



**LEAGUE OF WOMEN VOTERS® OF WISCONSIN
EDUCATION FUND**

122 State Street, #201A
Madison, WI 53703-2500

Phone: (608) 256-0827
Fax: (608) 256-1761

<http://www.lwwwi.org>
lwwwisconsin@lwwwi.org

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Contact: Connie Threinen (608) 238-5489
or Mary Hughes (608) 256-0827

Think Revenue, Not Just Cuts

Good government needs resources to serve the people.

By Constance Threinen, League of Women Voters of Wisconsin Legislative Committee

As Wisconsin policy makers, activists and residents consider our state budget, our challenge is to figure out how in these lean times we can maintain our government structures to support public safety and economic development. The League of Women Voters of Wisconsin has long believed that the income tax is the fairest way to raise revenue for public services and structures.

The League is calling for including adjustments to the State income tax among the various revenue enhancers being considered by our State's leaders. We are dismayed by indications that policy makers continue to believe that adjustments to the income tax are to be avoided in the quest for remedies for the State's almost \$5 billion likely deficiency for the upcoming biennium.

If there are unnecessary expenditures in the State Budget, they must of course be eliminated. However, we believe the need is evident for the vast majority of the programs and services provided by the State, and cuts would inflict severe damage on the people, the infrastructure, and environment of our state.

It has been our opinion for some time that the Budget deficiencies of the past many years could have been prevented if our leaders had exercised courageously their rightful powers to tax. Instead, bowing to constituent pressure, they tinkered with adjustments to insufficient sources and played games with obligations to municipalities, schools, the University, and State agencies. They have failed to take advantage of some opportunities lest the voters abandon them, preferring to allow the quality of public services in Wisconsin to fall to the bottom.

The extent of the coming shortfall should embolden our officials to the point where they will reform the State tax system and produce revenue to fit the State's legitimate immediate and future needs. This also offers an opportunity to create jobs.

A progressive income tax is the most equitable tax tool available to us. Its greatest advantage is its flexibility, i.e. the ways in which coverage, brackets, rates, exemptions, deductions and payment schedules can be arranged to achieve the desired impact. A very low bracket can be set to relieve people with very low incomes, more brackets allow rates to be more tailored, deductions can be included for people with excessive medical expenses, deductions can be included for people with excessive medical expenses, and for short term emergencies a surtax can be imposed without shifting the total burden from one group of taxpayers to another. The specifics within an income tax system can and should and would be debated vigorously, but to fail to utilize the many advantages of an income tax is folly.

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The income tax is just one of many opportunities to increase revenues that must be considered. It is the unwillingness to even consider raising the income tax that motivates this statement from the League of Women Voters. Multiple sources will surely be needed, and we certainly support other obvious and fair remedies such as:

- 1) ending the policies and practices that allow corporations doing multi-state business to avoid fair payments to Wisconsin. (There are several factors that enable this situation as described in a report from the Institute for Wisconsin's Future-2008);
- 2) extending the coverage of the sales tax to include legal and other professional services, as well as personal, recreational, and business services;
- 3) raising the tax on alcoholic beverages and tobacco;
- 4) increasing the hospital tax in order to receive higher federal reimbursement; and
- 5) replacing the present flat motor vehicle registration fee with a progressive rate based on the value of the vehicle.

What keeps Wisconsin from meeting its revenue needs? The greatest opposition comes from the business, industry, and agriculture sectors, to whom the legislature has already given significant cuts. Vocal opposition also comes from some upper income individuals who threaten to leave the state if taxes are increased. The League, however, believes that the difficulties of our time demand shared sacrifice, and the income tax is the most equitable vehicle to address that need.

What will Wisconsin be able to do with adequate revenues? We will be able to return to the earlier system of providing adequate State Aids to school districts, adequate Shared Revenues to municipalities and counties, and respectable appropriations to the University of Wisconsin—the major components of “budget pie”. The State Agencies would regain the staff required to carry out needed programs and services for the people of the state. It is time to provide the effective and efficient government for which we are known and which we deserve.

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