

Tax Policy in the 21st Century

Presented to

Wisconsin Family Impact Seminar

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Characteristics of a good tax system

- Provides sufficient revenue
 - Current revenues
 - Long term growth
 - Stability

Characteristics of a good tax system

- Fairness
 - Incidence must be considered since fairness should be addressed in terms of who actually bears the tax burden
 - Vertical equity
 - Horizontal equity
 - Equity for the system

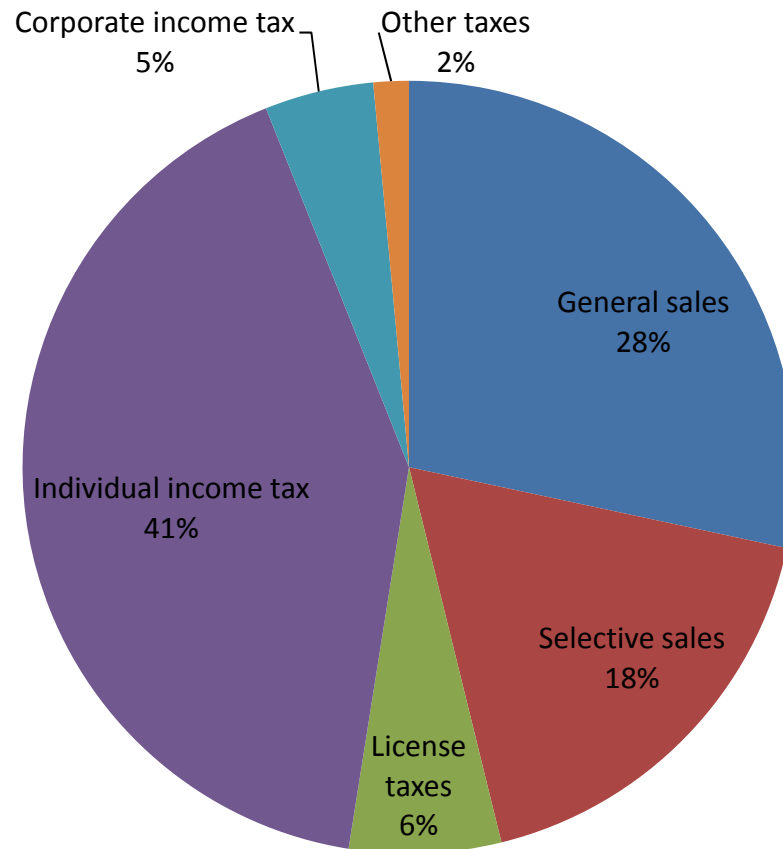
Characteristics of a good tax system

- Low administration and compliance costs
 - Administration
 - Compliance
 - Evasion and avoidance

