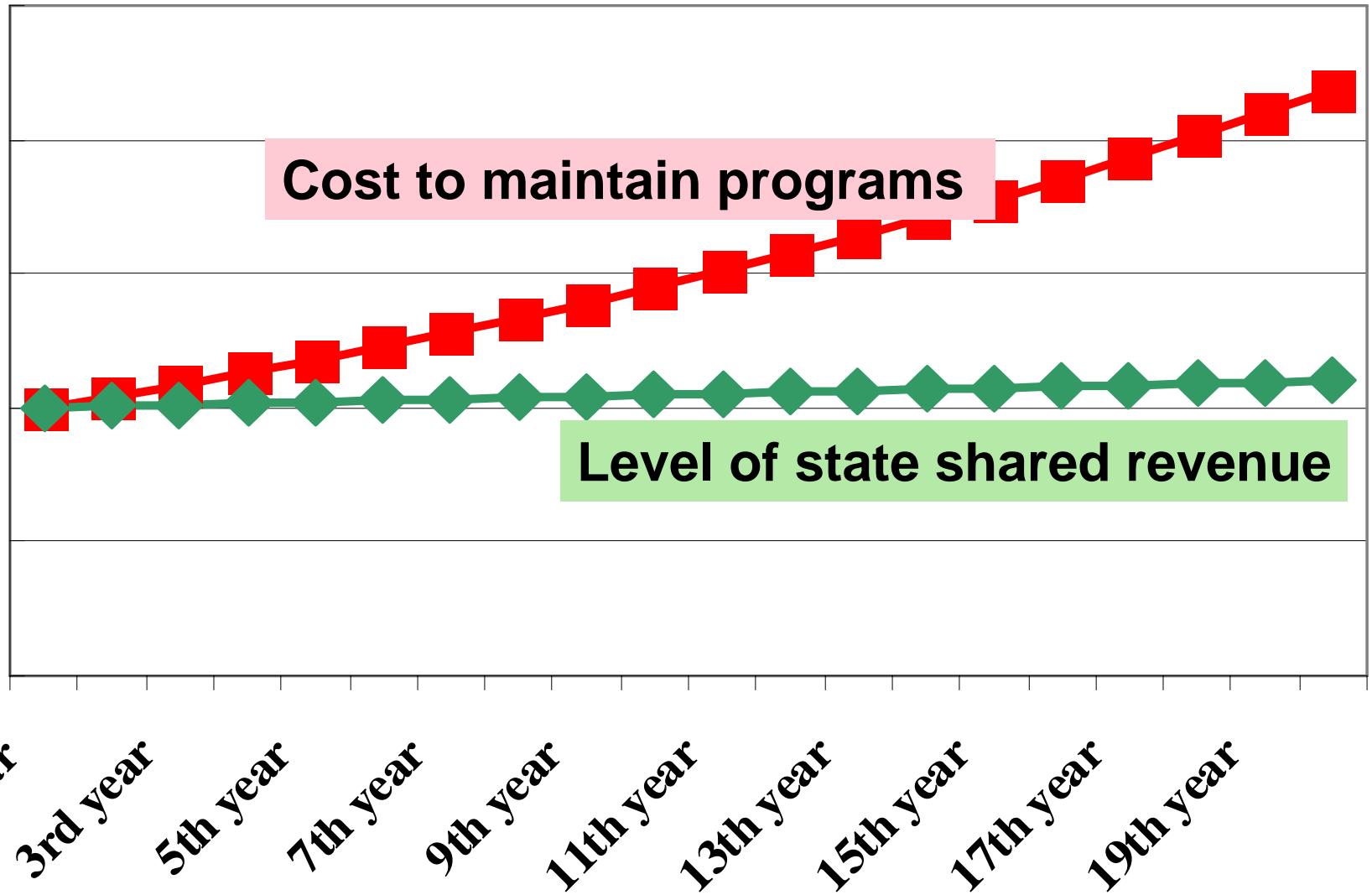


# Strong public structures are like healthy plants

Programs that serve community and business needs require a broad base of revenue sources to work effectively. If we lose funding from one source, the cost to other groups goes up and/ or... we are forced to cut necessary services.

