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Revenue Matters -- 2010 Issue # 2

Wisconsin Budget Project -- WCCF
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Please feel free to forward messages to any other interested parties, and encourage others to sign up for this and/or other WCCF mailing lists at <http://capwiz.com/wccf/mlm/signup/>

Note: **Today the [Celebrate Children Foundation](#) is sponsoring a one-day opportunity to support WCCF and 6 other WI organizations** involved in promoting the importance of the first five years in children's development. Please join in to make the day a success. (See item # 9.)

Also, **check out the new Wisconsin Budget Project website:**
<http://www.wisconsinbudgetproject.org/>

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1. CONSTITUTIONAL CHANGE WOULD ALLOW TARGETED TAX RELIEF FOR HOMESTEADS

On April 6 the Assembly Ways and Means Committee voted 8-4 to recommend adoption of [Assembly Joint Resolution 8](#) (AJR 8), which would amend the "uniformity clause" of the state constitution to allow the legislature to approve targeted tax relief for certain residential property - i.e., principal homesteads.

If AJR 8 is approved by both houses of the legislature over the next couple of weeks, before the legislative session ends, the resolution would still need to be approved again during the 2011-12 session, and then in a public referendum. The legislature would then be able to reduce property taxes on principal homesteads by, for example, targeting a larger portion of future property tax relief appropriations for such property.

Many other states are able to provide targeted exemptions or credits for primary residences. But persuading WI voters to amend the Uniformity Clause is typically a very difficult thing to do.

[A release from the WI Property Taxpayers Assn., Inc.](#) criticizes the proposal because it isn't funded, and therefore would result in tax shifts between different classes of property. The first half of that argument is rather odd because constitutional amendments are never funded. If the

amendment is eventually approved in a referendum, a future legislature has to decide whether to target property tax relief and whether to appropriate new funding for that relief.

2. NEW PAPER EXAMINES SPENDING RANK & SPENDING GROWTH IN WI

Whenever the subject of state taxes comes up, a number of politicians immediately declare that the first step has to be to rein in the state's high spending. We decided to take a close look at how state and local spending in WI compares with other states and how fast it has been growing. A short WI Budget Project analysis of expenditure ranks and trends can be found at: [How Does Wisconsin Compare in State and Local Spending and Expenditure Growth?](#)

Our analysis of the most recent national data, which is from fiscal year 2007, found that:

- Total state and local direct general spending per person was \$279 below the national average.
 - That per capita spending figure was 3.7% below average and ranked 22nd nationally.
 - Measured relative to personal income, Wisconsin's total direct general spending was 1.4% above average, but ranked just 26th.
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3. RECOVERY ACT REDUCES TAXES FOR 99% OF WISCONSINITES

Few people seem to realize that the Recovery Act significantly reduced taxes. In fact, tax cuts account for much of the cost of the stimulus package. A new state-by-state analysis by Citizens for Tax Justice (CTJ) estimates the tax savings for people at different income levels.

[The CTJ analysis for WI](#) found that the Act cut taxes for working people at all income levels for 2009 and they show who was helped by each tax break. They concluded that the Act reduces taxes by 98% of Americans and 99% of WI residents. The average benefit for Wisconsinites is \$1,138. The average tax cut for people in our state who are in the lowest fifth by income is \$547, and the average for the top 1% of WI residents is estimated to be \$2,766.

WCCF's Director, Ken Taylor, co-authored a column with Karen Royster, Director of the Institute for Wisconsin's Future, on the subject of the direct benefits of the Recovery Act. The column, "[Shhh, stimulus offers tax breaks](#)", ran in the March 20 Journal Sentinel.