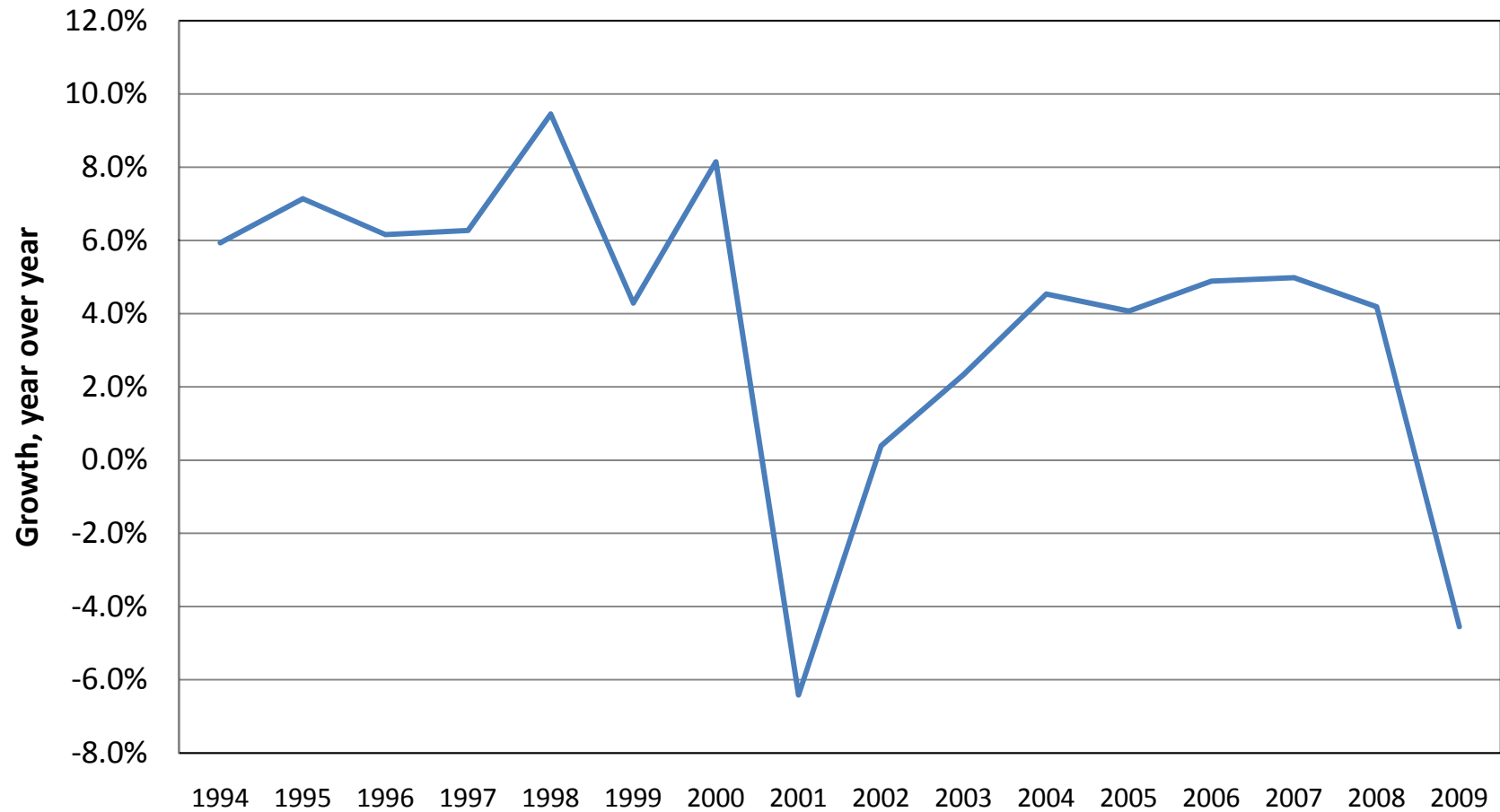
Characteristics of a good tax system

- Limited economic effects
 - Work effort
 - Consumption decisions
 - Property transfers
