

RESEARCH BULLETS

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Tax Shifting and Business Taxes in Wisconsin

It is often asserted that Wisconsin has a high level of taxation. This claim is generally overstated when it comes to levels of individual taxation, and is not at all supported when it comes to levels of corporate taxation. In fact, by some measures, Wisconsin has one of the lowest rates of corporate taxation in the nation.

Corporate Taxes

State-to-state comparisons of corporate tax burdens differ depending on how they are measured. Below is an overview of findings about the tax burden of Wisconsin corporations.

- A Federal Reserve Bank of Boston study found that in 2003, Wisconsin ranked 50th among all states and the District of Columbia—last in terms of the share of total state and local taxes paid by business (*Federal Reserve Bank of Boston, cited in Andrew Reschovsky—"TABOR" April 2004*).
- Citizens for Tax Justice, a nonpartisan watchdog group in Washington D.C., concluded that Wisconsin's corporate tax burden ranked 44th (6th lowest) in the nation in its 1997 study.
- The Institute for Taxation and Economic Policy found that the state's corporate tax rate was 26th nationally when measured as a percent of individual income taxes.
- The Wisconsin Taxpayers Alliance measured corporate taxes on a per capita basis in a January 2001 study and found that

Wisconsin's corporate tax rate ranked 16th nationally.

- A January 2004 study undertaken by Ernst and Young found that Wisconsin ranked 45th (5th lowest) nationally in the share of all state taxes paid by corporations.

Tax trend data below corroborate these findings that Wisconsin businesses pay a low share of total state taxes—and the percent is declining compared with the amount paid by average citizens.

	1969	1979	1990	1999	2001	Change
Individual	44.4%	48.0%	46.5%	54.5%	49.7%	11.9%
Sales	24.7%	28.7%	35.0%	32.0%	36.9%	49.3%
Corporate	9.5%	10.5%	7.7%	5.9%	5.0%	-47.2%
Other/Excise	21.4%	12.9%	10.8%	7.7%	8.4%	-60.8%

Note: The sales tax increased to 5% in 1982. "Other" taxes include inheritance, insurance premium, and utility taxes. Excise tax is the tax on alcohol and tobacco (Source: WI Legislative Fiscal Bureau).

The percent of taxes generated by individual income fluctuates annually with income levels, but income taxes represent an increasing share of state revenue. In contrast, the share of taxes paid by business declined 47 percent during the last 30 years.

Moreover, estimates suggest that about 35 percent of the sales tax is paid by tourists and

business with the remaining 65 percent paid by residents. All told, including the income, sales, and excise taxes, working men and women pay about 80 percent of Wisconsin's general purpose taxes.

Workingmen and women also pay the majority of property taxes statewide (68 percent), while industry's share of the property tax declined from 18 percent to 4.5 percent between 1970 and today (see Research Bullet #4).

Conclusion

State tax rankings vary depending on what taxes are examined and how they are measured. Such subtleties, however, are lost by those who, in bait and switch fashion, use selective data about individual taxation (see Research Bullet #7) to suggest instead that Wisconsin corporations have a high rate of taxation. They do not.

When measured as a share of total taxes, businesses pay less in Wisconsin than in the vast

majority of other states and the business community's share of general state revenues and property taxes continues to decline.

Despite this trend of shifting tax burdens—and growing deficits—legislators have enacted further breaks for business (especially in the area of personal property), and in 2003 provided business income tax relief by moving to the so-called single-factor sales tax. Yet, this very act of cutting taxes for corporations increases the burden on individuals—the very people legislators claim they want to help.

Legislative policies have not only created the state deficit by cutting revenue, the nature of the cuts placed a disproportionate burden on working people. With deficits continuing to plague the state, these data should cause one to question any further tax cuts for a business community that is already asking workingmen and women to shoulder an undue portion of state taxes.

