



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

---

April 19, 2005

Joint Committee on Finance

Paper #272

### **Election Campaign Fund Reestimate (Elections Board and Miscellaneous Appropriations)**

[LFB 2005-07 Budget Summary: Page 339, #8]

---

#### **CURRENT LAW**

A taxfiler may designate on his or her individual income tax return that \$1 be transferred from the general fund to the Wisconsin Election Campaign Fund (WECF). Annually on August 15, the Secretary of the Department of Revenue (DOR) is required to certify to the Elections Board, the Department of Administration and the Office of the State Treasurer the number of designations made by taxpayers during the preceding fiscal year. Since the check-off does not affect taxpayer refunds or liabilities, an amount equivalent to the number of designations is transferred annually to the WECF from an election campaign payments GPR sum sufficient appropriation. In 2004-05, \$241,852 GPR was transferred to the WECF. The base level expenditure estimate for the election campaign payments sum sufficient appropriation is \$330,000 GPR annually.

#### **GOVERNOR**

Reduce estimated transfers from the election campaign payments sum sufficient appropriation by \$30,000 GPR to \$300,000 GPR in 2005-06 and by \$5,000 GPR to \$325,000 GPR in 2006-07 to reflect a decreased level of anticipated \$1 individual income tax check-off designations to the WECF.

#### **DISCUSSION POINTS**

1. Wisconsin taxfilers have had the opportunity to make designations to the WECF since tax year 1977 (reflecting tax returns for calendar year 1977 due by April 15, 1978). Shortly thereafter, the annual number of designations to the WECF peaked in the 1979 tax year when

\$561,083 GPR was designated to the Fund. That level of designations represented 19.7% of all taxfilers. Since that time, the annual number of designations has trended downwards, reaching a low in the 2002 tax year, when \$191,729 GPR was designated to the Fund. That level of designations represented 5.0% of all taxfilers.

2. The following chart depicts the historic trend in the annual amount of taxfiler designations to the WECF since tax year 1977, as well as projected taxfiler designations under the bill for tax years 2004 and 2005.

**Amount of Taxfiler Designations to the Campaign Fund**



\*Assembly Bill 100.

3. Tax year 2001 was the last year for which designations were made to the WECF prior to the enactment of 2001 Wisconsin Act 109, which made significant changes to Wisconsin's campaign finance law. In that tax year, WECF designations totaled \$328,775 GPR, representing 8.5% of all taxfilers.

4. Provisions of Act 109 would have permitted taxfilers to make a \$20 maximum designation to the WECF (\$40 for a married couple filing a joint return) and would have provided a method for a taxpayer to direct the designation to a specific political party or to a general account. The tax year 2002 individual income tax forms were printed to reflect these changes. Subsequently, the federal District Court for the Western District of Wisconsin voided the campaign finance

provisions of Act 109, including the changes to designations to the WECF. Among other things, the effect of the ruling was to restore the \$1 designations to the WECF allowed under current law.

5. Because of: (a) the lateness of the Court's decision relative to the commencement of tax filing for the 2002 tax year; and (b) the cost of printing new tax forms, DOR decided to treat any \$20 designation that a taxfiler attempted to make as a \$1 designation to the WECF general account. [DOR was able to revise the 2002 income tax forms available through its telephone and free electronic filing options.] Consequently, for tax year 2002, WECF designations dropped by 41.7% from the prior year levels to an historic low of \$191,729 GPR, representing 5.0% of all taxfilers.

6. For tax year 2003, the individual income tax forms again reflected the current law \$1 designation amounts, and total designations to the WECF were up 26.1% over the prior year to \$241,852 GPR, representing 6.2% of all taxfilers.

7. The Governor's estimates for WECF designations in the next biennium assume a 24% increase in designations for the 2004 tax year (transferred to the WECF in 2005-06) compared to the prior year and an 8.3% increase in designations for the 2005 tax year (transferred to the WECF in 2006-07) compared to the prior year.

8. Given the recent trends in designations to the WECF, a question may be raised whether further meaningful increases in the number of taxfiler designations above the levels experienced in tax year 2003 [241,852] are likely to occur. For the period from tax year 1994 through tax year 2001, the number of annual designations to the WECF was virtually flat from year-to-year.

9. Since tax year 2003 designations did not return to their 2001 tax year levels even though the individual income tax forms correctly reflected the current law \$1 designation option to the Fund, the Committee could conclude that additional designation activity is unlikely to occur. This view would suggest that approximately 250,000 annual designations represents the likely upper limit of such check-offs over the near term. Accordingly, the Committee could choose to reestimate the election campaign payments sum sufficient appropriation at \$250,000 GPR in both 2005-06 and in 2006-07. Compared to the Governor's recommendation, the appropriation would be reduced by an additional \$125,000 GPR (\$50,000 GPR in 2005-06 and \$75,000 GPR in 2006-07).

## **ALTERNATIVES**

1. Approve the Governor's recommendation to reduce estimated transfer payments from the election campaign payments sum sufficient appropriation by \$30,000 GPR to \$300,000 GPR in 2005-06 and by \$5,000 GPR to \$325,000 GPR in 2006-07 to reflect a decreased level of anticipated \$1 individual income tax check-off designations to the WECF.

2. Modify the Governor's recommendation by reducing estimated transfers from the election campaign payments sum sufficient appropriation by an additional \$50,000 GPR to \$250,000 GPR in 2005-06 and by an additional \$75,000 GPR to \$250,000 GPR in 2006-07 to reflect the reduced current level of \$1 individual income tax check-off designations to the WECF.

<u>Alternative 2</u>	<u>GPR</u>
<b>2005-07 FUNDING</b> (Change to Bill)	- \$125,000

Prepared by: Paul Onsager