

WISCONSIN'S LOOPY SALES TAX

...or...

*Aren't women more important
than dried cranberries?*

Scott Liddicoat, BCTA

A story with the word "loopy" in the title needs to have an introduction like this one.

Which of these things is not like the other things? Which of these things just doesn't belong? The things?

- Diapers
- Dried cranberries
- Clay pigeons
- Bull semen
- Newspapers

The answer is diapers, as much as I'd like it to be one of the others. What makes diapers different? Diapers have only been *proposed* for exemption from Wisconsin sales tax in Governor Evers budget recommendations this year. Dried cranberries, clay pigeons, bull semen, and newspapers *are already* exempt from Wisconsin sales tax.

Trying out this question on people for their reaction was fun. Nearly every response involved a smile, and a reply like this one. "Crazy loopholes!" Ahh, would that it were so.

Loopholes are usually understood to be an evasion of law resulting from an ambiguity or inadequacy in how a law is written. Pringles tried to avoid potato chip taxation in the UK by exploiting a loophole. They did this by describing

their snack as a "multi-grain, parabola-shaped, stackable savory crisp." Ultimately they lost, but it took years to work through the courts.

However, the items in my introductory question (and *many* more) are exempt from sales taxation *not* because they've exploited how the law is written. Rather, they're exempt because they've exploited politicians to specifically write a law in their favor. B - i - g difference, with b - i - g consequences. Unhappy, deceptive, some even say destructive consequences. Let's review them.

Just one exemption turns every item subject to the sales tax into a political football.

For example, we've made the exception for dried cranberries. Cranberries are, after all, an important economic driver in Wisconsin. But when will the dairy industry get its exemption? I live in Green Bay. Shouldn't we have a paper products sales tax exemption?

And why shouldn't we eliminate the "Pink" sales tax? This is the sales tax applied to feminine hygiene products necessary for many women. Even though calling them "Pink" products is a terrible gender stereotype, aren't women more important in Wisconsin than dried cranberries? Or clay pigeons? Or newspapers, for that matter?

The alternative? Apply the sales tax equally across all retail sales, removing every form of political manipulation and contention from the issue.

Sales tax exemptions create a class of favored

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political cronies, and an ill-favored, political underclass.

Those whose products are not sales taxed are plainly elevated to a growing class of political favorites and winners. A politically distorted market now favors them in the eyes of consumers. The burden of sales taxation is shifted to the losers whose goods are taxed at sale.

Exactly how the winners achieved favored status is always open to a certain amount of dark and shadowy speculation.

Furthermore, it's not just producers of raw nuts (winners) vs. makers of processed nuts (losers). Not just clay pigeon manufacturers (winners) vs. shooting range target printers (losers). Not just bull semen sellers (winners) vs. stud service providers (losers). It's every single producer and provider that is not sales taxed (the winners) vs. every single producer and provider that is sales taxed (the losers). Every producer and provider is either a winner or a loser.

The alternative? Apply the sales tax equally to all retail sales, removing political favoritism, bias, injustice, lobbying, cronyism, winners, and losers from the issue.

Each exemption requires legal language [that results in more uncertainty in application, and more loopholes available for exploitation.](#)

Obviously, there can be, and have been challenges to what qualifies as exempt and what doesn't. Remember Pringles?

And how long can it be before dark chocolate producers challenge their sales tax status as a candy? You didn't know? Dark chocolate is a health food. It

decreases bad cholesterol and lowers the risk of blood clots. It supplies vital bodily minerals and increases mood-boosting serotonin and endorphin levels. It may lower blood pressure. Clearly, dark chocolate is a health food and shouldn't be considered candy anymore.

But even with established products there can still be uncertainty determining what qualifies as exempt and what doesn't. I'll wager that like me, you've made a purchase where the sale of some particular item was taxed at one Wisconsin location, but not another. Determining what's exempt and what isn't can be especially hard for many small businesses. Far from small though, are the penalties they have to pay for taxing incorrectly.

But then there can still be problems even when exemption language is well understood. How in the world should we deal with pumpkin sales? Currently unprocessed farm produce for human consumption is not subject to sales taxation. But what if someone buys a pumpkin and instead of eating it, they do something else? Perhaps, for example, they hollow it out, cut a face in it, place a candle inside, and display it in their front window? Should they go back to the store and pay the sales tax? Should customers be required to declare their pumpkin-buying motives at checkout? Should we leave this whole hot mess to the sales tax police?

The alternative? Apply the sales tax equally to all retail sales, removing any uncertainty in the application of sales tax, and removing all loopholes for exploiting its language.

And finally the big one. Every exemption leaves money on the table.

(Continued on page 3)

Monthly Meetings @ The Village Grille

Monthly meetings are held at **The Village Grille, corner of Hoffman and East River Drive**, Allouez. The location has no stairs or steps, convenient parking, and a room to better accommodate speakers and conversation. There will be three selections from which to choose lunch - each one will be priced at **\$15 (includes tax and tip)**. Lunch is at 12:00 noon with monthly speakers presenting.

