

WISCONSIN STATE  
LEGISLATURE  
COMMITTEE HEARING  
RECORDS

2005-06

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on  
Campaigns &  
Elections  
(AC - CE)

File Naming Example:

Record of Comm. Proceedings ... RCP

- > 05hr\_AC-Ed\_RCP\_pt01a
- > 05hr\_AC-Ed\_RCP\_pt01b
- > 05hr\_AC-Ed\_RCP\_pt02

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> Committee Hearings ... CH (Public Hearing Announcements)

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INFORMATION COLLECTED BY COMMITTEE  
CLERK FOR AND AGAINST PROPOSAL

> Appointments ... Appt

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Name:

> Clearinghouse Rules ... CRule

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> Hearing Records ... HR (bills and resolutions)

> 05hr\_ab1213\_AC-CE\_pt01

> Miscellaneous ... Misc

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# State of Wisconsin • DEPARTMENT OF REVENUE

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**Jim Doyle**  
Governor

**Michael L. Morgan**  
Secretary of Revenue

## Campaign and Elections Committee Hearing, May 18, 2006

### **Assembly Bill 1213 - Creating a Nonrefundable Individual Income Tax Credit for Contributions to Candidates for Elective Public Office (Representative Wieckert)**

#### *Description of Current Law and Proposed Change*

The bill allows filers to claim a nonrefundable individual income tax credit for political campaign contributions of up to \$100 for candidates in the state for elective public office. The credit is calculated by multiplying up to \$100 in contributions by the taxpayer's marginal tax rate. Under the bill, both spouses of a married couple may claim the credit.

#### *Fairness/Tax Equity*

- Assuming a marginal tax rate of 5.5%, the maximum credit allowed is \$5.50 for individual contributions and \$11 for joint filers if both spouses make political contributions. Even at Wisconsin's top marginal rate of 6.75%, the credit could not exceed \$6.75 for an individual.
- The small size of the credit and the complexity of calculating the credit may limit the extent to which the bill would encourage greater public participation in campaign funding.

#### *Administrative Impact/Fiscal Effect*

- Based on state and federal data on campaign contributions, it is assumed that Wisconsin residents contribute \$20 million to candidates for state and federal office. Assuming that the average contribution is \$1,000, the bill would provide a credit to 20,000 contributors (\$20 million divided by \$1,000) and would reduce individual income tax revenues by approximately \$110,000 (20,000 x \$5.50) annually.
- The fiscal effect would be significantly greater if the average contribution was lower. For example, if the average contribution was \$100, the fiscal effect would be \$1.1 million (\$20 million divided by \$100 x \$5.50).
- The department will incur \$20,400 in annual costs related to data capture, review of claims and printing and postage.
- The bill creates complexity insofar as taxpayers would be required to know their marginal tax rate to compute the credit. The bill would also create complexity in the tax forms and instructions.

May 17, 2006

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## **Testimony of State Representative Steve Wieckert**

### **Assembly Bill 1213 – Campaign Finance Reform: Political Contribution Deductible**

*Assembly Committee on Campaigns & Elections  
300 Northeast – May 18, 2006*

Good morning Chairman Steve Freese and committee members. I am sorry that I was unable to be here in person today to testify in favor of this bill. I appreciate the opportunity to submit written testimony on Assembly Bill 1213, which will help to improve the way elections are financed in Wisconsin.

Campaign finance reform is something most of us believe needs to be done, but consensus breaks down when we try to find solutions. I am optimistic that this bill will be an exception.

This legislation is designed to encourage more small individual contributions to political campaigns and reduce the affect of contributions from large political action committees. This bill will provide an income tax deduction of up to a \$100 for a contribution to a political campaign. Donations from political action groups will not be tax deductible.

This legislation is supported by Common Cause, whose executive director, Jay Heck, stated:

“Common Cause in Wisconsin strongly supports this measure and commends Rep. Wieckert and Sen. Risser for introducing it. This will encourage smaller contributions to candidates which are much more desirable than – and that we hope will replace – the big special interest money that has inundated Wisconsin elections. We urge the consideration and passage of this measure this year.”

As campaigns become more and more expensive, both the number and impact of small citizen contributors is decreasing. The current campaign finance system is becoming dominated by big-dollar contributors, which is a troubling trend.

A number of other states have also instituted tax credits for individual contributions to political campaigns, including: Virginia, Oregon, Minnesota, Arkansas, Ohio, and Arizona.

Thank you. At this time I would be happy to answer any questions of the committee members.

**Public Financing of Election Campaigns**  
**TABLE 4 – Tax Refunds, Credits and Deductions for Political Contributions**

	<b>Description</b>
<b>Arizona</b> §16-954	Income tax credit of up to \$550 or 20% of tax amount, whichever is higher, for voluntary donations to the Clean Elections Fund Taxpayers may also mark a \$5 <sup>a</sup> check-off, which is transferred to the fund.
<b>Arkansas</b> §7-6-222	\$50 <sup>a</sup> credit against state income taxes allowed for contributions to candidates, PACs and parties
<b>Hawaii</b> §11-226	\$500 income tax deduction for contributions of \$100 or less to candidates who agree to adhere to spending limits or to a party central or county committee
<b>Minnesota</b>	\$50 per year refund for contributions to political parties and candidates who agree to spending limits
<b>Montana</b>	\$100 <sup>a</sup> per year income tax deduction for political contributions
<b>North Carolina</b>	\$25 per year income tax deduction for contributions to candidates and newsletter funds
<b>Ohio</b> §5747.29	\$50 <sup>a</sup> credit against state income taxes owed for contributions to candidates
<b>Oklahoma</b>	\$100 per year income tax deduction for contributions to a candidate or political party
<b>Oregon</b>	Income tax credit equal to the lesser of \$50 <sup>a</sup> or the tax liability of the taxpayer for contributions to major or minor parties, party committees, candidates who agree to spending limits, political committees organized and operated exclusively to support or oppose ballot measures or questions to be voted upon within the state
<b>Virginia</b>	Income tax credit equal to 50% of the amount contributed to a local or state candidate. Maximum credit \$25 <sup>a</sup>

(a) amount may be doubled for joint returns