

# Budget and Tax Policy

## *Toward Fair Taxes and High-Road Budgeting*

**W**isconsin currently faces daunting fiscal problems: record budget deficits, rising unemployment, and an increasingly regressive tax structure, to name just a few. COWS, in its attempts to foster high-road economic development, has increasingly spoken out on these and other state budget and tax issues, and is helping to create a dialogue in which long-term solutions can be found to the state's fiscal problems.

COWS recently released a national report explaining exactly "Who Pays?" taxes in Wisconsin. Going beyond rhetoric and simplistic state-by-state tax comparisons, the report details the "incidence" of taxation in each state – in other words, how much of a person's income is paid in taxes, broken down by different income groups. The report was produced by the Institute on Taxation and Economic Policy, a national leader on fiscal issues and frequent collaborator with COWS. The results of the report, which revealed how Wisconsin's poor pay more in taxes as a percent of their income than the wealthiest in the state, generated significant media attention and public concern. COWS is urging the state's Department of Revenue to conduct a similar "Tax Incidence Study" on a regular basis.

COWS has also called for significant changes to our current "rainy-day" fund provisions. Deposits to the state's savings account have been non-existent, further exacerbating our fiscal troubles. COWS' proposals were detailed in several newspaper articles and have been of interest to key lawmakers.

COWS regularly works with other organizations interested in fiscal issues at the state and national levels. For instance, COWS recently teamed up with Wisconsin Citizen Action and the Wisconsin State AFL-CIO to expose how federal tax cuts will likely bring ballooning deficits and job loss to our state.

COWS staff frequently field budget and tax questions from legislative and government agency offices as well as from the media. On occasion, COWS staff deliver presentations to organizations interested in "high-road" budget and tax alternatives. Recently, our Senior Policy Associate served as a technical advisor to the Economic Summit III's Fiscal Policy Group, a group of former state officials who presented an alternative budget plan at the Summit in Milwaukee in October 2002. The group's work, a highlight of the Summit, was described by the *Milwaukee Journal-Sentinel* this way: "The grown-ups finally have joined the debate over Wisconsin's state budget mess."

July 2003

### **The Center on Wisconsin Strategy**

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You can look to COWS to focus attention on specific aspects of our tax code – anomalies, really – that add to the regressivity mentioned above and are hampering efforts to get Wisconsin's economy on the high road. A few of these are the capital gains tax exclusion, separate entity reporting of corporate income, and a sales tax that no longer reflects the nature of our state's economy. Changes to these and other elements of our tax code could help guarantee tax fairness as well as tax sufficiency – that is, a revenue stream sufficient to match Wisconsin's historic values and priorities.