



## Miscellaneous Options for Increasing State Tax Revenue

(February 21, 2008)

Even before the recent announcement of a large deficit in the 2007-09 budget, Wisconsin was facing substantial fiscal challenges in the years ahead. Because of the current economic downturn, our state now has significant budget problems in both the short-term and long-term.

We are often asked for ideas for raising additional state revenue and avoiding deep budget cuts. The following options do not constitute a list of recommendations; they simply illustrate the range of choices. (The source for each estimated annual revenue gain is indicated by the letter behind the estimate; referencing the list of sources at the bottom.)

<b>Individual income tax:</b>	<b>Annual Revenue</b>
Tax full amount of long-term capital gains	\$277 million (a)
Surtax of 5% of gross tax liability	348 million (b)
<b>Corporate income tax:</b>	
Surtax of 10% of net liability	81 million (b)
Combined reporting	90 million (c)
<b>Sales tax:</b>	
Increase rate to 5.5%	429 million (b)
Extend tax to motor fuels	403 million (a)
Extend tax to manufacturing machinery and equipment	145 million (a)
Extend tax to beauty, barber and personal care services	28 million (a)
Extend tax to veterinary services for pets	15.3 million (a)
Extend tax to health clubs	11.5 million (a)
Extend tax to computer services	123 million (a)
Extend tax to management consulting	60 million (a)
Extend tax to legal services	119 million (a)
Extend tax to accounting and tax preparation services	55 million (a)
Extend tax to investigation and security services	17.1 million (a)
<b>Estate tax:</b>	
Restore the estate tax (which expired on Jan. 1, 2008)	100 million (d)
<b>Excise and miscellaneous taxes:</b>	
50% increase in liquor and wine taxes	21.5 million (b)
Double the beer tax	9.4 million (b)
\$1 per \$1,000 increase in real estate transfer fee	20.8 million (b)

### Sources:

- (a) Wisconsin Departments of Administration and Revenue, *Summary of Tax Exemptions Devices*, Feb. 2007 (estimates show the revenue loss from the exemption device in FY 2006).
- (b) Calculated by multiplying surtax rate times the February 13, 2008, Wisconsin Legislative Fiscal Bureau revenue estimate for FY2009.

- (c) Wisconsin Legislative Fiscal Bureau, "State Tax and Fee Modifications Included in the 2007-09 Budget Recommendation of the Senate," Memorandum to Members, Wisconsin Legislature, from Bob Lang, Director, July 23, 2007.
- (d) According to the Feb. 13, 2008, Legislative Fiscal Bureau revenue memo on the 2007-09 deficit, the estate tax will generate \$140 million in FY2008. We lowered that figure because it has generally brought in less than that, and because the Fiscal Bureau projects \$30 million in estate tax revenue in FY2009 from the estates of people who died in 2007, -- which illustrates that some of the additional revenue from restoring the tax wouldn't be seen until the following biennium.