

☞ **01hr\_AC-TSL\_ajr0002\_pt01**



(FORM UPDATED: 08/11/2010)

## WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

**2001-02**

(session year)

**Assembly**

(Assembly, Senate or Joint)

**Committee on Tax and Spending Limitations...**

### **COMMITTEE NOTICES ...**

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

### **INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL**

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)  
(**ab** = Assembly Bill)                      (**ar** = Assembly Resolution)                      (**ajr** = Assembly Joint Resolution)  
(**sb** = Senate Bill)                              (**sr** = Senate Resolution)                              (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

\* Contents organized for archiving by: Stefanie Rose (LRB) (September 2012)

## Assembly

### Record of Committee Proceedings

#### **Committee on Tax and Spending Limitations**

##### **Assembly Joint Resolution 2**

Relating to: the vote on bills that would increase certain tax rates (first consideration).

By Representatives Suder, Hundertmark, Jensen, Starzyk, Hahn, Loeffelholz, Kestell, Sykora, Rhoades, Kedzie, J. Fitzgerald, Jeskewitz, F. Lasee, Ladwig, Montgomery, Gunderson, Vrakas, Nass, Huebsch, Grothman, Pettis, Leibham, Owens, Kreibich, Albers, Ainsworth and Hoven; cosponsored by Senators Welch, Zien and Darling.

January 16, 2001      Referred to Committee on Tax and Spending Limitations.

September 27, 2001    **PUBLIC HEARING HELD**

Present:    (7)      Representatives F. Lasee, Leibham,  
   Hundertmark, Musser, Seratti, Richards and  
   Turner.

Absent:     (0)      None.

##### Appearances for

- Representative Scott Suder
- James Buchen - Wisconsin Manufacturers & Commerce

##### Appearances against

- Wayne Corey - Wisconsin Independent Business

##### Appearances for Information Only

- None.

##### Registrations for

- Senator Robert Welch
- Bill G. Smith - National Federation of Independent  
Business/Wisconsin

##### Registrations against

- None.

October 9, 2001      **EXECUTIVE SESSION**

Present: (7) Representatives F. Lasee, Leibham,  
Hundertmark, Musser, Seratti, Richards and  
Turner.

Absent: (0) None.

Moved by Representative Leibham, seconded by Representative  
Seratti, that **AA1** be recommended for introduction and adoption.

Ayes: (7) Representatives F. Lasee, Leibham,  
Hundertmark, Musser, Seratti, Richards and  
Turner.

Noes: (0) None.

Absent: (0) None.

INTRODUCTION AND ADOPTION RECOMMENDED, Ayes 7,  
Noes 0, Absent 0

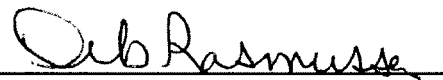
Moved by Representative Leibham, seconded by Representative  
Seratti, that **Assembly Joint Resolution 2** be recommended for  
adoption as amended.

Ayes: (5) Representatives F. Lasee, Leibham,  
Hundertmark, Musser and Seratti.

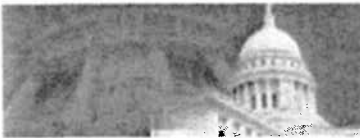
Noes: (2) Representatives Richards and Turner.

Absent: (0) None.

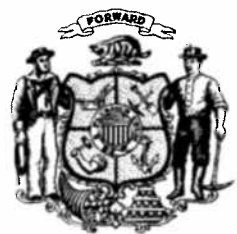
ADOPTION AS AMENDED RECOMMENDED, Ayes 5, Noes 2,  
Absent 0



Deb Rasmussen  
Committee Clerk



# WISCONSIN STATE LEGISLATURE



**Rasmussen, Debra**

---

**From:** WRHLC@aol.com  
**Sent:** Monday, September 10, 2001 12:29 PM  
**To:** Rep.Lasee  
**Subject:** Assembly Joint Resolution 2

Dear Mr. Lasee,

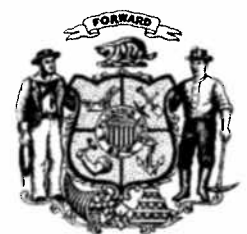
I would like to inform you of the support of Assembly Joint Resolution 2 from the Wisconsin Rental Housing Legislative Council (WRHLC).