 - Property improvements
 - Savings
 - Business and household locations

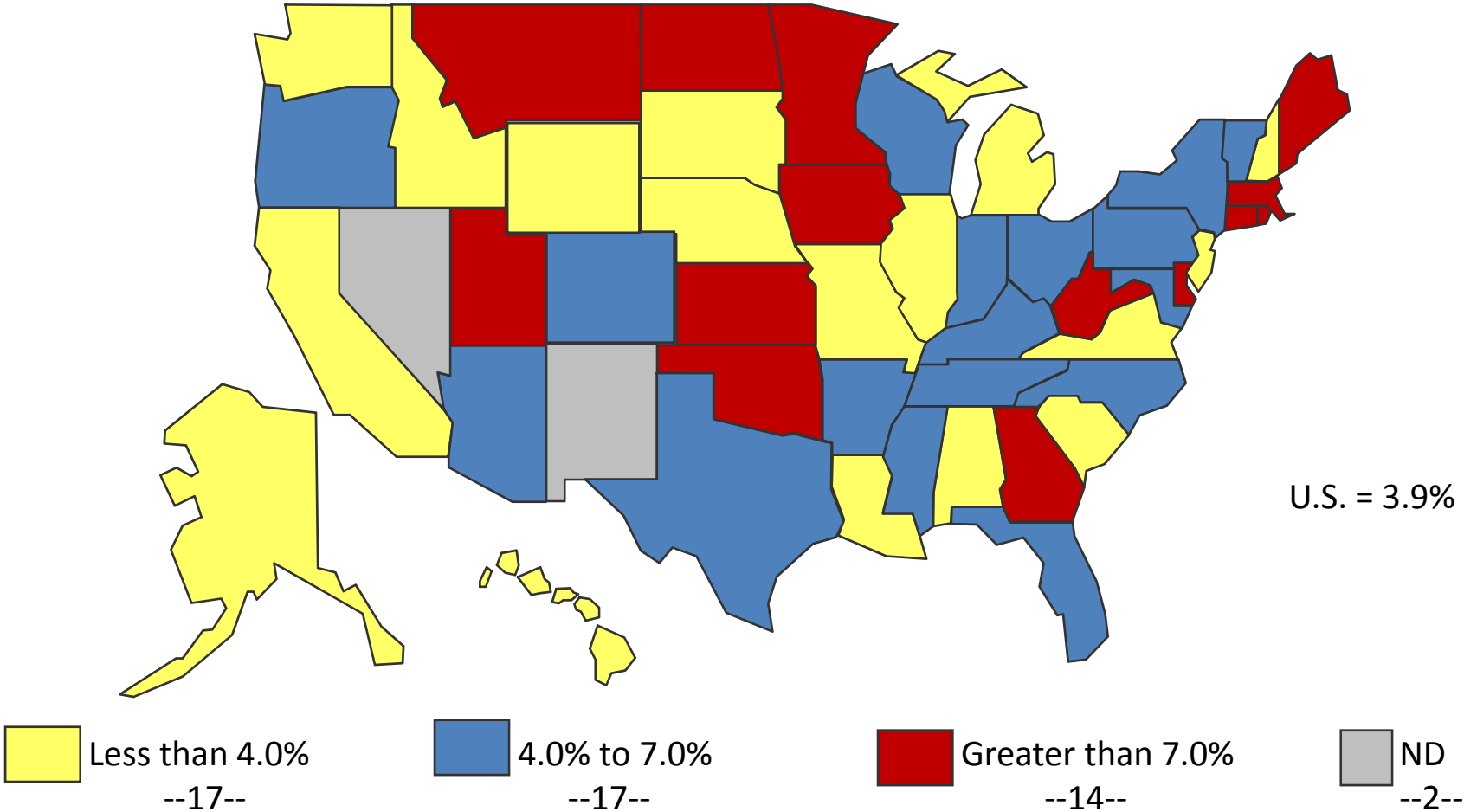
Distribution of Wisconsin State Tax Revenues, 2009