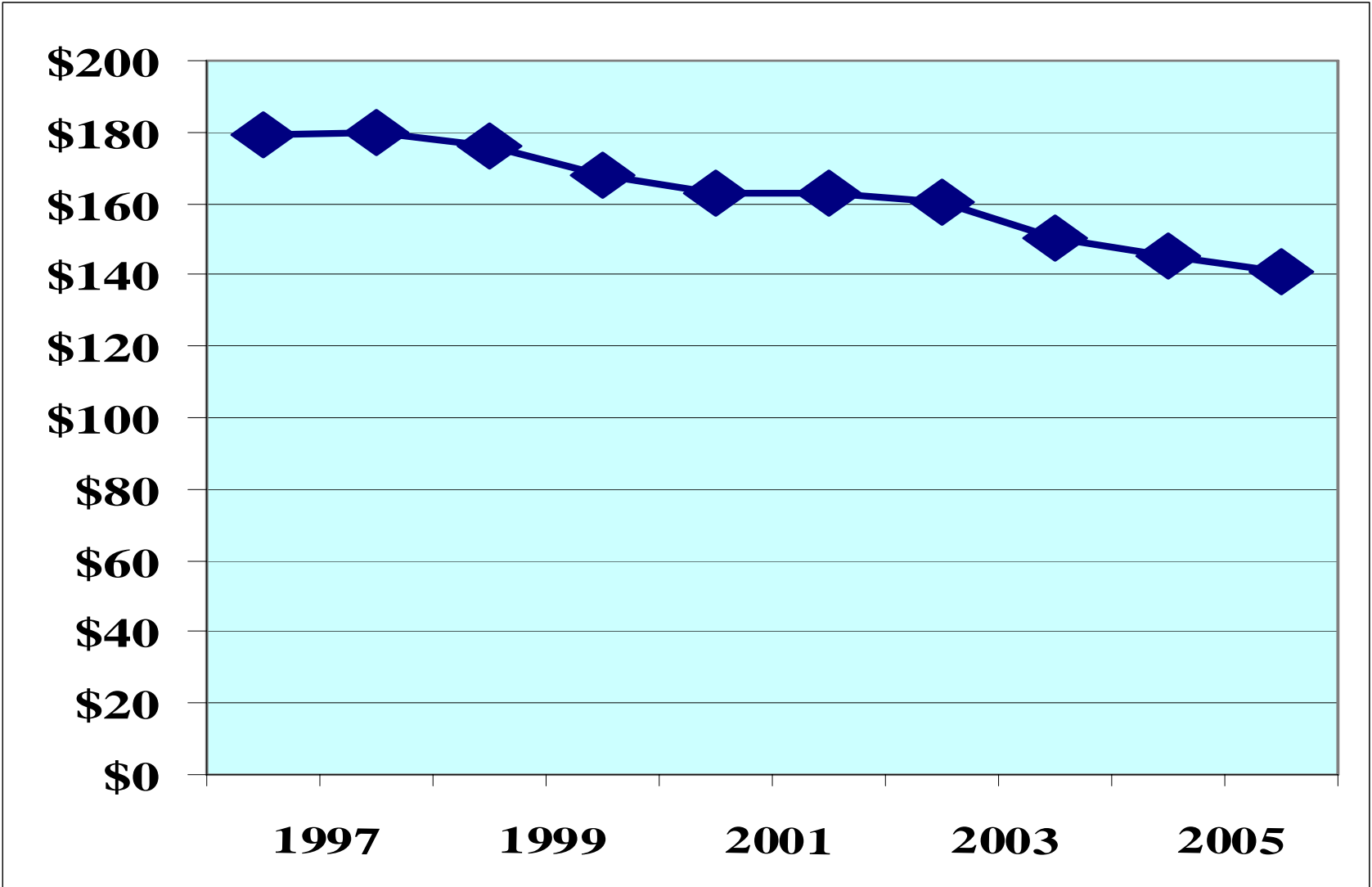


# State shared revenues are not keeping up with the cost to continue local services



# Shared revenue is lower in Milwaukee (inflation adjusted – in millions of dollars)

source: City of Milwaukee



# Milwaukee and other cities have been forced to cut important public services ...



Firefighter staffing has been reduced

Libraries are closed more and are unable to purchase new materials.