SUPPORT THE BCTA

New Members Welcome

www.BCTaxpayers.Org

The Brown County Taxpayers Association is a local group working to bring information and awareness to issues that affect tax policy or impose regulatory burdens.

Recently Governor Tony Evers proposed a two-year Wisconsin budget of \$104 billion. That figure is up \$15 billion over the biennial budget that was approved for 2021-23. A variety of new taxes and tax devices have been requested in his budget to cover that fiscal gap.

Governor Evers has unruly Republican majorities in both houses to deal with though. I think it's safe to say our budget will not balloon by \$15 billion over the biennium. To be sure there will be an increase, but one that's far less dramatic.

The good news is that we can cover a less dramatic increase by doing away with sales tax exemptions, using money that's been left on the table.

Wisconsin's Annual Fiscal Report shows sales tax collections in 2022 of \$7 billion. However, the Department of Revenue estimates that in FY 2022 Wisconsin sales tax exemptions amounted to nearly \$4 billion. Of course, that would equate to \$8 billion left on the table over a budget biennium.

Plainly, there's no need for new taxes and tax devices. The alternative is already here.

Apply the sales tax equally across all retail sales. In the process, all the evils I reviewed earlier dissolve away. They would be replaced with greater tax simplicity and greater tax integrity.

In conclusion, an *even better* option.

It's likely Republicans will settle on a budget increase like their last one—about 7%, or \$6 billion dollars. That's \$2 billion lower than the Department of Revenue's \$8 billion biennial estimate of our sales tax exemptions.

Consider too, that many experts believe estimated sales tax exemptions are undervalued. Over the biennium several billion more in state revenue is probably left on the table.

You might say this situation offers a once in a generation opportunity to transform the state of Wisconsin. So *let's eliminate all sales tax*

exemptions and at the same time decrease the state sales tax by 1%.

The transformative benefits are clear. Once again, all the evils I discussed earlier disappear. Greater tax simplicity and greater tax integrity prevail. We'll have more than enough money to cover the anticipated budget increase. And we'll get a 1% decrease in the sales tax—albeit a broadened sales tax.

Not to be overlooked, a decrease in Wisconsin's sales tax would probably attract even more brisk over the border sales from neighboring states. All of our border states already have higher sales taxes than ours.

However the ultimate benefit can only be appreciated by those of us who remember when the state sales tax increased from 4% to 5% in 1982. We were told at the time not to worry with assurances that the increase was only temporary. This is the perfect, generational opportunity for Wisconsin politicians to finally honor that forty year old promise.

And as an added improvement to everyone's life, we'll never have to discuss sales tax exemptions for bull semen again.

Scott



February Meeting Notes

Guest Speaker: Rep. John Macco

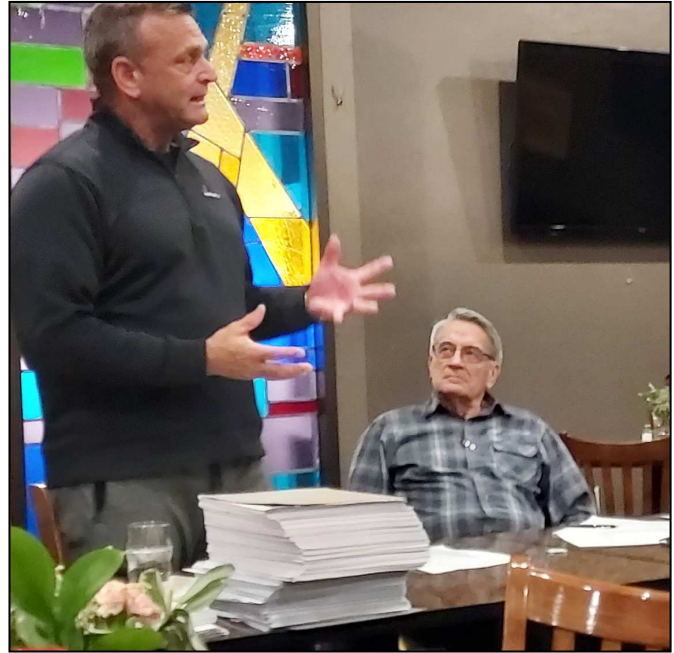
President Schwalbach introduced our speaker, WI State Representative John Macco, who chairs the Ways & Means Committee, and is also Vice Chair of the Audit Committee, co-chaired by Senator Eric Wimberger. Sen Wimberger's experience as a prosecutor will serve the committee well.

Rep. Macco shared his disappointment with Gov. Evers's just released bi-annual budget. He showed the 1200 page document for effect and stated it had a billion dollars in increased taxes, plus a \$.50/gal increase in the gas tax. The Governor's previous proposal was over 1800 pages. The Legislature pares them down to 400-500 pages, by starting over from base. The original proposals greatly expanded government with hundreds of full time equivalency jobs and additional departments. Work now commences to get to a compromise that the Legislature passes and the Governor does not veto.

