

Assembly Hearing Slip

(Please print plainly)

Date: 7 April 1999
Bill No. AB 161
Or
Subject: Senator Fred Risser
(Name)
220 South Capitol
(Street Address or Route Number)
Madison
(City & Zip Code)
(Representing)

Speaking in favor:
Speaking against:
Registering in favor:
Registering against:
Speaking for information only:
Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 4/17/99
Bill No. AB 161
Or
Subject: Mark Rocan
(Name)
1025 S. Walnut St
(Street Address or Route Number)
Madison, WI 53703
(City & Zip Code)
782 S. Walnut Assembly
(Representing)

Speaking in favor:
Speaking against:
Registering in favor:
Registering against:
Speaking for information only:
Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 04/07/99
Bill No. AB 161
Or
Subject: Jim Cavanaugh
(Name)
1602 S. Park St.
(Street Address or Route Number)
Madison 53715
(City & Zip Code)
South Central Federation
(Representing) of Labor

Speaking in favor:
Speaking against:
Registering in favor:
Registering against:
Speaking for information only:
Neither for nor against:

Please return this slip to a messenger promptly.

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Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 4/7/99
Bill No. AB161
Or
Subject: Victoria MEX McMurray
(Name)
525 Dunning Str
(Street Address or Route Number)
Madison, WI. 53704
(City & Zip Code)
(Representing)

- Speaking in favor:
- Speaking against:
- Registering in favor:
- Registering against:
- Speaking for information only; Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 4-7-99
Bill No. AB 161
Or
Subject: Tom Orsada
(Name)
125 S Webster
(Street Address or Route Number)
Madison WI 53702
(City & Zip Code)
Dept of Revenue
(Representing)

- Speaking in favor:
- Speaking against:
- Registering in favor:
- Registering against:
- Speaking for information only; Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: April 7, 99
Bill No. WI Income Equity Act
Or
Subject: Bonnie Block
(Name)
2237 Fox Ave
(Street Address or Route Number)
Madison, WI 53711
(City & Zip Code)
WI Network for Peace & Justice
(Representing)

- Speaking in favor:
- Speaking against:
- Registering in favor:
- Registering against:
- Speaking for information only; Neither for nor against:

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Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 4/7/99
Bill No. AB 161
Or.
Subject: Midge Miller
(Name)
213 New Rose
(Street Address or Route Number)
Madison, WI 53702
(City & Zip Code)
Self
(Representing)

- Speaking in favor:
- Speaking against:
- Registering in favor:
- Registering against:
- Speaking for information only:
- Neither for nor against:

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State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 4/7/99
Bill No. AB 161
Or.
Subject: James Buchen
(Name)
501 E Washington
(Street Address or Route Number)
Madison
(City & Zip Code)
WMC
(Representing)

- Speaking in favor:
- Speaking against:
- Registering in favor:
- Registering against:
- Speaking for information only:
- Neither for nor against:

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State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 4/7/99
Bill No. AB 161
Or.
Subject: Bill Reid
(Name)
(Street Address or Route Number)
Milwaukee WI
(City & Zip Code)
MMAC
(Representing)

- Speaking in favor:
- Speaking against:
- Registering in favor:
- Registering against:
- Speaking for information only:
- Neither for nor against:

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Assembly Sergeant at Arms
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State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 4-7-99
Bill No. AB-161-TAX
Or
Subject

(Name) Nick George
(Street Address or Route Number) P.O. box 2117
(City & Zip Code) MADISON, WI 53704
(Representing) WE Whites Association

Speaking in favor:
Speaking against:
Registering in favor:
Registering against:
Speaking for information only:
Neither for nor against:

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Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 4-7-99
Bill No. AB 161
Or
Subject

(Name) PETER BOCK
(Street Address or Route Number) 4710 W. BLUE MOUND RD
(City & Zip Code) MILWAUKEE 53208
(Representing) 7th ASSEMBLY DIST.

Speaking in favor:
Speaking against:
Registering in favor:
Registering against:
Speaking for information only:
Neither for nor against:

Please return this slip to a messenger promptly.
Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: April 7
Bill No. AB 161
Or
Subject

(Name) Mark Reihl
(Street Address or Route Number) 115 W. Main St.
(City & Zip Code) Madison, WI 53711
(Representing) Wis. State Council of Carpenters

Speaking in favor:
Speaking against:
Registering in favor:
Registering against:
Speaking for information only:
Neither for nor against:

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State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 4/7/99
BILL No. AB161
Or
Subject Robert Taylor
(Name)
72 Lakewood Gardens Ln
(Street Address or Route Number)
Madison 53704
(City & Zip Code)
(Representing)

Speaking in favor:
Speaking against:
Registering in favor:
Registering against:
Speaking for information only:
Neither for nor against:

Please return this slip to a messenger promptly.
Assembly Sergeant at Arms:
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State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 4/7/99
BILL No. AB 161
Or
Subject WB. Income Equity Act
(Name)
Mary Babule
1818 Jennifer St.
(Street Address or Route Number)
Madison 53704
(City & Zip Code)
self
(Representing)

Speaking in favor:
Speaking against:
Registering in favor:
Registering against:
Speaking for information only:
Neither for nor against:

Please return this slip to a messenger promptly.
Assembly Sergeant at Arms:
Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 4/7/99
BILL No. AB161
Or
Subject Pay Equity
(Name)
DAVID WOOD
1180 Observatory Drive
(Street Address or Route Number)
Madison WI 53711
(City & Zip Code)
Center for Wisconsin Strategy
(Representing)

Speaking in favor:
Speaking against:
Registering in favor:
Registering against:
Speaking for information only:
Neither for nor against:

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Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 4/7/99
Bill No. AB 161
Or
Subject: Equity in Pay: ≤ 25%
CEB: employees
Rebecca KvKland
(Name)
118 Rosemary Ave
(Street Address or Route Number)
Madison WI 53714
(City & Zip Code)
(Representing)

Speaking in favor:
Speaking against:
Registering in favor:
Registering against:
Speaking for information only:
Neither for nor against:

Please return this slip to a messenger promptly.