There are fewer workers to handle garbage pickup and snow removal

# Building economic growth depends on quality Public Structures

**“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**



**“You can’t cut your way to prosperity.”**

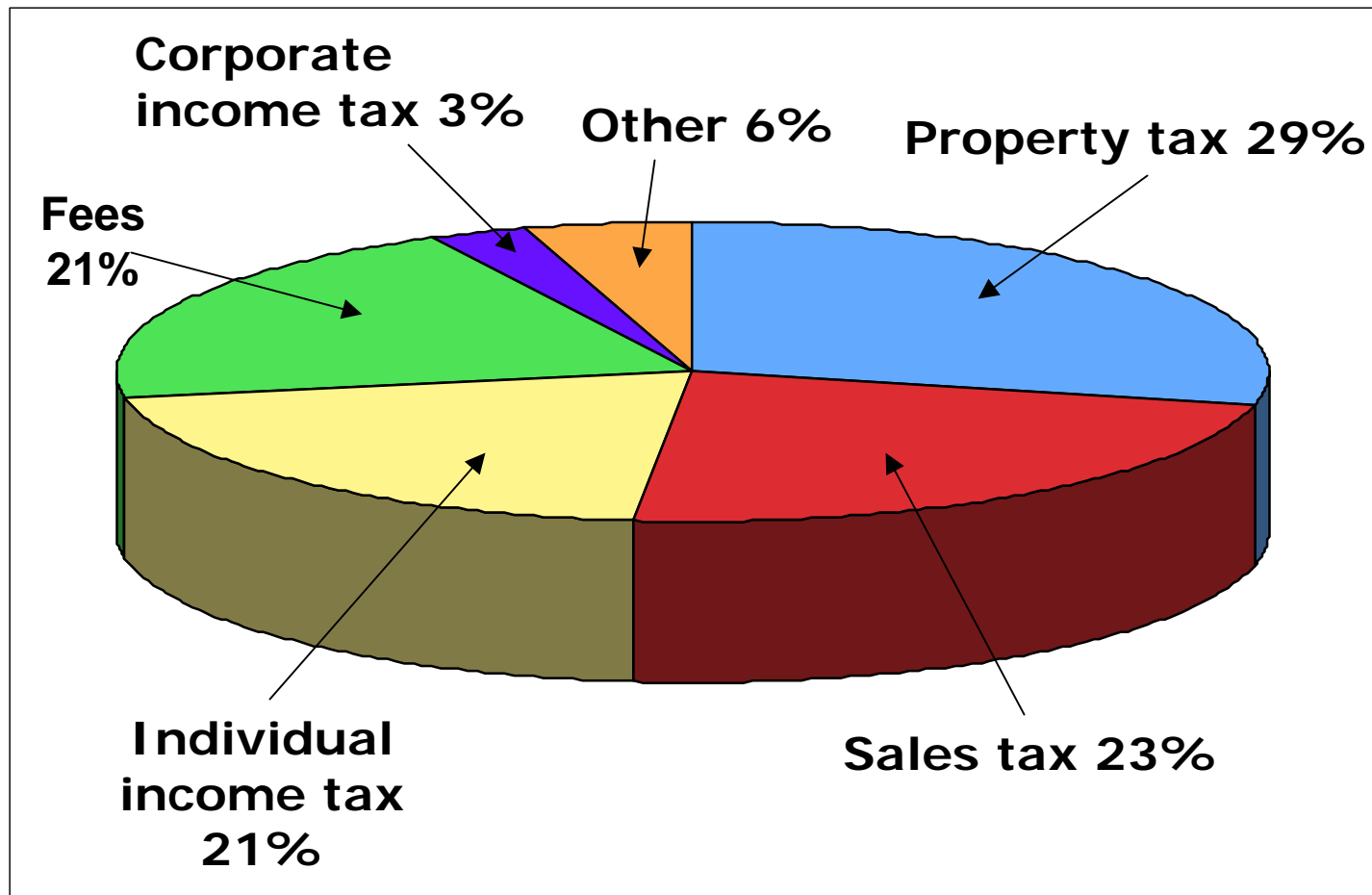
**Tim Sheehy, President-Metropolitan Milwaukee Chamber of Commerce**

*(Milwaukee Journal Sentinel, May 26, 2006)*



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

## Wisconsin state & local revenue 2004



# Property tax

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




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

4.3% of total personal income (\$2,150 in a household earning \$50,000.....)

