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(FORM UPDATED: 08/11/2010)

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

### 2003-04

(session year)

### Assembly

(Assembly, Senate or Joint)

## Committee on Government Operations 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**



Present: (6) Representatives F. Lasee, Loeffelholz, Musser,  
Weber, Zepnick and Wasserman.

Absent: (0) None.

Moved by Representative Musser, seconded by Representative Loeffelholz that **Assembly Substitute Amendment 1** be recommended for introduction and adoption.

Ayes: (4) Representatives F. Lasee, Loeffelholz,  
Musser and Weber.

Noes: (2) Representatives Zepnick and Wasserman.

INTRODUCTION AND ADOPTION OF ASSEMBLY  
SUBSTITUTE AMENDMENT 1 RECOMMENDED, Ayes 4,  
Noes 2

Moved by Representative Musser, seconded by Representative Loeffelholz that **Assembly Joint Resolution 17** be recommended for adoption as amended.

Ayes: (5) Representatives F. Lasee, Loeffelholz,  
Musser, Weber and Wasserman.

Noes: (1) Representative Zepnick.

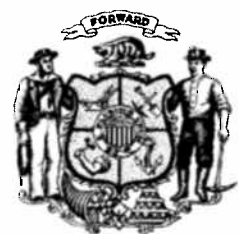
ADOPTION AS AMENDED RECOMMENDED, Ayes 5, Noes 1

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Lance Burri  
Committee Clerk



# WISCONSIN STATE LEGISLATURE





From Wayne Corey; Executive Director

April 9, 2003

## AJR 17: STATE MUST FIX FINANCES FIRST

The State of Wisconsin must put its fiscal house in order. While Wisconsin Independent Businesses appreciates efforts to restrain state taxes, we believe that the first order of business must be adequate fiscal management. Although it appears that the administration and legislature are finally committed to more sound budgeting techniques, others want proof. WIB understands that those outside our state will have difficulty believing Wisconsin is now holding state spending within the limitations of our financial resources until the state is operating under a budget that provides proof.

Passage of Assembly Joint Resolution 17 may suggest to the bond markets that our legislature remains unwilling or unable to deal with our most serious issue. For too many years smoke and mirrors have been Wisconsin's chief budgeting technique. The bond markets recognize the smoke and mirrors. Wisconsin pays higher interest rates on bonds because the markets don't believe we are willing to deal with our spendthrift habits. Those higher interest rates are paid for with state tax revenue. The legislature should put our fiscal house in order and prove the bond markets wrong. But until then, AJR 17 may send the wrong message at this time.

### PREPARED FOR :

**The Assembly Committee on Government  
Operations & Spending Limitations**

AJR 17 has another critical weakness that can be repaired by amendment. AJR 17 requires a two-thirds "super majority" vote to increase sales or income tax rates. However, the proposal as drafted fails to include **expansion of the sales tax base** in the super majority requirement. Without including expansion of the sales tax base, that avenue becomes the path of least resistance for an administration or legislature seeking more tax revenue.

Expansion of the sales tax base is *targeted taxation*. Serious new revenue can come from only two sources : business services and farm necessities. Small businesses and family farms will be the exclusive source of new tax revenue under that scenario. WIB believes that is unfair and unacceptable. AJR 17 must be amended to include expansion of the sales tax base in the super majority vote requirement.

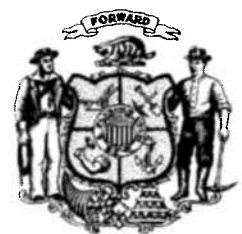
We appreciate your interest in these issues.

*In our 26th year, WIB serves 52,000 people with ownership interest in 16,000 businesses and 9,000 farms. For more information, contact*

Wayne Corey 608-255-0373  
800-362-9644



# WISCONSIN STATE LEGISLATURE





**Wisconsin  
Manufacturers  
& Commerce**

**Memo**

AJR 17

**TO: Government Operations and Spending Limitations**  
**FROM: Joan Hansen, Director, Tax & Corporate Policy**  
**DATE: April 9, 2003**  
**RE: 2003 Assembly Joint Resolution 17**  
**Two-Thirds Majority to Pass Tax Rate Increases**

Wisconsin Manufacturers and Commerce (WMC) supports 2003 Assembly Joint Resolution 17 that requires a two-thirds vote by the Legislature to pass a sales, individual income or corporate income tax rate increase.

Wisconsin faces many economic challenges in the months and years to come:

The economy, although growing, has still not significantly recovered. Unemployment rates are slightly lower than recent months, but is still much higher than those experienced in the 1990's; last year Wisconsin lost 20,000 manufacturing jobs and is scheduled to lose another 5,000 in 2003; job growth is not expected until the final quarter of 2003 and net job growth is not expected until the end of 2006.

Furthermore, the state is facing a \$3 billion budget deficit crisis due in large part to Wisconsin's historically high level of government spending. Government spending in Wisconsin has been increasing at rates well above inflation, as well as personal income growth.

Because government spending has not been reined in either by requiring spending to be based on an economic indicator, such as inflation or growth in personal income; or by controlled tax restraints such as AJR 17, Wisconsin has ranked 3<sup>rd</sup>, 4<sup>th</sup>, or 5<sup>th</sup> highest every year in state and local tax burden since 1990.

There is some positive news, however. Today the Tax Foundation will announce Tax Freedom Day for 2003 for the nation is April 19<sup>th</sup>, eleven days earlier than 2002, due to President's Bush 2001 tax cuts and unfortunately a recessionary economy.

The Tax Foundation also indicates that Wisconsin's burden has dropped from 4<sup>th</sup> **highest in the nation in state and local tax burden to 7<sup>th</sup> highest** as a percentage of income. Our tax burden has moved from 12% of income to 10.7%, still roughly 10% above the national norm of 9.7%. This also is due to recently enacted state income tax cuts and revenue limits, which is the good news; the bad news, however, is that it is also because of fewer people working or working less, the stock market crash; and drastically decreasing corporate income.

Furthermore, taxes unfortunately still make up a larger piece of personal budgets than housing, food, health care and entertainment. Without proactive tax policy

changes, Wisconsin has a long way to get out of the top ten taxed states in the nation.

If approved, this Constitutional amendment is a step in the right direction toward addressing Wisconsin's high tax burden and hopefully, it will begin to bring state and local taxes in line with citizens' ability to pay.

This is important for many reasons - the most obvious being that our citizens are taxed far beyond their means. Their state and local tax burden is still seventh highest in the nation, yet incomes are 4% below the national average. Clearly, citizens pay too much for government in Wisconsin. In fact, in a WMC poll, 82% said we should require a 2/3 vote of the Legislature to exceed state spending caps or increase taxes.

Secondly, if Wisconsin is to remain competitive globally, tax and spending issues must be resolved in order to keep our high-paying manufacturing jobs in the state, as well as to encourage the expansion of those existing businesses. And - equally important to maintaining our strong industrial base is to provide incentives to attract new businesses to Wisconsin - competitive tax rates will definitely assist this effort.

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. If Wisconsin does not maintain a competitive business climate; we will lose more Wisconsin companies, jobs and ultimately the tax base.

For these reasons, WMC urges the committee to support AJR 17.