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Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 4/7/99
Bill No. AB 161
Or
Subject: Income Tax equity
Patricia Mapp
(Name)
1927 Commonwealth
(Street Address or Route Number)
Madison, WI 53705
(City & Zip Code)
Mk family
(Representing)

Speaking in favor:
Speaking against:
Registering in favor:
Registering against:
Speaking for information only:
Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: APRIL 7, 1999
Bill No. AB 161
Or
Subject:
Joanne Ricca
(Name)
6333 W Bluemound
(Street Address or Route Number)
Milwaukee 53213
(City & Zip Code)
WI AFL-CIO
(Representing)

Speaking in favor:
Speaking against:
Registering in favor:
Registering against:
Speaking for information only:
Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: ~~AB 161~~ April 7, 1999
 Bill No. AB 161
 Or
 Subject Income Equity
Mary Kay Baum
 (Name)
Madison Urban Ministry, 1127
 (Street Address or Route Number) Ave.
Madison, WI 53711
 (City & Zip Code)
self as director of Madison
 (Representing) Urban Ministry

- Speaking in favor:
- Speaking against:
- Registering in favor:
- Registering against:
- Speaking for information only:
Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms:
 Room 411 West
 State Capitol
 Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 4-7-99
 Bill No. AB 161
 Or
 Subject _____
Robert Burke
 (Name)
33 N. Hill Dr.
 (Street Address or Route Number)
Madison, WI 53708
 (City & Zip Code)
WEAC
 (Representing)

- Speaking in favor:
- Speaking against:
- Registering in favor:
- Registering against:
- Speaking for information only:
Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms
 Room 411 West
 State Capitol
 Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 4-7-99
 Bill No. AB 161
 Or
 Subject _____
LOCAL 171 BLUE COLLAR
 (Name)
UNIVERSITY AVE
 (Street Address or Route Number)
MADISON, WI
 (City & Zip Code)
REBEKAH ANDERSON (STENARD)
 (Representing)

Speaking in favor:
 Speaking against:
 Registering in favor:
 Registering against:
 Speaking for information only:
 Neither for nor against:

Please return this slip to a messenger promptly.
 Assembly Sergeant at Arms
 Room 411 West
 State Capitol
 Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 4/7/99
 Bill No. AB 161 & 166
 Or
 Subject _____
Tim Carpenter
 (Name)
210W
 (Street Address or Route Number)

 (City & Zip Code)

 (Representing)

Speaking in favor:
 Speaking against:
 Registering in favor:
 Registering against:
 Speaking for information only:
 Neither for nor against:

Please return this slip to a messenger promptly.
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 Room 411 West
 State Capitol
 Madison, WI 53702

1999 - 2000 LEGISLATURE

1999 ASSEMBLY BILL 161 

March 4, 1999 - Introduced by Representatives Pocan, Bock, Sinicki, Miller, Carpenter, Berceau, Musser, Black, Plouff, Boyle, La Fave, Turner, Kreuser, Schneider, Ryba and Cullen, cosponsored by Senator Risser. Referred to Committee on Ways and Means.

Pg1Ln1 **An Act** to amend 71.26 (3) (e) 1. of the statutes; relating to: limiting the
Pg1Ln2 corporate income tax deduction for compensation paid to an employe.

Analysis by the Legislative Reference Bureau

AB161 

Under current law, a corporation may deduct from its income tax the compensation paid to its officers and employes. The corporate income tax deduction for compensation paid to executive officers cannot exceed \$1,000,000.

AB161 

This bill further limits any single corporate income tax deduction for compensation paid to an employe or officer to an amount not to exceed the compensation paid to a corporation's lowest paid full-time employe multiplied by 25.

For further information see the state fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

AB161, s. 1 

Pg1Ln3 **Section 1.** 71.26 (3) (e) 1. of the statutes is amended to read:

AB161, s. 1 - continued 

Pg1Ln4 71.26 (3) (e) 1. So that payments for wages, salaries, commissions and bonuses

Pg1Ln5 of employes and officers may be deducted only if the name, address and amount paid
Pg1Ln6 to each resident of this state to whom compensation of \$600 or more has been paid
Pg2Ln1 during the taxable year is reported or if the department of revenue is satisfied that
Pg2Ln2 failure to report has resulted in no revenue loss to this state. A deduction for wages,
Pg2Ln3 salaries, commissions and bonuses paid to an employe or officer shall not exceed an
Pg2Ln4 amount equal to the wages, salaries, commissions and bonuses paid to the
Pg2Ln5 corporation's lowest paid full-time employe multiplied by 25.

AB161, s. 2



Pg2Ln6

Section 2. Initial applicability.

AB161, s. 2 - continued



Pg2Ln7

Pg2Ln8

Pg2Ln9

Pg2Ln10

Pg2Ln11

(1) This act first applies to taxable years beginning on January 1 of the year in which this subsection takes effect, except that if this subsection takes effect after July 31 this act first applies to taxable years beginning on January 1 of the year following the year in which this subsection takes effect.

(End)

2/28/99
Views of

The Capital Times

Fighting back in the class war

If an Iowa County dairy farmer showed up in Madison and asked the Legislature to give him a tax deduction for the first million dollars he paid himself for milking cows, the politicians would laugh him out of town.

But every year the state of Wisconsin cheerfully hands the largest corporations in the world a tax break to help them pay their executive salaries that polls show the overwhelming majority of citizens think are excessive. In other words, Wisconsin taxpayers are subsidizing the salaries of some of the highest paid people in America.

Under current state law, corporations can take a tax deduction to help them pay the first \$1 million in executive compensation.

That may seem ridiculous to the farmer, but most legislators appear to be perfectly comfortable with an arrangement which requires working Wisconsinites to pay a little extra into the state's tax coffers each week so that corporate executives can afford faster sports cars and bigger houses.

The scenario seems all the more absurd when the Wall Street Journal and other business publications report that corporations give their executives bonuses for cutting the wages of hourly workers. Translation: Working Wisconsinites are subsidizing a system that rewards corporate executives for cutting the wages of working Wisconsinites.

State Rep. Mark Pocan, D-Madison, and state Sen. Fred Risser, D-Madison, are ill at ease with this blatant assault on the pocketbooks and the livelihoods of the vast majority of Wisconsinites. And they've come up with a creative proposal to set things right.

Pocan and Risser have introduced the Wisconsin Income Equity Act, a proposal that would limit the deduction to not more than 25 times a company's lowest paid full-time employee's wage. In other words, if a data-entry clerk at a corporate office is paid \$15,000 a year, the deduction for executive pay could be no more than 25 times that figure — or \$375,000.

Noting that Wisconsin corporations received a \$156 million computer tax break last year, and that now Gov. Tommy Thompson has proposed an additional \$50 million tax break on bank ATM machines and other equipment, Pocan says, "Clearly we need to help raise the wages of Wisconsin citizens rather than add further tax breaks for corporations, which already face the second lowest tax burden in the nation. I hope we can convince the governor and the Legislature to value Wisconsin workers as much if not more than the corporations that keep getting tax break after tax break."

That may be easier said than done.

After making their proposal, Pocan and Risser were immediately attacked by state Rep. John Gard, R-Peshtigo, who accused his colleagues of practicing "class warfare."