I am sorry I will not be able to testify at the hearing on Tuesday, September 11th.

Robert R. Dennik  
Director of Governmental Affairs  
WI Rental Housing Legislative Council  
7 N. Pickney Street, Suite 320  
Madison, WI 53703  
608.250.1893 Phone  
608.250.1913 Fax



# WISCONSIN STATE LEGISLATURE





FROM: WAYNE COREY  
Executive Director

# W I B NEWS 2001 • 2002

## RESTRAIN SPENDING, FIX FINANCES

FOR : *THE ASSEMBLY COMMITTEE ON TAX & SPENDING LIMITATIONS*  
Public hearing on **AJR 2** & AJR 7, September 27, 2001

The State of Wisconsin's budgeting remains out of control. With our economy slumping and our nation facing large unanticipated military obligations, this is not the time to be experimenting with our tax policies. Until state government proves it can live within its income without accounting gimmicks and one-time tobacco settlement money, well-intentioned efforts such as Assembly Joint Resolutions 2 and 7 should not receive serious consideration. Wisconsin Independent Businesses appreciates efforts to restrain taxation, but our state first must have competent fiscal management.

Wisconsin has serious financial problems. Passage of AJR 2 or 7 may suggest to the bond markets that the legislature remains unable or unwilling to deal with our most serious issues. Smoke and mirrors have been used to "balance" recent budgets. That technique hasn't fooled the bond markets and is unlikely to fool anyone any longer. WIB is very concerned about further erosion of the state's fiscal management reputation if there is new legislation that would appear to place roadblocks in the path of sound future fiscal management.

AJR 2 is unacceptably flawed under any circumstances. AJR 2 requires a two-thirds "super majority" vote to increase sales or income tax rates. Making it more difficult to raise taxes may be a good idea. However, AJR 2 fails to include expansion of the sales tax base in the "super majority" requirement. Raising sales or income tax rates would require a 67% vote of each house. Expanding the sales tax base would require only 51%. Obviously, expanding the sales tax base would be the tax increase path of least resistance if the state goes looking for more money.

AJR 7 is a vast improvement because it includes expansion of the sales tax base in the "super majority" requirement.

(over)

**Wisconsin Independent Businesses, Inc.**

WIB's opposition to expansion of the sales tax base is rooted in fact and in history. Expansion is **targeted taxation**, targeting a tax increase to specific businesses and consumer groupings. There are only two areas where significant tax revenue can be derived by expanding the sales tax base. Those areas are business services and farm necessities. Placing the sales tax on services such as accounting, legal or mailing means small businesses using those services would pay more in state taxes. A sales tax on feed, or fertilizer or milkhouse supplies means farmers would pay more taxes. It is targeted taxation and it is unfair! If made part of the state constitution, AJR 2 will have the potential to solve any state revenue problem by expanding the sales tax base. That is a bad idea!

WIB remembers the state's fiscal crisis of 1983. The speaker of the Assembly and majority leader of the Senate endorsed a sweeping expansion of the sales tax base to raise new tax revenue. After weeks of intense discussion, the idea was withdrawn. Earlier this year the governor of Wisconsin proposed balancing his budget by expanding the sales tax base to custom computer software. The Joint Committee on Finance and the Senate agreed with the governor. Only the Assembly, in its wisdom, stood up for this exciting young industry by refusing to allow the state budget to be balanced on the back of these small businesses and their customers.

