



**For immediate release—June 30, 2009**

**Contact:** Jack Norman or Karen Royster, 414-967-1682

## **State Budget Uses Taxes to Protect Middle Class**

Modernized revenue system helps buffer citizens from fiscal crisis

Governor Jim Doyle and the Legislature used the 2009-'11 budget to protect Wisconsin residents from brutal cuts in state, local and educational systems by using new revenue mechanisms to help fill dramatic budget holes. Despite the pain caused by the intense recession and its impact on state finances, the budget reflects the work begun earlier in 2009 by the Governor and the Legislature to modernize the state's tax system and restore fairness to the system.

The budget tapped into revenue from the wealthiest households in the state, who have enjoyed substantial tax cuts in the past decade. These reforms include a one percentage point increase in the income tax rate for earnings above \$300,000, from 6.75% to 7.75%, and halving the capital gains exemption, so that only 30% of profits will be exempt from state tax, rather than 60%.

Jack Norman, Research Director for the Institute for Wisconsin's Future (IWF), said: "This budget, together with the 2007-'09 budget repair bill completed earlier this year, is responsible and courageous. It is not easy to stand up to the Wisconsin Manufacturers & Commerce and other anti-reform groups who ignore the value and cost of public structures, but it is crucial, especially at a time when citizens rely on local and state government to help cope with economic turmoil."

Using the Minnesota example where investments in the revenue-collection system harvested substantial gains, the budget supports hiring additional tax auditors to enable the Department of Revenue to be more effective in collecting all taxes that are owed. In addition, the budget increases the new hospital tax and extends it to cover ambulatory surgical centers. These are structural changes that will continue to provide essential revenue after the recession ends.

According to IWF Executive Director Karen Royster: "It has taken many years of disinvestment in our state to create this kind of revenue shortfall and it will take some time to repair the holes. But the 2009-'11 budget bill will make the first serious strides forward in years."

These are all changes that make Wisconsin's tax system more progressive, with heavier tax burdens going on those taxpayers—individual and corporate—with the greatest capacity to pay them.

Gov. Doyle and the Legislature worked on this budget with less drama and more substance than in recent budget considerations. It is the first budget to be completed on time in recent memory. There will still be reductions in state and local spending that will hurt Wisconsin families. But state leaders did work quickly and with great discipline to minimize the pain.

The Institute for Wisconsin's Future is a non-profit research and public education organization based in Glendale, a suburb of Milwaukee. Its work is funded primarily by national philanthropies.

###