That's unfair to Pocan and Risser, who are only trying to add some balance to state policy — tipping it ever so slightly back toward serving the interests of working people. The Wisconsin Income Equity Act is not radical legislation. In fact, it has won the support of the AFL-CIO, and is co-sponsored by 15 Assembly members, including Terry Musser, R-Black River Falls.

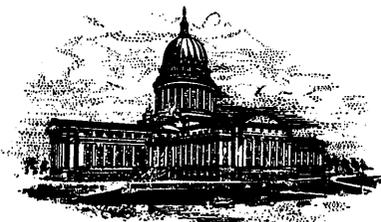
But if Gard is so obsessed with using class-warfare rhetoric, fair enough.

For the better part of the past two decades, the Wisconsin Manufacturers and Commerce special interest group, which has just 4,600 members — less than one-tenth of 1 percent of the state's population — and its allies in government have waged something very akin to class warfare against the other 5,145,000 Wisconsinites.

The special interests have engaged in a systematic effort to shift the tax burden from the state's business elites onto the shoulders of working people. They have created a circumstance where, according to the Wisconsin Department of Commerce, corporations pay the second lowest taxes in the nation while working people pay one of the highest rates.

Perhaps Gard is right. Perhaps there is a class war going on in Wisconsin. If so, Pocan and Risser have fired a shot on behalf of the other 5 million of us.

The views in this space are provided by The Capital Times, Dane County's afternoon newspaper. You can respond by e-mail to tctvoice@captimes.madison.com or by regular mail to Voice of the People, PO Box 8060, Madison WI 53708.



Law

Wisconsin State Assembly

P.O. BOX 8952 • MADISON, WI 53708

March 9, 1999

Rep. Michael Lehman, Chair of Ways and Means Committee
103 West, State Capitol
PO Box 8952
Madison, WI 53708

Dear Rep. Lehman,

Last week AB 161 was introduced and referred to your committee. I ask you to please hold a public hearing and have an executive session on this bill.

AB 161, also known as the Wisconsin Income Equity Act, attempts to raise the wages of the average worker by placing limits on the amount corporations receive through salary tax exemptions.

Simply stated, the Wisconsin Income Equity Act seeks to reduce the income gap by encouraging corporate responsibility. This bill would end our state's practice of subsidizing excessive executive pay. Under current law, compensation paid to a company's officers and employees can be deducted from its income tax and this deduction for executive officers cannot exceed \$1,000,000. The Wisconsin Income Equity Act changes the \$1 million executive compensation deduction cap by further limiting the deduction to 25 times the company's lowest paid full-time employee. So, if the lowest paid employee makes \$20,000, the corporation would be able to deduct \$500,000 of executive income. Increases in corporate deductions are now tied to increases in the wage scale.

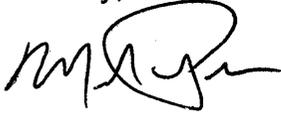
This bill is not an attack on those at the top of the income ladder. Rather, it is our goal to not pull them down, but to raise up those at the bottom. This bill doesn't limit executive pay, and it doesn't tell companies how much to pay their employees. It will, however, send a strong message to a company that wants to receive tax deductions for executive pay – reexamine the fairness of your worker's pay. This bill aims to send a message about the values of Wisconsin

government. Those who work on the factory floor are as important to the company as those who work in the corporate suite.

This is a bipartisan bill that has over 15 Assembly sponsors, and has been debated for an hour on Tom Clark's Wisconsin Public Radio program. This is a solid bill that has state-wide support.

If you have any questions or concerns, please contact my office at 266-8570.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Pocan', written in a cursive style.

Mark Pocan
State Representative, 78th District

MP:gw

Ways & Means Committee
Preliminary Report on Referred Legislation
March 23, 1999

Bill: **AB161**

Author: **Pocan**

Date Referred: **3-04-1999**

Public Hearing:

Executive Session:

Relating Clause: *limiting the corporate income tax deduction for compensation paid to an employee.*

Comments from Department of Revenue-

T^r rev, def probs (bonus/full-time) - state code ≠ Fed code

Comments from the Author-

Author's reasoning for introducing legislation:

The "Wisconsin Income Equity Act." Attempting to reduce the income gap among corporate employees.

Author's intent:

The bill limits the amount a corporation can deduct from their income tax that is paid as salary to executive officers to 25 times the company's lowest paid full-time employee. If the lowest paid full-time employee is \$20k, then the deduction limit is \$500k.

Does the Author want the legislation moved forward?

Yes No

If no, do we have this in writing?

Yes No

Is the legislation in its final form?

Yes No

If major changes are required, the author shall prepare and introduce the necessary amendments.

Notes-

- Currently, all salaries are 100% deductible.
- AB 161 goal clearly is to modify the behavior of state corporations in regards to their employee pay structure. The author states his intent in a letter dated March 9th as *“AB 161 ... attempts to raise the wages of the average worker by placing limits on the amount corporations receive through salary tax exemptions.”*
- It should be noted that making modifications to state income tax responsibilities through deductions has been a poor method to try and modify taxpayer behavior.
- **AB 161, in limiting the amount that a corporation may deduct on their state income tax, causes the corporation to pay higher state corporate income tax. However, this increased amount of state income tax allows them to claim a higher deduction against their federal corporate income tax. The net effect on the corporation would be small, probably less than \$0.05 on the dollar.**

Comments from potentially affected parties-

Double taxation



State of Wisconsin • DEPARTMENT OF REVENUE

125 SOUTH WEBSTER STREET • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933 • 608-266-6466 • FAX 608-266-5718 • <http://www.dor.state.wi.us>

Tommy G. Thompson
Governor

Cate Zeuske
Secretary of Revenue

TESTIMONY ON ASSEMBLY BILL 161 TO ASSEMBLY WAYS AND MEANS COMMITTEE April 7, 1999

Thank you Mr. Chairman and members of the committee for the opportunity to provide information concerning this proposal to limit the corporate income tax deduction for compensation paid to some employees.

Current law allows the subtraction of a number of expenses incurred in operating a business. In addition to deductions for items such as repairs and maintenance, taxes paid, interest on indebtedness and depreciation, state and federal law provides that a corporation may deduct compensation paid to employees and officers from its income that is subject to tax.

The Internal Revenue Code limits the deduction for compensation paid to chief executive officers and four other highest paid officers of the corporation to \$1 million. The limit is based on any form of compensation but does not include certain commissions or performance-based compensation. Wisconsin has adopted the same treatment for Wisconsin corporate income taxes.