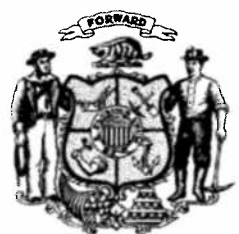
The potential for mischief with the sales tax base is great, especially when the state's financial situation is precarious. The state must not make it easier to tax business services and farm necessities. If the people of Wisconsin wish to require a super majority vote to raise taxes, that super majority should be required for **ALL** tax increases, including expansion of the sales tax base. The legislature must protect small businesses and farms by rejecting AJR 2. If the constitution is ever amended to make tax increases more difficult, WIB strongly believes that the language of AJR 7 is the only fair super majority proposal available.

On behalf of the 52,000+ taxpayers served by WIB – our members with ownership interest in 16,000 businesses and 9,000 farms – we appreciate your interest and concern.





# WISCONSIN STATE LEGISLATURE





OCT 08 2001

Memo

**TO:** Members of the Assembly Committee on Tax and Spending Limitations

**FROM:** Joan Hansen, Director, Tax & Corporate Policy

**DATE:** September 27, 2001

**RE:** 2001 AJR 2 and 2001 AJR 7

*file w/ Bill*

Wisconsin Manufacturers and Commerce (WMC) supports Assembly Joint Resolution 2 that requires a two-thirds vote by the Legislature to pass a sales or income tax rate increase; and Assembly Joint Resolution 7 that requires a two-thirds vote to pass rate increases, as well as broaden the sales tax base.

The problem of bringing our state and local taxes in line with our ability to pay continues to be unresolved – if approved, both AJR 2 and AJR 7 would begin to address this problem. In 2001 Wisconsin had the seventh highest federal, state and local tax burden in the nation based on the ability to pay. In terms of state and local tax burden, Wisconsin's state and local tax burden embarrassingly worsened from the nation's fourth worst last year to third worst this year. The state has ranked in the top ten almost every year for the last three decades. Our citizens' income earnings rank about 23rd and Wisconsin's return on the federal dollar ranks last, making Wisconsin's tax gap and its federal tax gap ranking among the highest in the country.

In addition to Wisconsin's enormous tax burden, the economy continues to slow. From April to May, Wisconsin had the 3<sup>rd</sup> highest mass layoffs in the country; in the third week in May, Wisconsin led the nation in initial unemployment claims. According to the most recent Department of Revenue report, employment in manufacturing will initially continue falling in both Wisconsin and the U.S. as the economy slows. Manufacturing employment in Wisconsin is expected to fall to an average of 599,600 jobs during 2001 and to 585,100 in 2002 before increasing to 616,200 by 2006. The sharp declines this year (-2.8%) and next year (-2.4%) indicate that the current weakness is concentrated in manufacturing. Because Wisconsin has one of the strongest manufacturing sectors in the country (about 20 percent of our jobs are in the manufacturing sector vs. about 13 percent nationwide), these numbers should cause alarm among Wisconsin's policymakers. It should be a wake up call to cut taxes and pass legislation that keeps Wisconsin competitive, so our businesses remain in our great state.

A slowing economy is evidenced further in DOR's report by other economic indicators such as:

- Corporation franchise and income taxes declined 16.7 percent to \$537.2 million due to declining corporate earnings.
- Business investment is down. Inventory liquidation is expected to continue nationally in the third quarter.

- Corporate profits are down.
- Non-housing construction is down.
- The outlook for capital goods of the type most prominently produced in Wisconsin is in for a decline through the middle of 2002, therefore, manufacturing employment in Wisconsin may be vulnerable to continued weak demand.

In addition to increased layoffs, Wisconsin's bonding rating was downgraded due to concerns about the state's economy and other fiscal uncertainty. Among the concerns cited were the lack of rainy day funds, committing the majority of state funds to local governments and excessive government spending. Again, these are more economic indicators that must be a wake up call to cut taxes and spending more aggressively; and build in measures of efficiency and accountability.

Consistent research shows states that lower their tax burden weather recessions better than those that do not. Layoffs, may be in part, due to our consistently high taxes. Perhaps, Wisconsin's mass layoffs could have been avoided if policymakers had chosen more aggressive tax cuts in the past along with tough caps on government spending. Again the proposed constitutional amendments move in the direction of controlling increased taxes.