**8<sup>th</sup> highest** among the 50 states

# Why are services cut when homeowner and small business property taxes are so high?

- 
1. There are massive cuts in federal funds for states.
  2. The large corporations' share of Wisconsin income taxes dropped by over 50% between 1979 and 2002.
  3. No revenue from the growing service sector of the state.
  4. Sales tax is lower than other states.
  5. Capital gains and income taxes were reduced for very wealthy households.



# 62% of the largest corporations in Wisconsin paid NO income tax (zero).

Company	2003 state income tax	2003 profits (total)
Coca-Cola	\$596,532	\$0.7 billion
Exxon Mobil	\$913,726	\$21.5 billion
Home Depot	\$1,161,896	\$3.7 billion
Kraft Foods	About \$8 million*	\$3.5 billion
Kimberly-Clark	\$0	\$1.7 billion
McDonald's	\$0	\$1.5 billion
Merck	\$0	\$6.8 billion
Microsoft	\$0	\$7.5 billion
Manpower	\$0	\$138 million
Kohl's	\$0	\$635 million
PepsiCo	\$0	\$3.6 billion

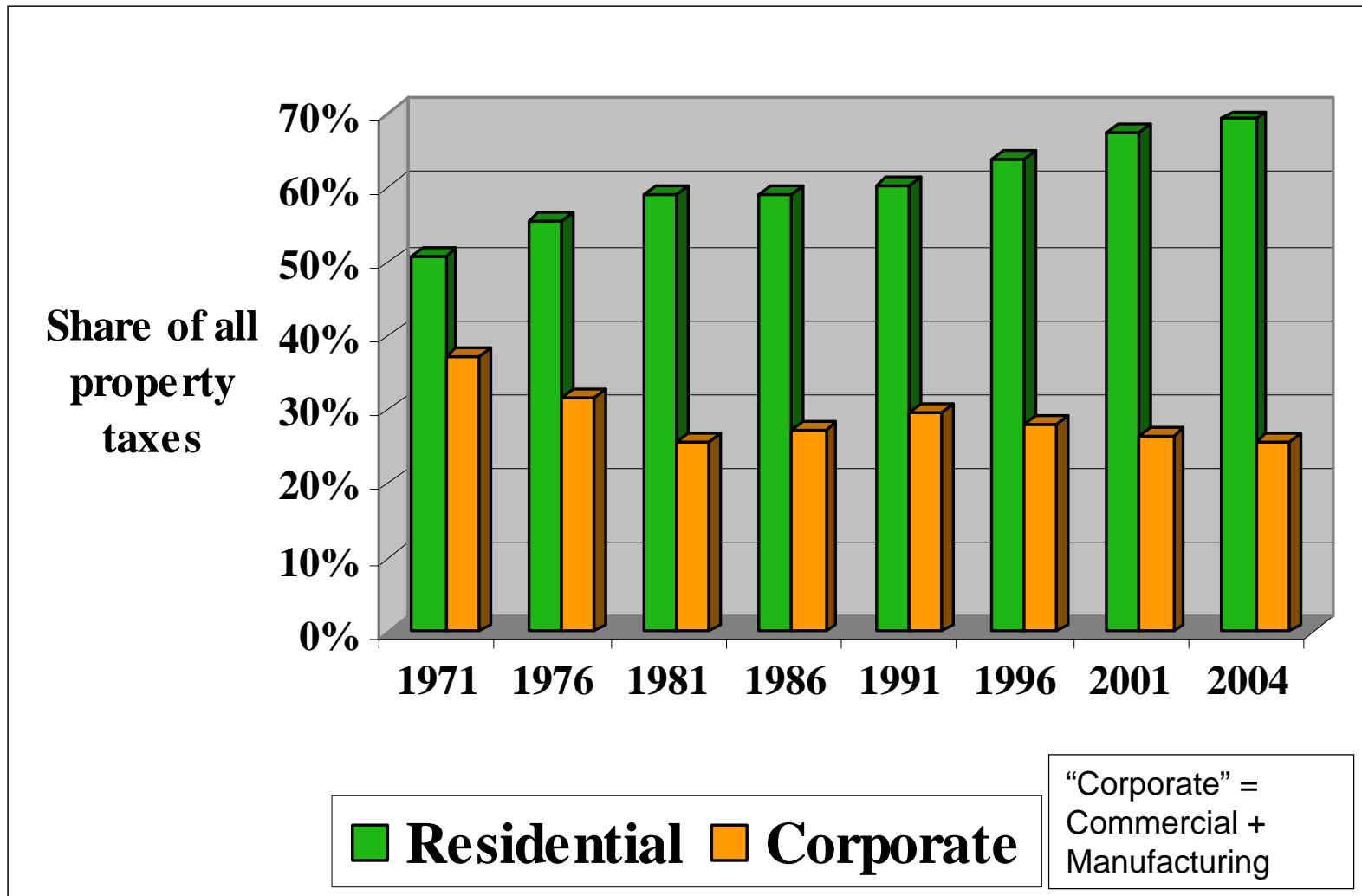
# Large corporations have many property tax exemptions