The Department of Revenue would like to raise several concerns with AB 161 beginning with enacting a provision in state law that would differ from federal provisions, thereby adding administrative complexity to the law. The result is likely to be increased errors and audit time spent reviewing returns. The lack of a definition of what is meant by the term "bonus" and "full-time" would also mean taxpayer confusion and additional opportunity for errors.

In addition, corporations might avoid the deduction limit by providing different forms of compensation to corporate officers, or by creating a corporate tax entity that gets around the limit by taking advantage of the fact that Wisconsin is a separate entity reporting state. A corporation could set up a management company made up of its top corporate officers. This management company could pay the officers whatever it chose and then bill the parent company for management services. The parent company could take a deduction for the full management fee as a business expense under this scenario.

Legislation similar to AB 161 has been introduced in the Congress, limiting the federal compensation deduction to 25 times the lowest compensation for a full-time employee. The Department would look toward addressing this issue when it does an annual IRC update, should legislation pass at the federal level. Maintaining a consistent treatment would solve some of the technical concerns regarding the lack of definitions in the proposal.

Finally, the Department does not have the data needed to estimate the fiscal effect of this proposal. AB 161 would increase corporate income tax revenues because the amount of net income subject to tax would increase. But the amount of the increase is not known, due to the lack of information on the amount of compensation paid to the lowest and highest paid employees.

FRED A. RISSER

President

Wisconsin State Senate



Testimony on Wisconsin Income Equity Act (Assembly Bill 161)

Assembly Committee on Ways and Means

Wednesday, April 7, 1999

9:30am

417 North

Good Morning. Thank you Representative Lehman and members of the committee for holding a hearing on Assembly Bill 161, also known as the Wisconsin Income Equity Act.

In 1998, the average CEO made 728 times more than a minimum wage worker did in the United States. If the minimum wage, which was enacted in 1960, had risen at the same rate as executive pay, it would stand at nearly \$41 per hour rather than the current rate of \$5.15.

It is because of these startling statistics, and the nationwide decline of the average workers salary, that we propose the Wisconsin Income Equity Act.

Under current law, a corporation may deduct from its income tax the compensation paid to its officers and employees. The corporate income tax deduction for compensation paid to executive officers cannot exceed \$1,000,000.

The Wisconsin Income Equity Act will change the \$1 million executive compensation deduction cap by limiting the deduction to 25 times the company's lowest paid full-time employee. This bill is not an attack on the current level of corporate pay. Simply stated, if a corporation increases wages, it will receive an increased deduction.

The goal of this bill is to reduce the income gap that we have between CEO's and laborers by encouraging corporate responsibility. For example, if the lowest paid employee makes \$21,000, the corporation could only deduct \$525,000. If that same employee were to make \$30,000 per year, the corporation could deduct \$750,000.

Wisconsin currently ranks 19th in the nation in wages paid to its workers. However, we have the second lowest corporate tax rate. The Wisconsin Income Equity Act seeks to level the playing field by asking corporations to reexamine the wages they pay all of their employees, not just their executives.

The Wisconsin Income Equity Act is an important step in encouraging corporations to pay fair, living wages to all employees.



State of Wisconsin • DEPARTMENT OF REVENUE

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file w/ bill

Tommy G. Thompson
Governor

Cate Zeuske
Secretary of Revenue

September 7, 1999

The Honorable Kimberly Plache
Wisconsin Senate
State Capitol - Room 415 South
Madison, WI 53702

The Honorable Frank Lasee
Wisconsin Assembly
State Capitol - Room 7 North
Madison, WI 53702

Dear Senator Plache and Representative Lasee:

I would like to take this opportunity to let you know that the Department of Revenue supports companion bills AB 402 and SB 161.

Current law allows the Department of Revenue to enter into a compromise (agreement for reduced payment) with a delinquent taxpayer that is unable to pay the full amount of delinquent income and franchise taxes. The compromise is effective if the amount of the compromise is paid within ten days. Your bills would allow a payment schedule permitting payment of the compromise amount within a one-year period. It would also allow DOR to order payment of the full amount of the delinquency if it determines, within three years of final payment under the schedule, that the taxpayer is able to make full payment.

At the Assembly Ways and Means hearing on AB 402, Representative Wood asked whether the bill should include language giving DOR the authority to charge lower interest rates for amounts due under a compromise. DOR technical staff have informed me that the department currently has the authority to compromise (reduce) interest rates on delinquent amounts in s. 71.92(3); a change to the bill would not be necessary to accomplish this.

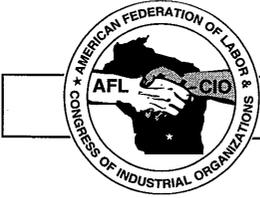
We see no administrative concerns with the bill and anticipate no fiscal impact from the bill, although it is possible that a change in payment schedules for some taxpayers may result in payment of larger compromise amounts and may alter the timing of payments slightly.

In summary, the DOR supports this legislation and believes it will allow us greater flexibility to accommodate the needs of taxpayers.

Sincerely,

Cate Zeuske
Cate Zeuske
Secretary of Revenue

cc: Rep. M. Lehman
Rep. W. Wood
Sen. R. Wirch



DANE • SAUK • COLUMBIA • IOWA COUNTIES

South Central Federation of Labor

1602 S. PARK ST., ROOM 228

MADISON, WI 53715-2180

(608) 256-5111

FAX (608) 256-6661

email: TheFed@SCFL.org

JIM CAVANAUGH, PRESIDENT
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OFFICIAL PUBLICATION

Growth in the “pay gap” has become so accelerated in recent years that even the business media has begun to view it as unhealthy for our economy. In the twenty-five years between 1947 and 1973, income for the poorest 20% of American families increased 116%, while income for the wealthiest 20% increased 85%. In other words, during the quarter century after World War II, the gap between the richest and the poorest closed a little, as everyone shared the prosperity.

In the twenty-five years since then, however, this picture has completely changed. Income for the the richest 20% has increased faster than for any other quintile, while real income for the poorest 20%, indeed for the poorest 40%, has **declined**.

In Wisconsin, in the last decade, pay inequality has grown by 18%, a rate 50% greater than for the country as a whole.

In 1980 CEO's were paid 41 times the pay of an average, full time factory worker. By 1997, CEO pay had grown to 285 times the pay of the average factory worker. Yesterday, I read something that said it was now 326 times.

Other than increasing the minimum wage, there may not be a whole lot that state government can do about this unhealthy income disparity. But state government need not reward it. Indeed, by tying the amount of executive pay that can be written off on taxes to a 25 - 1 ratio in relation to the lowest paid workers, there might even be an incentive to increase the wages of those lowest paid workers, thereby closing that gap at little.