For a broader analysis of the full range of Recovery Act spending in WI, see WCCF's new summary: [Recovery Act Benefits in Wisconsin: The First Year](#)

4. CONGRESS MAY ACT SOON ON EXTENSIONS OF FISCAL RELIEF AND ASSISTANCE FOR THE UNEMPLOYED

The American Recovery and Reinvestment Act (ARRA) provided fiscal relief to the states by increasing the federal share of Medicaid spending, which helped WI and many other states maintain their Medicaid programs without necessitating debilitating cuts (though some cuts in reimbursement rates have been made). That increase in the Federal Medical Assistance Percentage (FMAP) expires at the end of 2010.

Both houses of Congress have passed bills to extend the Medicaid matching rate increase, but not in the same form. Efforts to complete the work have been complicated by the requirement for 60 votes in the Senate and an array of competing budget priorities.

Many states are now working on their FY 2011 budgets and are struggling with steep drops in revenue and significantly higher Medicaid caseloads, caused by the recession. With those

problems in mind, 43 Governors signed a letter to Congress supporting an extension of FMAP. If it isn't approved fairly soon, many of those states will have to make deep Medicaid cuts.

A 6-month extension of FMAP would yield about \$377 million for Wisconsin. That would allow DHS to avoid making deeper cuts in Medicaid reimbursement rates, and would leave a larger balance to cushion the state budget if there is another downward estimate in state revenue. (You can [read more about Medicaid rate reforms/cuts](#) on the DHS website.

The FMAP extension might be included in one of several jobs bills that could also extend other important portions of the Recovery Act, such as extended unemployment benefits and the subsidy to help unemployed workers buy COBRA health insurance coverage from their former employer. A new CBPP [paper](#) examines the importance of extending those parts of ARRA through the end of the year. See also the next item.

5. KEEPING TRACK OF THE NUMEROUS FEDERAL JOBS BILLS

It has been extremely challenging to keep track of the various federal bills intended to create and protect jobs and to provide state fiscal relief. Here's a scorecard that might help you follow what's going on. However, I have to warn that many of the components have been moving pieces in recent months, and I expect that to continue.

H.R. 4851 - Continuing Extension Act of 2010 -- Provides a one-month extension of UI and COBRA (and a short-term Medicare payment fix for doctors). PASSED HOUSE, and the Senate agreed on Monday to take up the bill.

H.R. 4213 - [American Workers, State, and Business Relief Act of 2010](#) -- Extends through the end of 2010 the unemployment and COBRA benefits, and a number of expiring tax cuts, and extends the Medicare "doc fix" through end of September. PASSED SENATE; and awaiting action in the House. (The main sticking point is how to offset the tax extenders.)

H.R. 4849 - Small Business and Infrastructure Jobs Tax Act of 2010 -- Includes business tax breaks and a 1-year extension of TANF emergency fund. PASSED HOUSE awaiting action in the Senate.

H.R. 4899 - Disaster Relief and Summer Jobs Act of 2010 -- Makes emergency supplemental appropriations for disaster relief and summer jobs for youths the fiscal year ending Sept. 30, 2010. PASSED HOUSE, awaiting action in the Senate. .

H.R. 4812 - Local Jobs for America Act -- Rep. George Miller's jobs bill that is still in committee (Education and Labor) would extend support for the State Stabilization (aka education) Fund.

The first of those bills is the most pressing because the extended unemployment benefits ended about a week ago. It was blocked for a time by Republicans who argued that the cost should be fully offset. However, 4 Republican Senators voted Monday to bring up the bill for a vote, and Senate action on it is likely late this week.

6. NEW WCCF BRIEF EXPLORES SALES TAX COLLECTION ON ONLINE PURCHASES

WCCF's Wisconsin Budget Project has published a new brief on the issue of sales tax collection on online purchases. Sales tax is due on purchases made by Wisconsin residents, whether the purchase is made in a bricks and mortar store or an online business. However, some large online retailers, such as Amazon.com, do not collect the sales tax due on purchases made by WI residents. This paper, ["Examining Wisconsin's Progress in Leveling the Tax System for](#)

[Retailers.](#) examines the issues surrounding sales tax and online purchases, as well as tools available to compel collection of sales tax.