Category	Exempt value	Property tax if not exempt
Manufacturing machinery & equipment	<b>\$11.9 billion</b>	<b>\$245 million</b>
Computers	<b>\$3.1 billion</b>	<b>\$74 million</b>
Other equipment	<b>Not available</b>	<b>Not available</b>



Sources: Wisconsin  
Departments of  
Revenue and of  
Administration

# Homeowner & small business property taxes grow as corporations' share drops



Source: Wisconsin Legislative Fiscal Bureau

# Large corporations enjoy tax breaks on services most families and small business owners don't use

Sales Tax exemptions	Amount of exemption
Vehicles sold to commercial carriers	\$24 million
Legal services	\$113 million
Architectural, engineering and surveying	\$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

# While our service economy grows, most services are still not taxed



**LAWYERS**



**ARCHITECTS**



**FUR STORAGE**



**ACCOUNTING**



**ADVERTISING**



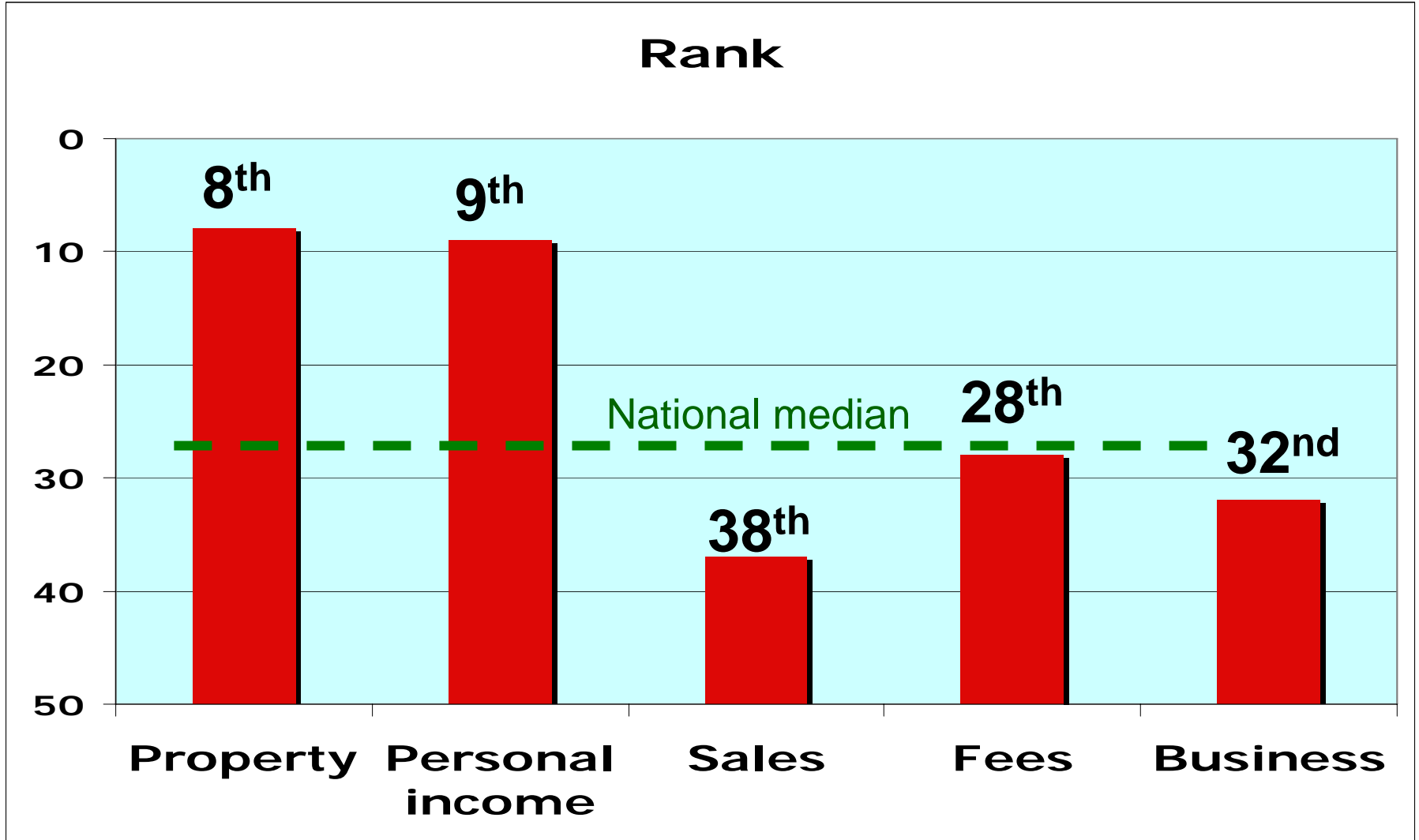
# Sales tax rate is lower in Wisconsin



## SALES TAX RATES IN THE MIDWEST

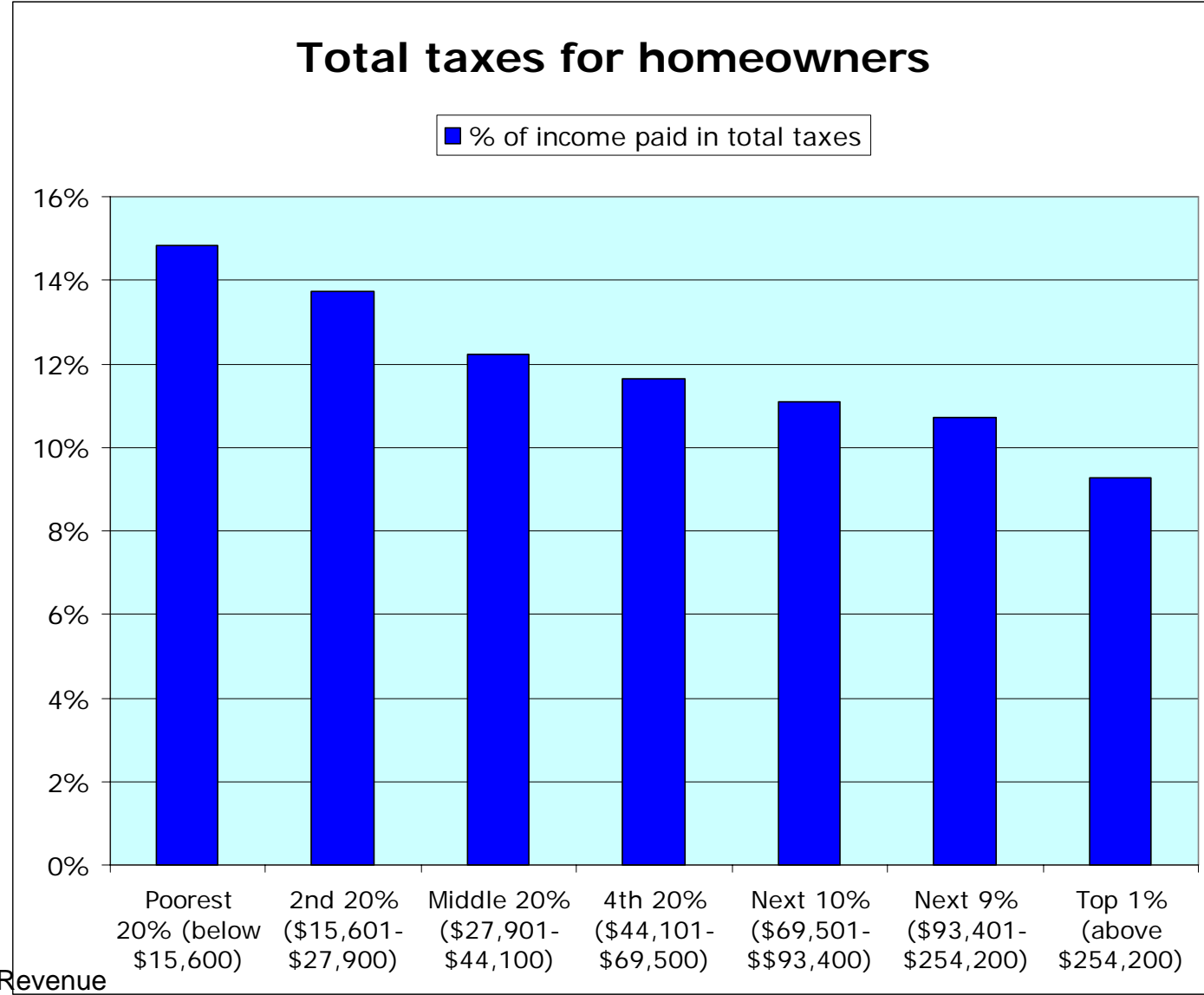
Minnesota:	6.5%
Illinois:	6.25%
Michigan:	6.0%
Indiana:	6.0%
Wisconsin:	5.0%