If this helps increase wages for the lowest paid workers, that result would clearly be in the best interests of the state. Not only would it alleviate some of the costs to government of low wages--food stamps, medical care, etc., but it would also result in increased revenues to the state, through both greater income taxes paid on that increased income and greater sales taxes paid when that increased income is spent.

From whatever angle you look at it, **AB 161** appears to be good public policy. The Wisconsin State AFL-CIO supports this bill and the national AFL-CIO supports a similar bill, which, in the last session of Congress, listed Wisconsin Congressmen Kind and Barrett as co-sponsors.

Five million, one hundred and forty-five thousand reasons for the Wisconsin Income Equity Act

By Rep. Mark Pocan

Just one month ago, Wisconsin Manufacturers and Commerce, the state's trade association for corporate executives, held their lobby day in Madison touting their successes from the last session. They spent \$506,540 lobbying state lawmakers and netted over \$200 million in property tax break exemptions for computers, copiers and even ATM machines. That's quite a return on their investment for an organization of just over 4,600 members.

But what are we doing about the other 5,145,000 residents of Wisconsin. Their picture is not nearly as profitable as WMC. When you look at wages, the typical worker in Wisconsin saw a 19 cent increase in their wages from 1997 to 1998, from \$11.31 to \$11.50 an hour. Adjust the average wage for inflation to real wages, and that's below their 1979 level of an adjusted \$12.16 per hour.

Even worse yet are those who are in the lowest paid occupations, those who are in the bottom twenty percent of wage earners in Wisconsin. In 1998, their wages were only \$7.62 an hour, up 2.4 percent from \$7.44 a year earlier. That's about \$15,800 per year for a family living in Wisconsin.

And where does Wisconsin rank for wages compared to the nation? Well, we are 19th in the nation, but we lag behind neighboring states like Minnesota where wages rose 5.5 percent last year, nearly three times as fast as in Wisconsin, according to the Economic Policy Institute in Washington.

Nationally the picture isn't any better. In 1965, CEOs made 44 times the average factory worker's salary. Today, CEOs make 326 times the average factory worker's pay according to Business Week.

In 1998, the average CEO made 728 times more than a minimum wage worker in the U.S. If the minimum wage (enacted in 1960) had risen at the same rate as executive pay, it would stand at nearly \$41.00 an hour as opposed to \$5.15 today.

It is for these reasons and others that we have introduced a bill to try and change the wage picture in Wisconsin. This bill, the Wisconsin Income Equity Act, attempts to work on behalf of the 5,145,000 residents not represented by WMC. This bill addresses a way to try to raise their wages, a way to close their wage gap with the corporate executives who reap the tax break profits.

Simply stated, the Wisconsin Income Equity Act seeks to reduce the income gap by encouraging corporate responsibility. This bill would end our state's practice of subsidizing excessive executive pay. Under current law, compensation paid to a company's officers and employees can be deducted from its income tax, and this deduction for executive officers cannot exceed \$1,000,000. The Wisconsin Income Equity Act changes the \$1 million executive compensation deduction cap by further limiting the deduction to 25 times the company's lowest paid full-time employee. So, if the lowest paid employee makes \$20,000, the corporation would be able to deduct \$500,000 of executive income. Increases in corporate deductions are now tied to increases in the wage scale.

This bill is not an attack on those at the top of the income ladder. Rather, it is our goal to not pull them down, but to raise up those at the bottom. This bill doesn't limit executive pay, and it doesn't tell companies how much to pay their employees. It will, however, send a strong message to a company that wants to receive tax deductions for executive pay – reexamine the fairness of your worker's pay. Our goal is to see that people who work full time should be able to live without government assistance.

This bill aims to send a message about the values of Wisconsin government. Those who work on the factory floor are as important to the company as those who work in the corporate suite.

In addition, our bill addresses the state's practice of subsidizing excessive pay. Why should corporate executives be offered a tax break that the average citizen is not afforded? The fact that Wisconsin has the second highest personal property taxes in the nation, yet the second lowest corporate tax burden is the nation is wrong. We need to correct this by fixing this inequity in the tax code.

Please join us in starting the work to make our tax structure more fair in Wisconsin. We do this by beginning with one small step, the Wisconsin Income Equity Act. Please support our efforts for real tax reform in our state.

F-17 CORPORATE INCOME TAXES, TOTAL AND PER CAPITA, FY 1995

State	Corporate income taxes \$(millions)	Corporate income taxes per capita \$	Rank by per capita
Alabama	236	56	41
Alaska	528	874	1
Arizona	417	99	21
Arkansas	192	77	30
California	5,748	182	7
Colorado	190	51	45
Connecticut	699	213	5
Delaware	194	270	3
Florida	945	67	37
Georgia	653	91	23
Hawaii	47	40	46
Idaho	129	111	17
Illinois	1,481	125	15
Indiana	874	151	8
Iowa	221	78	29
Kansas	261	102	19
Kentucky	341	88	25
Louisiana	283	65	38
Maine	63	51	43
Maryland	366	73	34
Massachusetts	1,206	198	6
Michigan	2,130	223	4
Minnesota	666	144	11
Mississippi	203	75	33
Missouri	369	69	35
Montana	76	87	26
Nebraska	124	76	31
Nevada	0	0	n/a
New Hampshire	166	145	10
New Jersey	1,029	130	13
New Mexico	150	89	24
New York	4,985	275	2
North Carolina	906	126	14
North Dakota	70	109	18
Ohio	713	64	39
Oklahoma	167	51	44
Oregon	312	99	20
Pennsylvania	1,785	148	9
Rhode Island	82	83	27
South Carolina	250	68	36
South Dakota	40	55	42
Tennessee	493	94	22
Texas	0	0	n/a
Utah	147	76	32
Vermont	48	83	28
Virginia	368	56	40
Washington	0	0	n/a
West Virginia	219	120	16
Wisconsin	671	131	12
Wyoming	0	0	n/a
50 States	31,245	119	
DC	161	290	
United States	31,406	120	

Rank in order

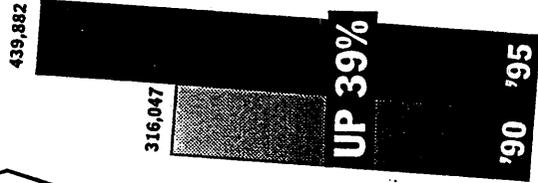
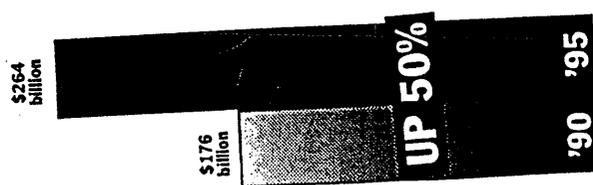
By per capita

1. Alaska
2. New York
3. Delaware
4. Michigan
5. Connecticut
6. Massachusetts
7. California
8. Indiana
9. Pennsylvania
10. New Hampshire
11. Minnesota
12. Wisconsin
13. New Jersey
14. North Carolina
15. Illinois
16. West Virginia
17. Idaho
18. North Dakota
19. Kansas
20. Oregon
21. Arizona
22. Tennessee
23. Georgia
24. New Mexico
25. Kentucky
26. Montana
27. Rhode Island
28. Vermont
29. Iowa
30. Arkansas
31. Nebraska
32. Utah
33. Mississippi
34. Maryland
35. Missouri
36. South Carolina
37. Florida
38. Louisiana
39. Ohio
40. Virginia
41. Alabama
42. South Dakota
43. Maine
44. Oklahoma
45. Colorado
46. Hawaii

The Breaking of the Social Contract

The Economy is Doing Very Well for Investors and CEOs...