For more on this topic, see an op-ed piece by the New Rules Project, titled "[Why Does Congress want me to Shun my Local Bookstore and Shop Online Instead?](#)"

7. CHANGES IN HEALTH CARE REFORM ACT WILL BRING MORE \$s INTO WISCONSIN

Two amendments that were included in the final version of the health care reform act will benefit Wisconsin by treating our state more equitably in the distribution of federal funding:

-- **Medicare rates for hospitals** - Rep. Kind and other members of the Wisconsin delegation succeeded in getting provisions into the bill to improve reimbursement rates for hospitals in WI and a number of other fairly rural states that have long been getting significantly lower Medicare rates, despite producing some of the best health outcomes. Beginning in 2013, a portion of a hospital's Medicare payment will be linked to its performance on quality measures related to common and high-cost conditions.

-- **Aid for coverage of childless adults** - Beginning in 2014, **all states will be required to** cover childless adults with incomes below 133% of the federal poverty level (FPL), and the federal government will pick up nearly all of the cost. Early versions of the bill would have been much less generous in aiding WI and the 10 other states that already offer some coverage for that population, but the final bill alleviates that inequity. It gives the "early expansion" states a big boost from the outset (in 2014), and by 2020 all states will get a 90% federal match for all childless adults (up to 133% of FPL).

Those two improvements for Wisconsin won't take effect until 2013 and 2014, respectively. However, a provision of the bill that took effect on April 1 could bring WI additional federal aid if the state files a Medicaid plan amendment to cover childless adults below 133% of poverty. I think it's an option that's worth exploring, but it could be challenging to convert the current Core Plan coverage for childless adults to an entitlement program.

[A recent WCCF blog](#) provides additional information about that option and the other two improvements described above.

8. OTHER REVENUE ISSUES IN THE NEWS

-- "[Wisconsin's tax burden gets lighter but not for all](#)" - April 11, Journal Sentinel - Dave Umhoefer of the Journal Sentinel has been analyzing revenue issues for months. This comprehensive story is the culmination of that work.

-- "[Wisconsin candidates for Governor say they won't raise taxes](#)" - April 13, Journal Sentinel

-- "[Wisconsin Way coalition seeks to change tax and government policies](#)" - April 9, LaCrosse Tribune

-- [Strapped States Push E-Commerce Taxation](#) - March 18, Wall Street Journal

-- "[States Move to Revoke Charities' Tax Exemptions](#)" - Feb. 28, NY Times

-- "[Rep. Ryan's tax roadmap: ambitious, but revenues fall short](#)" - March 10, Christian Science Monitor

-- "[We criticized Paul Ryan's roadmap for the budget. Here's his response.](#)" - March 10, Christian Science Monitor

9. TODAY IS "CELEBRATE CHILDREN DAY" - A 24-HOUR ONLINE GIVING CHALLENGE

The [Celebrate Children Foundation](#) is sponsoring a one-day opportunity to support seven Wisconsin organizations -- including the [Wisconsin Council on Children and Families](#) -- involved in promoting the importance of the first five years in children's development. The first five years of life build the foundation for giving kids the best possible chance to thrive throughout their lives.

How it Works -- Today, April 14, go to the [Celebrate Children Day website](#) and make a single contribution. You can help even more by spreading the word via your own social networks.

All money raised will be split equally between seven organizations:

- Wisconsin Council on Children and Families
- Wisconsin Early Childhood Association
- Supporting Families Together Association
- Parents Plus, Inc.
- Wisconsin Alliance for Infant Mental Health
- Partnership for Wisconsin's Economic Success
- Celebrate Children Foundation

Our overall fundraising goal is \$100,000. Several generous sponsors have agreed to match a portion of the money raised. If we reach our \$100,000 goal, the "match" will add an additional \$15,000 to the total.

Thank you for support and for your help in spreading the word about this opportunity to provide much needed resources to our efforts on behalf of young children in Wisconsin. You can also help by forwarding this information to others interested in the well-being of young children across the state.
