



THE TAX GIVEAWAY NOBODY TALKS ABOUT

By Rep. Dianne Hesselbein

Wisconsinites who paid their own taxes should know the state of Wisconsin is paying the personal income taxes of others, individual owners of manufacturing companies and farms. They receive this cash benefit as a favor for being supposed “job creators.” Ironically, creating jobs is not a requirement to claim the benefit, and other, genuine job creators need not apply.

This complicated giveaway for already-wealthy Wisconsinites came about in 2011 when former State Sen. Glenn Grothman (R-West Bend) slipped the Manufacturing and Agricultural Tax Credit into the state budget at the last moment. This credit benefits individuals who report profits from manufacturing as business income on their tax returns.

It has grown in automatic stages over the past five fiscal years without ever requiring another vote, and has become a major blockage in the state’s revenue stream. This year the credit will offset 7.5 percent of business income against a top tax rate of 7.65 percent of adjusted gross income. Leftover credit can be used to offset other types of income, and the credits can be carried forward for 15 years.

It hit its final stage this year and has kicked into overdrive. The Legislative Fiscal Bureau estimates this credit will cost the state \$205.8 million in lost revenue in FY 2015-2016 and \$283.9 million in FY 2016-2017. After that, the state will be blocked from collecting at least \$283.9 million every year. (See accompanying table.)

To put this into perspective: Grothman’s credit scheme, benefiting only a handful of people, will cost the state \$489.7 million in needed tax revenues in the two years of the current budget. If this legislative trick had not taken place, we could have avoided all of the University System cuts and had hundreds of millions left over for good schools and good roads.

John Nygren, the Republican co-chair of the Joint Finance Committee, said recently, defending the university cuts, “We have to balance the budget. You make decisions based on the resources the people of Wisconsin give us.”

Nygren is right: It’s tough to balance the budget when you give away the store.

We already see how the Grothman credit leads to desperate measures. “Gov. Scott Walker, facing a \$283 million deficit that needs to be closed by the end of June, will skip more than \$100 million in debt payments to balance the books thrown into disarray by his tax cuts,” Bloomberg News reported in April. That’s terrible management.

Walker also gave up the centerpiece of his much-ballyhooed plan to ease student debt by lifting the \$2,500 cap on interest deductions. It would have cost the treasury \$5.2 million, but the Senate said there was no money left. Where do you suppose it went?

The small group of Wisconsinites who benefit from the Grothman Giveaway are the winners. Who are the losers?

No. 1, Wisconsin’s institutions and services, including its public schools, colleges and universities.

The Republican Tea Party agenda is to starve state government, privatize at taxpayer expense, and dismantle what used to be called the “public enterprise” of Wisconsin – schools and universities, roads and highways, state parks and campgrounds, public and educational broadcasting, University Extension networks, conservation and environmental protection, and compassionate programs supporting individuals and families.

No. 2, those to whom the shaft is shifted.



These losers include property taxpayers, individual taxpayers who are wage-workers, not owners; small-business owners; and owners of growth industries in high technology, tourism, insurance, financial services, and restaurants, all of whom are excluded from the Grothman largesse.

No wonder Wisconsin Manufacturers & Commerce is holding a special workshop at its May 31 policy conference in Madison on how to claim the tax credit written just for them.

Governor Walker defends Glenn Grothman's parting gift as "tax relief for job creators." But job creators use state services too. They ought to pay their fair share.

Wisconsin has heard and suffered enough of this. The credit must go.

COST OF THE WISCONSIN MANUFACTURING AND AGRICULTURAL TAX CREDIT

CURRENT ESTIMATES PROVIDED BY THE LEGISLATIVE FISCAL BUREAU

Corporate

\$3.6 million in 2012-13

\$19.2 million in 2013-14

\$38.1 million in 2014-15

\$54.6 million in 2015-16

\$81.1 million in 2016-17 and annually thereafter.

Individual

\$11.5 million in 2012-13

\$59.9 million in 2013-14

\$113.8 million in 2014-15

\$151.2 million in 2015-16

\$202.8 million in 2016-17 and annually thereafter.

Total Combined

\$15.1 million in 2012-13

\$79.1 million in 2013-14

\$151.9 million in 2014-15

\$205.8 million in 2015-16

\$283.9 million in 2016-17 and annually thereafter.