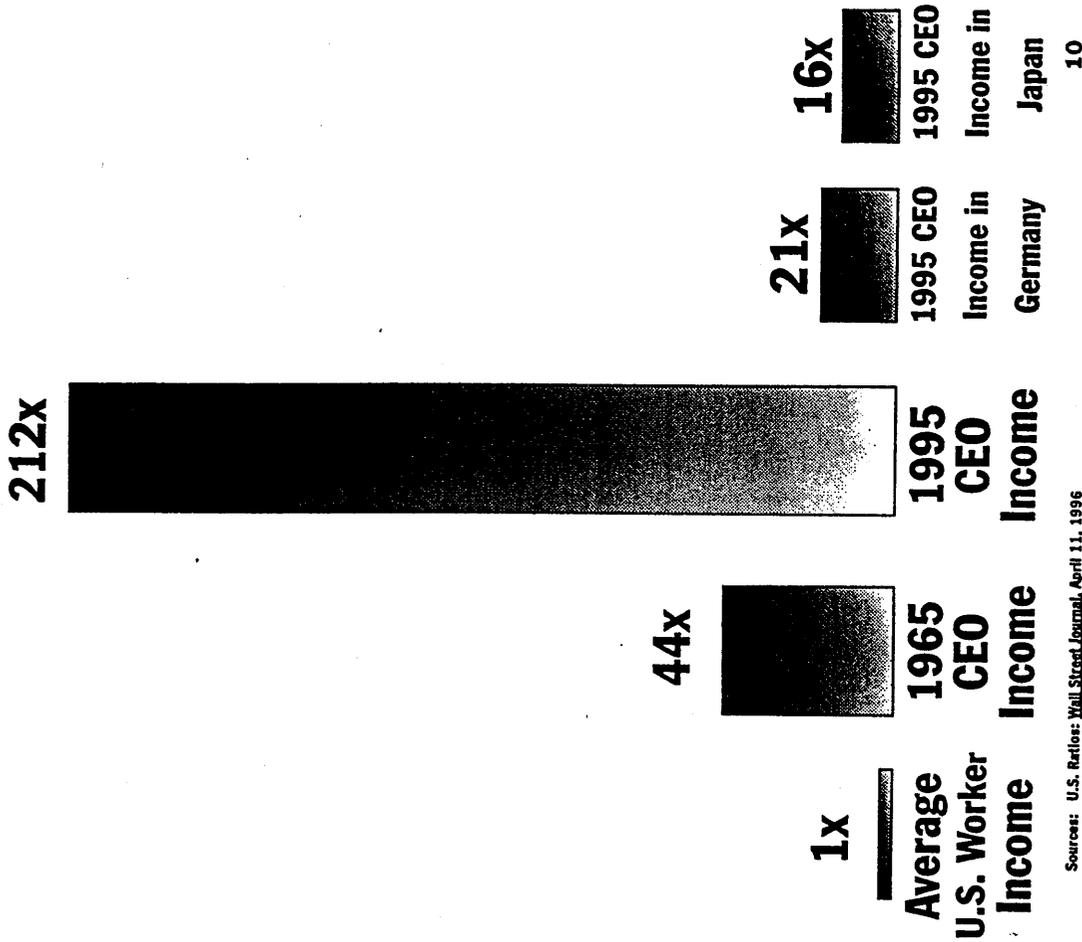
...But Employees See More Layoffs and Lower Wages



Source: Business Week, April 22, 1996 p. 100 from data collected by Business Week, Bureau of Labor Statistics, and Challenger, Gray & Christmas, Inc. All dollar amounts converted to constant 1990 dollars.

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U.S. CEO Earnings as a Multiple of Average Workers' Earnings

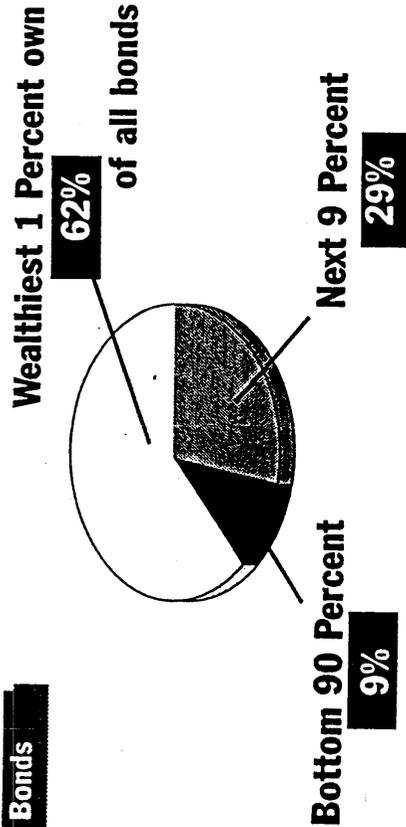
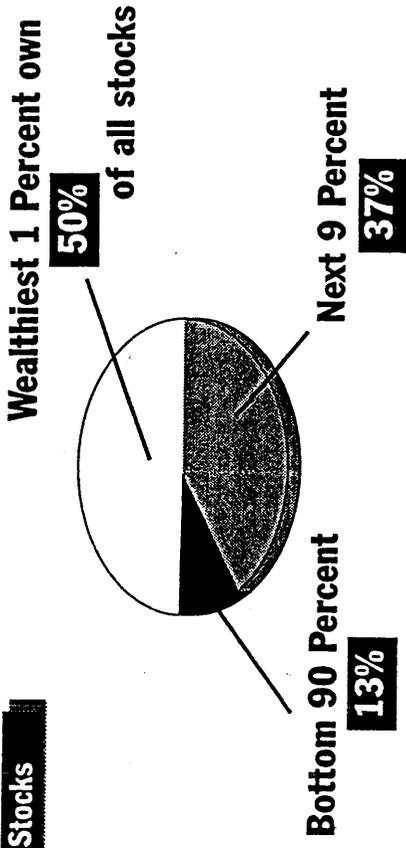