# Wisconsin's rank in tax and fee levels among all 50 states



# Our state tax system isn't fair, hitting low-wage married homeowners hardest

**Under our current tax system, the lower a family's wages, the bigger chunk of their income goes to state and local taxes.**



# We can afford quality Public Structures using new or untapped resources



Same capital gains rules as Feds	+\$160 million
Bring corporate share up to US average	+\$800 million
Increase rates on incomes above \$125,000 by 0.7%	+\$200 million
Remove exemption on services	+\$650 million
Increase sales tax by 1%	+\$850 million

# NML CEO: “We wouldn’t be here.”

But taxes not the reason, said Edward Zore



**“Zore repeatedly downplayed Wisconsin’s tax burden as one of the impediments.**

**‘Taxes for us are not bad,’ he said.”**

*Milwaukee Journal Sentinel,  
Feb. 23, 2007*

# We can turn the tide for a stronger Wisconsin

- **Move beyond false choices** – we can afford good schools, strong fire safety systems, home care options for the disabled and well-stocked fishing lakes.
- **Reform our tax system** – so everyone pays their share – lighten the load for homeowners and small businesses.
- **No more tax secrets** --- make the system more open. The voters should get to say who pays, who doesn't and know why.



But wait....there is a new threat to homeowners, small businesses, and quality Public Structures