Wisconsin Total State Tax Revenue Growth Rates, 1994-2009



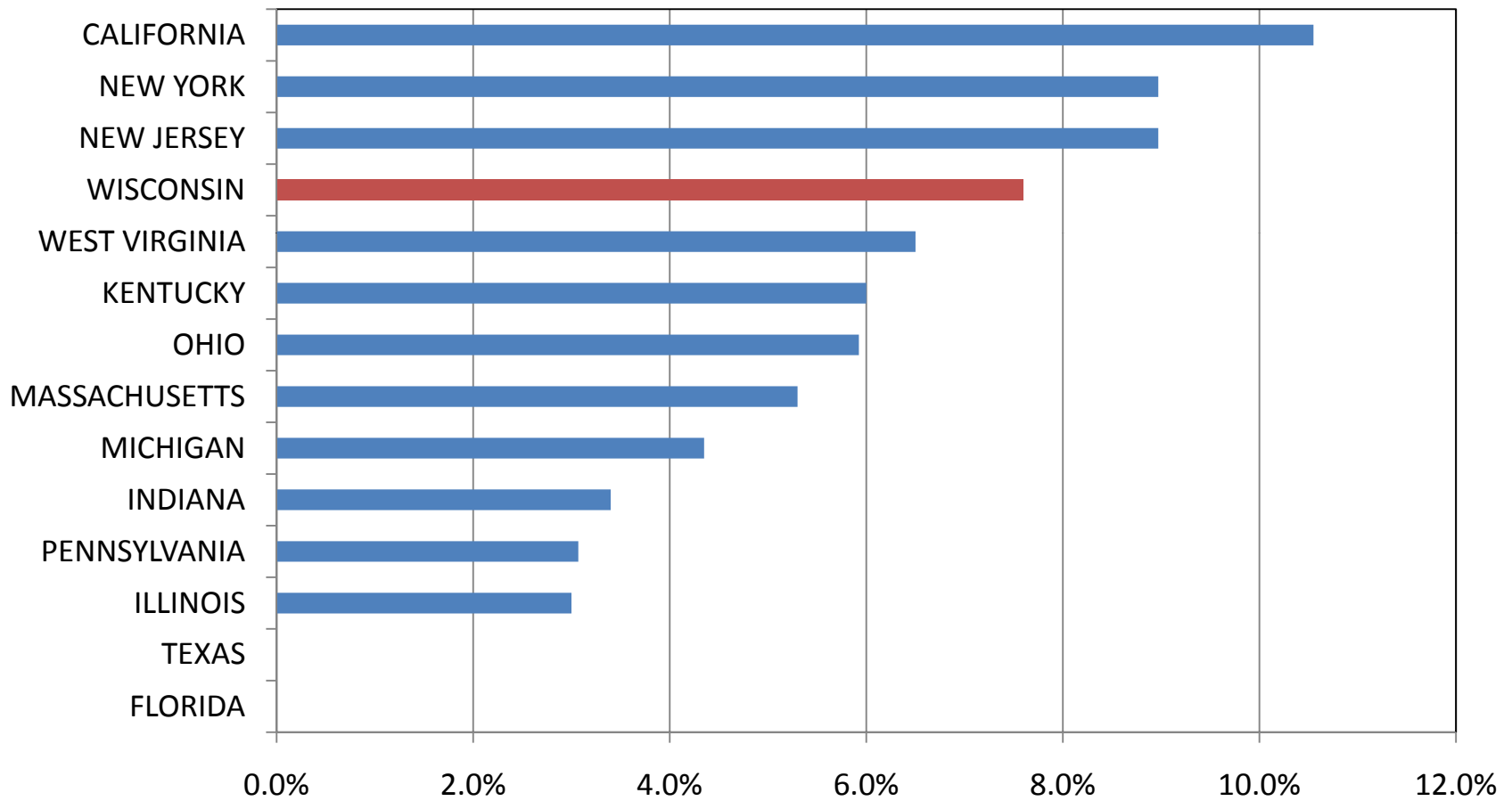
Change in Total Taxes, July-September, 2009 to 2010