The state must cut taxes; it must cap state spending and keep our economy moving. If Wisconsin does not maintain a competitive business climate; we will lose Wisconsin companies, jobs and ultimately the tax base.

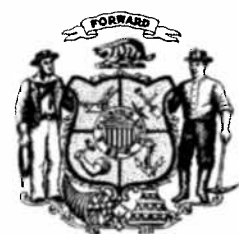
There is no doubt the tax and spending climate in states affects personal and business decisions about how and where to earn, invest and spend. And those decisions impact a state's economic well being.

It seems that Wisconsin is moving in the direction of becoming the No. 1 highest taxed state in the nation. We already have an unacceptably high tax burden. Wisconsin government must survive on modest spending growth without tax increases or our economic rebound will be delayed even further. Wisconsin Manufacturers and Commerce strongly supports these resolutions in the hope of rehabilitating our reputation as a high-tax state.

For these reasons, WMC urges the committee to support AJR 2 and AJR 10.



# WISCONSIN STATE LEGISLATURE



TESTIMONY BEFORE THE STATE ASSEMBLY  
JUDICIARY AND PERSONAL PRIVACY COMMITTEE  
**ASSEMBLY JOINT RESOLUTION 2**

**THE TAXPAYER PROTECTION ACT**

Thank you Chairman Lasee, Committee

Members and distinguished guests for this opportunity to  
testify before this committee this morning.

Assembly Joint Resolution 2 is a bold, common sense  
effort aimed at reducing the tax burden on the working  
families of this great state.

As my respected colleagues know all too well, Wisconsin has the 7th highest tax burden in the nation, despite ranking only 22nd in terms of ability to pay. High taxes punish families, stifle economic development and drive seniors out of their homes.

It makes little sense to encourage families to work hard to get ahead, only to tax them back to square one.

High taxes are anti-family. They rob parents of their ability and resources to provide for their family's future. In many two-income families, one spouse works full-time for the family while the other works full-time for the government. High taxes are also anti-progress. Taxes stifle economic development, discourage research and stagnate innovation.

Now some naysayers will vigorously attack my proposal by trying to spin AJR 2 as unconstitutional, unworkable or even a political gimmick. In reality, AJR2 is a protection against the same free-spending politicians who will attack this legislation because it will limit their ability to tax.

To be fair, opponents are correct. The proposed amendment would restrict the rights of the majority. But that is precisely the point. Just as the First Amendment is supposed to prohibit the majority from passing laws to infringe upon the rights of free speech and the Second Amendment is supposed to prohibit the majority from passing laws to infringe on the right to keep and bear arms, the supermajority amendment is designed to place limits on the power of the majority to take money from the minority.

More specifically, taxpayers are presumed to have a right to their earnings and that only tax increases with very broad support -- as measured by the ability to attract a two-thirds supermajority -- are permissible.

State Government needs to curb its appetite to tax and spend. Many of us feel that it should be extremely difficult for the state to raise the income, sales or franchise tax rates. We firmly believe that we need this necessary check on our power of the purse here in the Legislature.

Under this plan, instead of a simple majority, two-thirds of the membership of each house of the legislature would have to vote to approve any measure that raised the sales, franchise or income tax rate.

**Just as our chamber has moved moves to cut income and property taxes, we should also prepare for a time when the temptation to raise taxes may come again.**

**If our current economy slows or even falters, some legislators first impulse will be to raise taxes. The SuperMajority bill anticipates that, and sets up a major obstacle to tax hikes.**



Not only are five supermajority states below the national average in growth of taxes, but also five are above the national average in overall economic growth.

This may be why more and more states have adopted the rule. Moreover, the seven states which have lived for quite some time under some form of supermajority -- Arkansas, California, Delaware, Florida, Louisiana, Mississippi, and South Dakota -- have been joined recently by Arizona, Oklahoma, and Colorado. Nevada and Ohio may soon join the list.

Requiring a supermajority votes to raise taxes ensures that politicians cannot continue to spend other people's money and evade fiscal responsibility by imposing a higher tax bill on the nation.