Source: U.S. Ratios: Wall Street Journal, April 11, 1996
 Germany and Japan Ratios: House Democratic Policy Committee

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Ownership of Stocks and Bonds • 1992

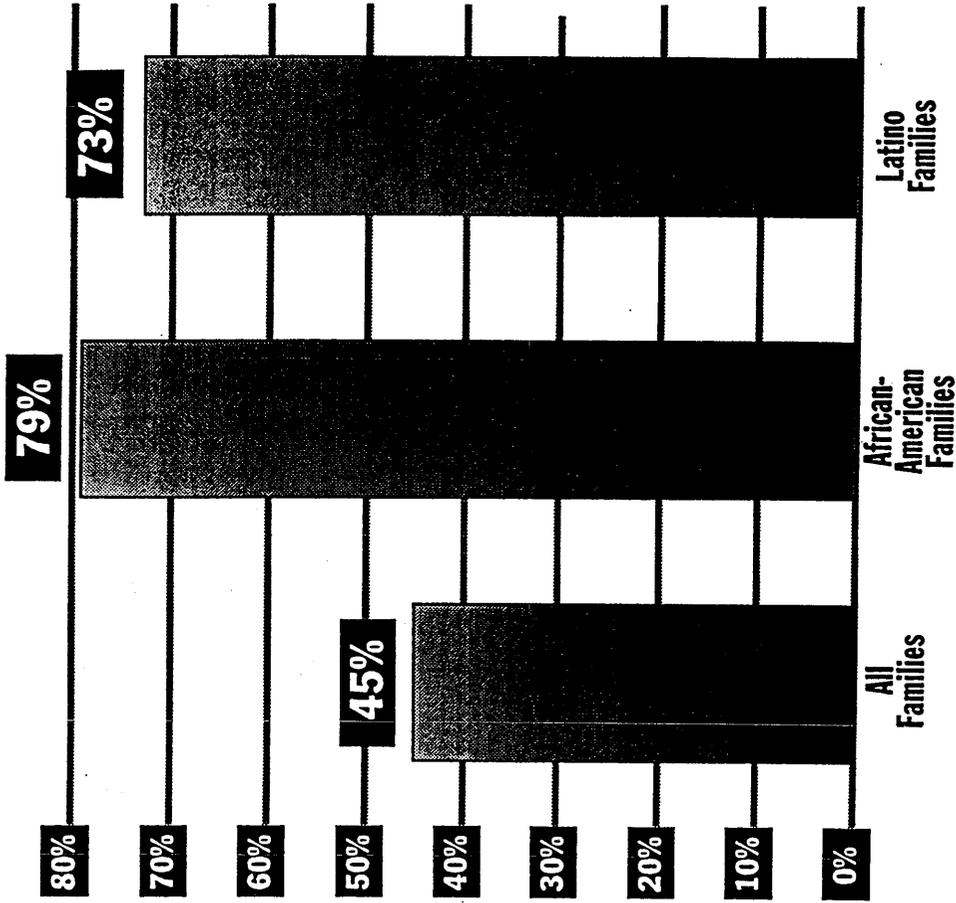
Who really wins when the Stock Market rises?



Source: Lawrence Mishel and Jared Bernstein, *The State of Working America 1996-Z*, p. 280

Percentage of Families Whose Savings Would Run Out in 3 Months or Less

Many Families Are Forced to Live on the Edge



Source: Oliver and Shapiro, *Black Wealth, White Wealth*, 1995, p. 87

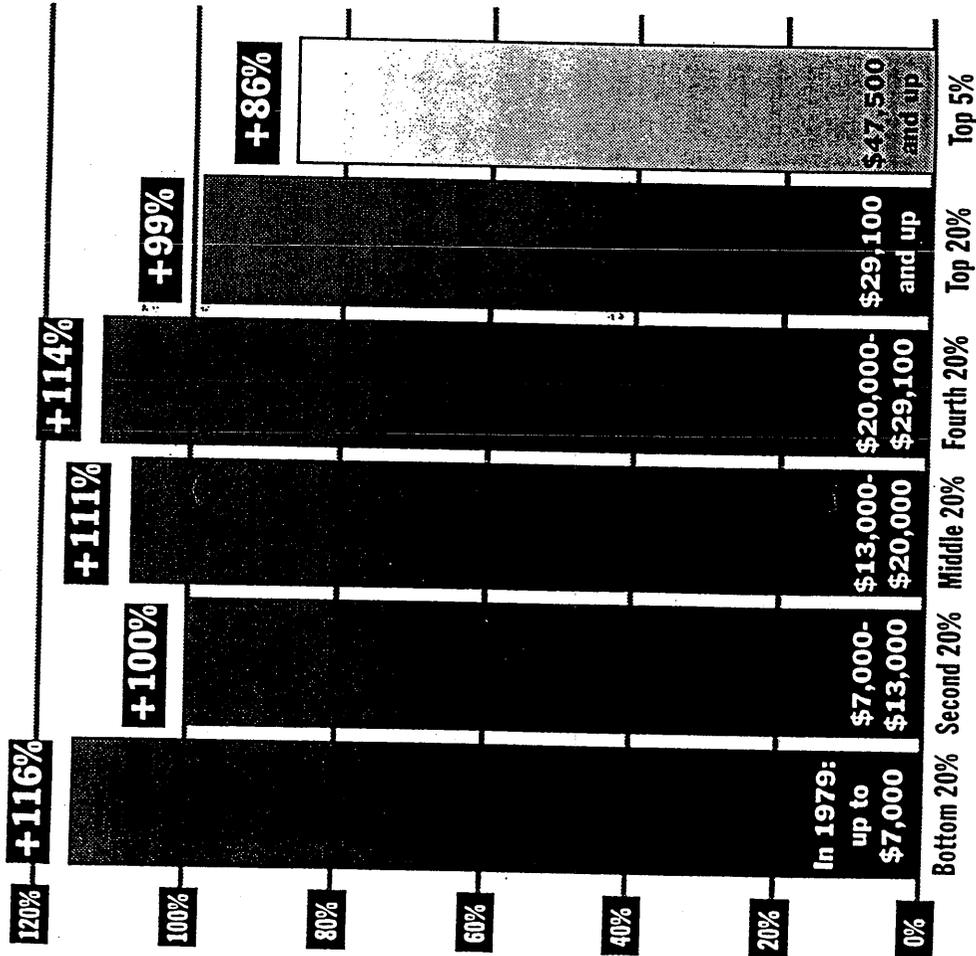


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1947 to 1979 - Real Family Income Growth by Quintile and for Top 5%