Rep. Macco also clarified the "7 billion dollar state surplus". He said it's only about half of that figure, due to part of it being ongoing revenue. It includes over taxation and the impact of underestimating the revenue from sales tax on internet sales. Those should offset income taxes or other taxes, not create extra spending. He shared his concern about the Governor's desire to eliminate or reduce charter schools as he feels it will hurt underserved populations. He gave the example of a Milwaukee industrialist starting his own school system and opined that may be the wave of the future if charter schools and school choice is not supported. There is also \$775 billion in unused medical assistance money, at a time when many are saying the government doesn't have enough money.

He shared the debate about paying down debt, yet noted our state currently has a AAA bond rating, fully funded pension, and sits quite well compared to other states. Rep. Macco is working with the speaker on a proposal to reduce the income tax rate with a top rate of 4.5%. He also discussed income vs sales taxes and the impacts on lower income individuals, and a pet peeve of his about all the sales tax exemptions and how there is no consistency. He believes in providing more shared revenue to municipalities and eliminating much of the restrictions currently placed on their use.

He spoke about the proposal to expand local sales



Rep. John Macco (left), Glen Schwalbach with printout of Gov. Evers state budget

taxes, and Milwaukee County's issue with their underfunded pension. Allowing use of additional sales taxes to help should be by referendum and tied to closing the program and merging it with current established programs for new employees. Counties without a retail sales base would not benefit much from a local sales tax. Local referendums should be limited to major general elections. State moneys tied to specific areas like police or fire must be used for increasing support in those areas vs allowing local units to reduce their previous base spending to them.

Rep. Macco praised the CPA Caucus as a team that really digs into financing issues. He also appreciates original letters from citizens-not copied emails and pre-printed cards. The personal touch is much more effective. He thanked us for inviting him and looks forward to coming back to talk with us in the future.

President Schwalbach informed the group that we had been asked to get actively involved with the County Broadband contract and county funds going to the vendor. The Executive Committee determined the money was a loan at standard rates and chose not to get involved. We will attempt to get a speaker soon to talk about this project.

March Meeting Notes

Guest Speaker: Chad Weinger

President Schwalbach introduced our speaker, Green Bay Mayoral candidate Chad Weinger. He noted that candidate Weinger had previously represented the West side of Green Bay in the Assembly, is a small business owner, served as City Clerk, Mayoral Chief of Staff, and served on numerous Boards and Commissions for the city and as Director of Administration for the County. He holds a bachelors degree from St. Norbert, an MBA from Cardinal Stritch, and a fellowship to Harvard for senior executives in state and local government.

Candidate Weinger and his wife Heather have 4 children they are raising in Green Bay and entered the Mayoral race because he was deeply concerned about the direction and future of the city. He stated tax increases and shifts have made it difficult to afford living in the city. He spoke of poor roads, neighborhood decay, and lack of economic development. He stated that when in the legislature he worked on a number of economic development bills to improve downtown Green Bay and prided himself on bringing people together to solve problems.

His top three priorities are roads, safer neighborhoods, and economic development to grow the tax base. He spoke of concern about the amount of partisan outside money coming into the race and the need to keep the position of Mayor non-partisan. Candidate Weinger also expressed a desire to not engage in negative campaigning, focusing on the issues and a strong door knocking campaign, rebuilding trust in local government.

Representative Shae Sortwell attended the meeting and spoke of the importance of the Supreme Court race, and the need to get as many people to the polls as possible. He spoke about the number of bills before the Assembly and talked in more detail about the school transparency bill dealing with reporting violent incidents in schools and another about school resource officers being required in schools that pass a certain threshold of incidents. He also spoke of two referendums on Constitutional amendments dealing with criminal sentencing.



Chad Weinger talks to BCTA

President Schwalbach distributed his proposal of expectations and processes for each of the standing committees: National, State, Local, Schools. With his new role as President, he asked if someone else wanted to step in to chair the State Committee. He also advised members to speak to the committee chairs if they wanted to join a committee. Also discussed was the difficulty in getting information about key issues the committees should address and the need for input and participation from members. President Schwalbach updated the group on his research into the county high speed internet project. There were a lot of questions and discussion concerning vendor choice, county loans, whether there should be Public Utility Commission oversight, and many other issues. President Schwalbach will attempt to arrange for someone directly involved in the project to speak at one of our future meetings. As of this meeting there were 113 bills in the Assembly and 131 in the Senate.

Secretary Goldhahn provided an update on the Green Bay Area School District selection of Claude Tiller as their new Superintendent, the work of the task force reviewing facility options, and the upcoming school board elections. There was also questions concerning the Ashwaubenon referendum.

The TAX TIMES

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Meeting Location

The Village Grille, Allouez

BCTA Meeting and Events Schedule – MARK YOUR CALENDARS.

Thursday - May 18, 2023 BCTA Monthly Meeting.
12:00 at The Village Grille, Allouez

Thursday - Jun 15, 2023 BCTA Monthly Meeting.
12:00 at The Village Grille, Allouez

BCTA monthly meetings are held the Third Thursday of each month, 12:00 Noon, at , at The Village Grille, Allouez.

Meetings are open to the public. BCTA Members, their guests and other interested parties are cordially invited to attend and participate in our open discussions.

**COST: \$15.00, Payable at meeting. Includes lunch, tax & tip.
Call Tom Sladek – 499-7701 for information or to leave message.**

May - Jun 2023



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