A wide range of economic studies demonstrates that states will be better off if they keep their tax burdens low.

Curbing taxes limits the growth of government and boosts economic performance. By making it harder to raise taxes, supermajority rule would have a desirable effect on the nation's fiscal policy and overall economic performance.

Ultimately, the debate over the supermajority boils down to a fight about the size of government and the effect of taxes on economic performance. I hope you will join me in standing up for the taxpayers of Wisconsin and continuing forward toward a bright economic future for all of her citizens by passing this Joint Resolution.

Thank you Chairman Lasee for this opportunity to testify before the Tax and Spending Limitations Committee today.

# TAX TABLE 1

SUBMITTED BY STATE REP. SCOTT SUDER

Source: Non-Partisan Congressional Budget Office

- 
- **Higher taxes typically are followed by bigger deficits.** Tax increases in 1982, 1983, 1984, 1987, 1990, and 1993 have not balanced the budget. Indeed, current CBO projections show the deficit climbing to more than \$300 billion within ten years if current policies are left in place.
  - **Higher taxes are associated with higher spending.** A 1991 study by the Joint Economic Committee showed that every dollar of higher taxes is associated with more than \$1.59 of new spending.<sup>1</sup> Tax increases are virtually guaranteed to trigger new spending if there is a balanced budget requirement since any new revenues simply allow politicians to satisfy the balanced budget requirement at a higher level of spending.
  - **Higher taxes hurt the economy.** Lower taxes in the 1920s, 1960s, and 1980s helped trigger economic booms. Higher taxes in the 1930s, 1970s, and 1990s, by contrast, are associated with very mediocre economic performances. The evidence linking taxes and economic performance is powerful. Numerous studies show that nations with low taxes grow faster than countries with high taxes and also that countries can improve their performance by reducing taxes on productive economic behavior.<sup>2</sup> Similar studies show taxes have the same effect in and among states.<sup>3</sup>
  - **Higher taxes do not collect the promised revenues.** Fewer jobs means fewer taxpayers. Lower profits means lower tax collections. Falling incomes mean falling tax revenues. Understanding these simple relationships helps explain why individual income tax revenues have fallen as a percent of GDP since Ronald Reagan left office even though Americans have suffered through two major tax increases.



# NATIONAL TAXPAYERS UNION

February 21, 2001

The Honorable Scott Suder  
State Assembly of Wisconsin  
P.O. Box 8952  
Madison, WI 53708

Dear Representative Suder:

On behalf of our 300,000 members nationwide and our 8,300 members in Wisconsin, I am pleased to offer the support of the non-partisan National Taxpayers Union for your bill, Assembly Joint Resolution 2, which would require a 2/3 legislative "supermajority" in order to increase most state tax rates.

Just as constitutions protect other civil rights with supermajorities, taxpayers want tougher barriers to protect them from uncontrolled taxation and preserve their fundamental civil right to a fiscally responsible government. Although tax-fighters around the country are making progress in rolling back state tax burdens, they are constantly seeking ways to preserve their gains. Supermajority requirements can help to achieve this goal, by setting a reasonable level of consensus that lawmakers must reach before they demand more money from hard-working citizens.

The supermajority concept, already in place in 14 states, is a proven and workable tool for restraining the growth of taxes. Additionally, supermajority requirements have contributed to the kind of stable economic and political climate that attracts business and helps economies grow. A study by Dean Stansel of the Cato Institute found that in states with tax or expenditure limits, the five-year growth rate of government spending fell from 0.8 percentage points **above** the national average to 2.9 percentage points **below** the national average. This seemingly small difference actually translated into a tax savings of \$650 for each average family.

University of Colorado Economics Professor Barry Poulson went further, concluding that states which enacted supermajority or voter approval requirements for higher taxes "have experienced more rapid rates of economic growth compared to states that have failed to do so. These states are attracting new business investment, jobs, and population from states with unconstrained growth in government." Based on this evidence, it only stands to reason that Wisconsin's economy could greatly benefit in the years to come if such a reform were enacted.