We Grew Together



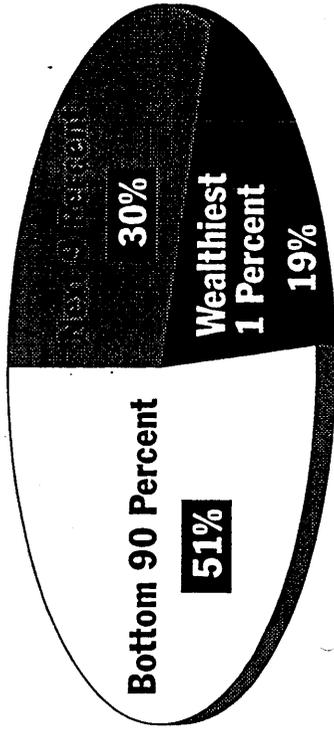
Sources: Analysis of Census Bureau data by Lawrence Mitchell and Jared Bernstein, *The State of Working America 1994-95* p. 37
Income Ranges in 1979 dollars from March 1996 Census Current Population Survey, Table H-1

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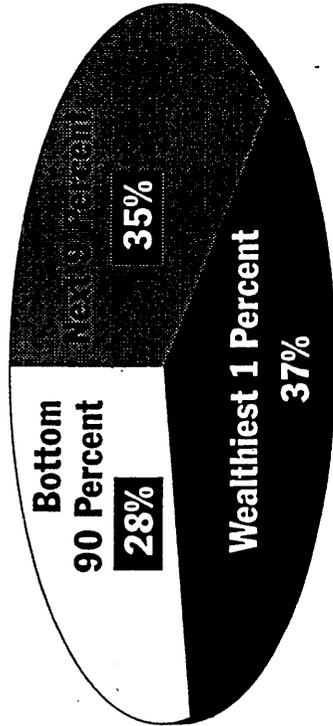
Ownership of Private Wealth in the United States

In only 16 years, the Top 1% nearly doubled their share of the pie. The next 9% also gained. The Bottom 90% were very big losers.

1976



1992



Sources: 1976: Edward N. Wolff, *Too Heavy: A Study of Increasing Inequality in America*
1992: Edward N. Wolff, unpublished data based on the 1992 Survey of Consumer Finances, conducted by the Federal Reserve Bank.

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The Trends

Between 1980 and Today...

- ★ Most Growth in Income Has Gone to the Wealthiest One Percent at the Top
- ★ Wealth Ownership Has Become Even More Concentrated at the Top
- ★ The Gap Has Widened Between Highest and Lowest Paid Workers
- ★ Three Out of Four U.S. Workers Have Lost Ground Economically

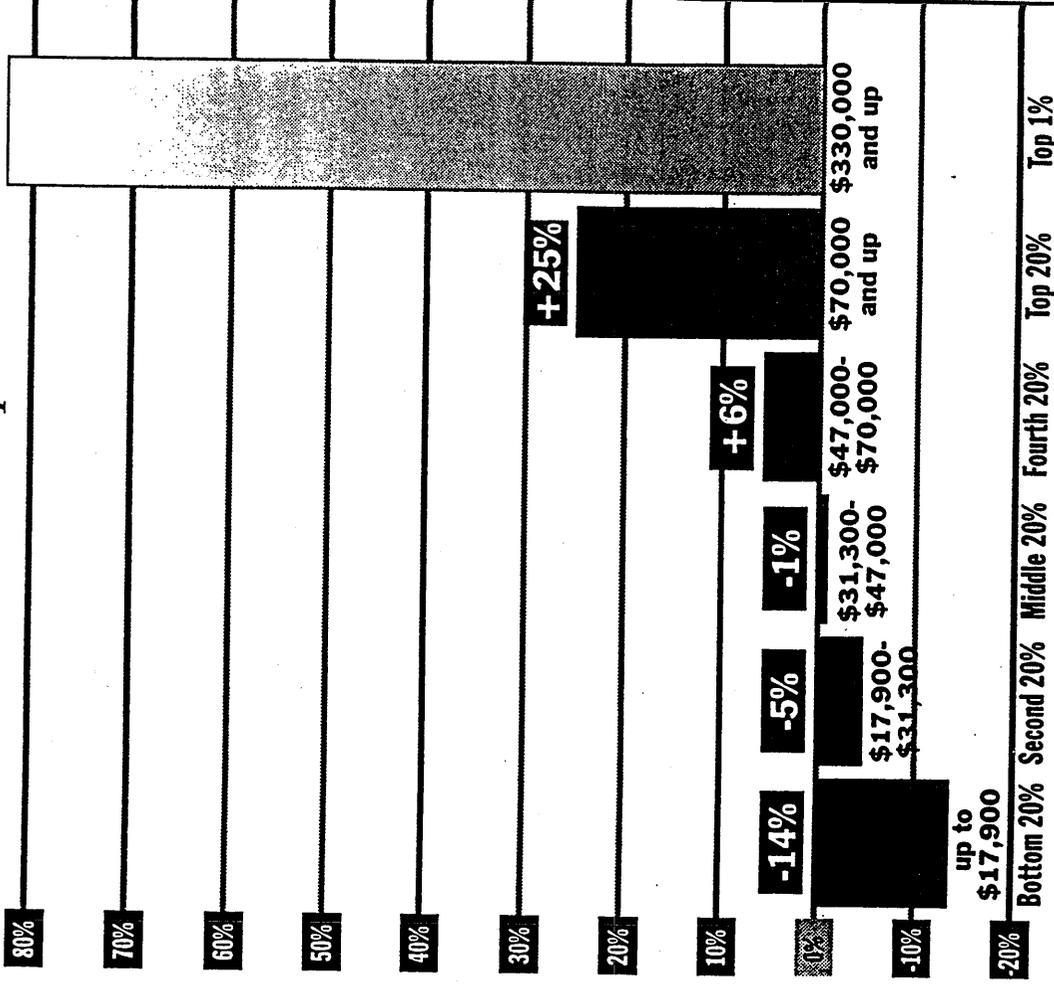
Higher Inequality in the Midst of Overall Economic Growth is Unprecedented in Recent U.S. History.

The Rising Tide Has Not Lifted All Boats.

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1979 to 1994 - Real Family Income Growth by Quintile and for Top 1%

We Grew Apart



Sources: March 1996 Census Current Population Survey, Table F.I. and F.1a.
 Top 1% Income in 1993 Dollars: CBO data cited by Paul Krugman, *Endline Prosperity*, p. 135

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