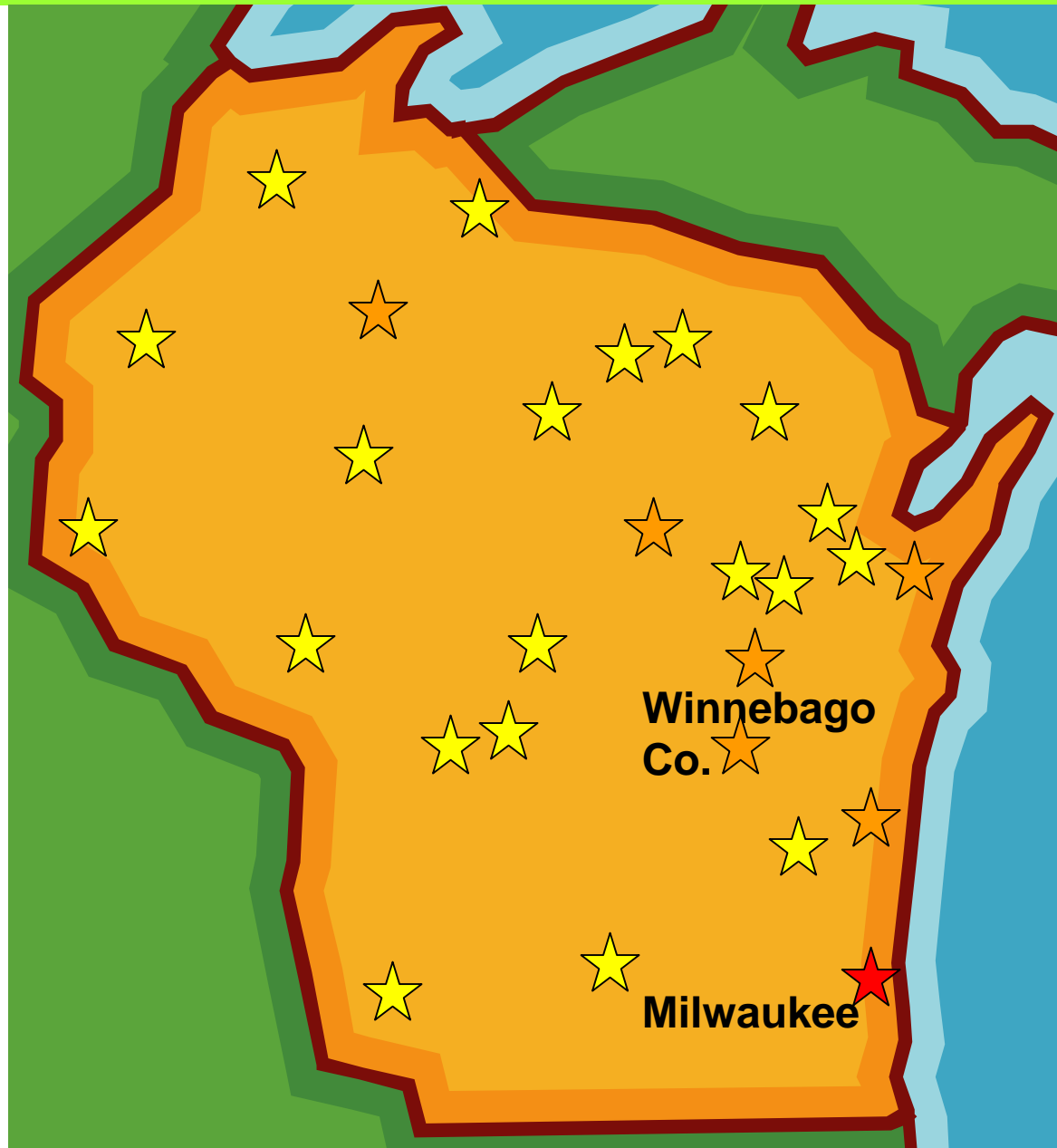


A New Jersey-based company with paper mills in Wisconsin found an obscure 1953 state law to exempt “pollution abatement facilities” from property tax. They won the tax break in court for their Milwaukee property.

# This loophole threatens the whole state

Now, a second paper company is trying to remove \$16,000,000 worth of *its* property from the Winnebago County tax rolls. Five other companies have also applied to stop paying their property taxes and be refunded taxes they paid in the past. *“Local assessors believe that property tax exemption will be expanded to many other industries.”*

Ed Huck, Executive Director  
Wisconsin Alliance of Cities





# Paper mills are vital to Wisconsin's economy

Paper is a key industry in Wisconsin, operating in 42 of the state's 72 counties. The property tax they pay is crucial to maintain good Public Structures.

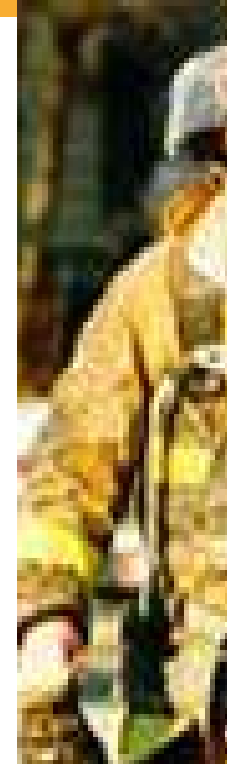


Industries sometimes get public assistance. But using an outdated tax loophole isn't the answer. State aid should be debated openly and honestly. State aid, if given, should benefit the public good -- not simply reward corporations with the cleverest lawyers and accountants.

# **This 1953 loophole benefits a few... at the expense of the public good**

If these large corporations stop paying property tax, this will drain millions of dollars from communities.

1. Homeowners and small businesses must pay more;
2. There will be cuts in services such as garbage collections, road repair, emergency treatment, schools, parks and recreation as well as programs for the elderly and disabled.



**Let's lose the loophole!**



# 2007 agenda for the public good

**Repeal the 1953 property tax loophole for big business:** Large corporations here use the courts, roads, waterways, police, firefighters and garbage services. They should help pay for them.

**No more secrets:** Change the law to make all major corporate tax information public.

**Keep taxing the largest estates:** It does not apply to the first \$675,000 of inheritance.

**Support new sources of revenue:** The Governor's budget would add revenue from oil, cigarettes, profitable hospitals and internet download sales.

**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 and Milwaukee better for the next generation**