Clearly, supermajority requirements are important safeguards that protect individuals and businesses from excessive taxes. Such measures have encouraged governments to make prudent budgeting the norm. To date, not a single one of the far-fetched cuts in "essential services" or "business infrastructure" has come true. William Wyer, President of the Chamber of Commerce of Delaware, observed that his state's supermajority law was "one of the key pro-business things that we've done to turn Delaware around." He also noted that it gives the business community "a sense of stability that government is operating on a thoughtful process on how they are going to manage our money."

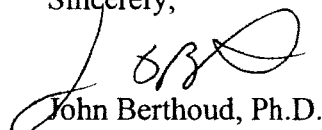
Rather than causing institutional gridlock, supermajorities have proven to set meaningful boundaries within which a political solution on the level of government taxing and spending may be expeditiously reached. Rep. Barbara Holm, opponent of Washington State's 2/3 supermajority law, later conceded that "more than any other time in the state's history, budget writers had to contend not only with the present, but the future as well." Colorado's Director of State Planning and Budgeting observed that the state's voter approval/3/4 supermajority law caused officials to "go out and retest our assumptions about the people's order of values."

The National Conference of State Legislatures, not known as a radical organization, deserves the final word on this commonplace ability to accommodate supermajority procedures: "The past 20 years demonstrate that state governments have managed to live with Tax and Expenditure Limitations and that many of the early gloom and doom prophecies have not been realized."

In short, supermajorities are tried and true policies that citizens and lawmakers alike can embrace without fear of unknown political or economic consequences. The Wisconsin Legislature has such a tremendous opportunity to do so today.

National Taxpayers Union is dedicated to restoring fiscal responsibility at the federal, state, and local levels. For over 30 years, we have worked with citizens and public officials across the nation who seek to limit government and protect taxpayer rights. In this spirit, we are pleased to support Assembly Joint Resolution 2, and we urge your colleagues to support this critical legislation as well.

Sincerely,

  
John Berthoud, Ph.D.  
President



# A M E R I C A N S F O R T A X R E F O R M

GROVER G. NORQUIST

PRESIDENT

Representative Scott Suder  
Room 21 North  
State Capitol  
P.O. Box 8953  
Madison 53708-8953

February 9<sup>th</sup>, 2001

Dear Rep. Suder:

On behalf of Americans for Tax Reform (ATR), I am writing to express our endorsement of Joint Resolution Two, which would promote greater fiscal responsibility in Wisconsin State Government. By sponsoring this resolution, your Assembly and Senate colleagues acknowledge the right of Wisconsin taxpayers to have a state government that is held accountable for increases in their tax burden.

First, your resolution calls for a change in Wisconsin's constitution so that a two-thirds supermajority in each house of the legislature is needed to raise state taxes. ATR praises the inclusion of more subtle sales and franchise taxes into your resolution, so that Wisconsin taxpayers have an all-inclusive means to limit government spending. The two-thirds supermajority is both necessary and appropriate because – under current law – a slim majority of tax-and-spenders could raid the pockets of working families in Wisconsin. The principle behind your proposed extra buffer of taxpayer protection is correct – law should allow only a solid consensus of state representatives to impose more taxes on constituents.

Second, your resolution demands that politicians in Madison no longer hide behind anonymous votes in order to hike taxes. It provides real accountability to taxpayers in Wisconsin by mandating a recorded roll call vote on each tax increase. Politicians are less likely to force Wisconsin families to pay for their pork barrel spending when they know that someone is watching.

Again, ATR thoroughly endorses Resolution Two because it holds politicians accountable and promotes fiscal discipline. I know from experience that your constituents will reward you for supporting such a resolution aimed at limiting the expansion of government spending.

Sincerely,

*Damon B. Ansell*  
Damon B. Ansell

1920 L Street NW • Suite 200 • Washington, DC 20036  
Phone (202) 785-0266 • Fax (202) 785-0261 • www.ATR.org