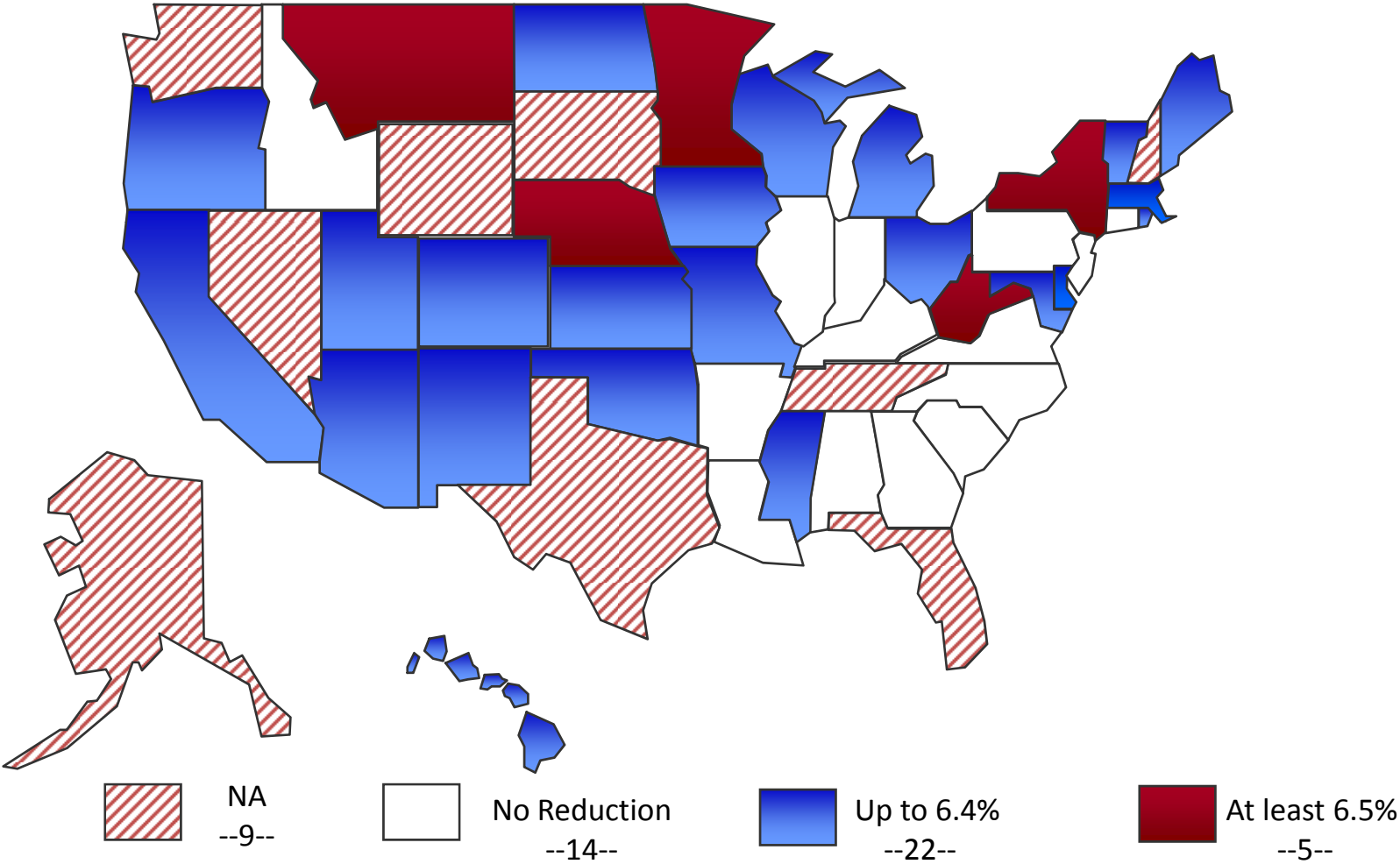
Tax Reforms/Changes around the US

- Lower income tax rates until 2009
- Sales Tax
 - Raise sales tax rates
 - Seek tax on remote sales
 - Tax more services
- Business tax reform
- Raise alcohol and tobacco tax rates
- Property tax growth caps

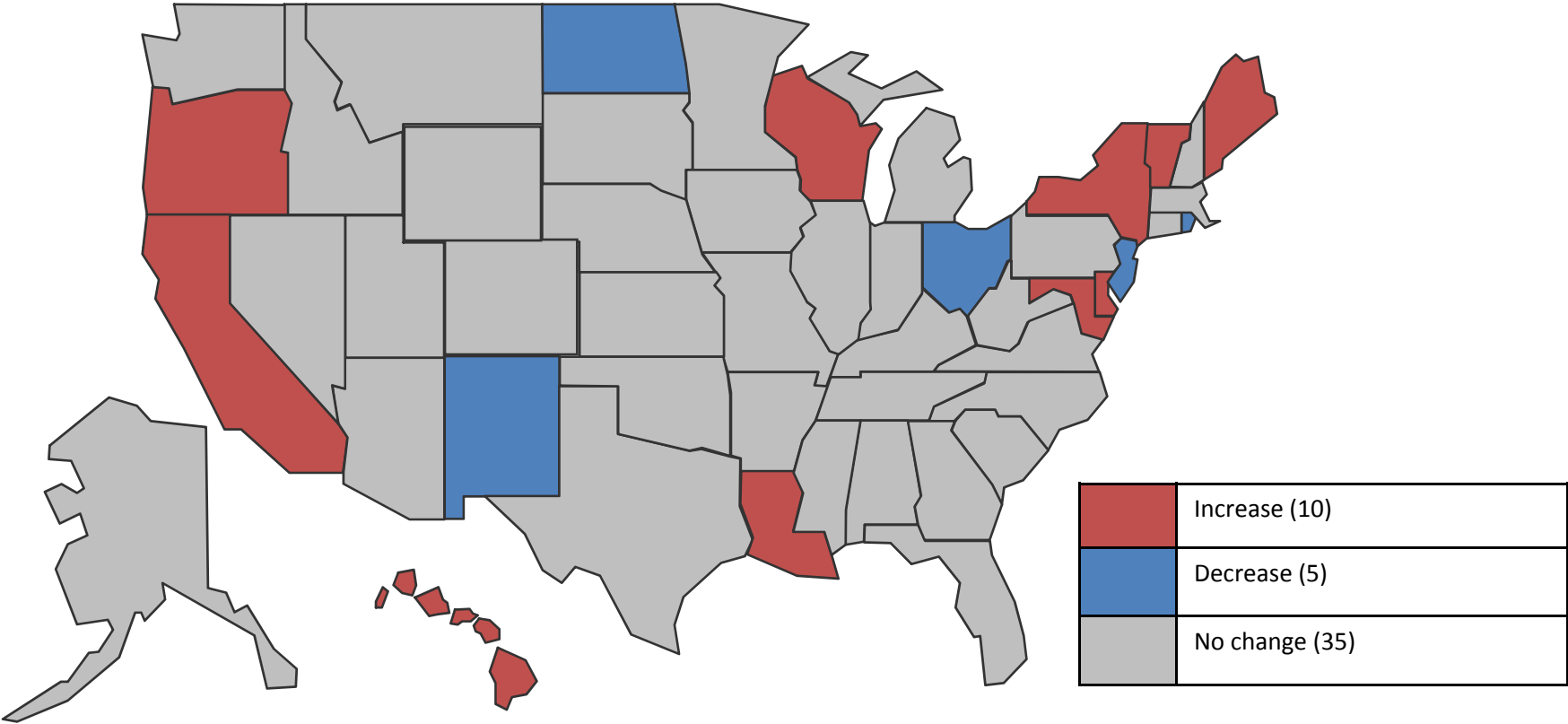
Maximum Individual Income Tax Rates, 2010



Reduction in the Income Tax Rate (1985 to 2007 Highest Marginal Rate)



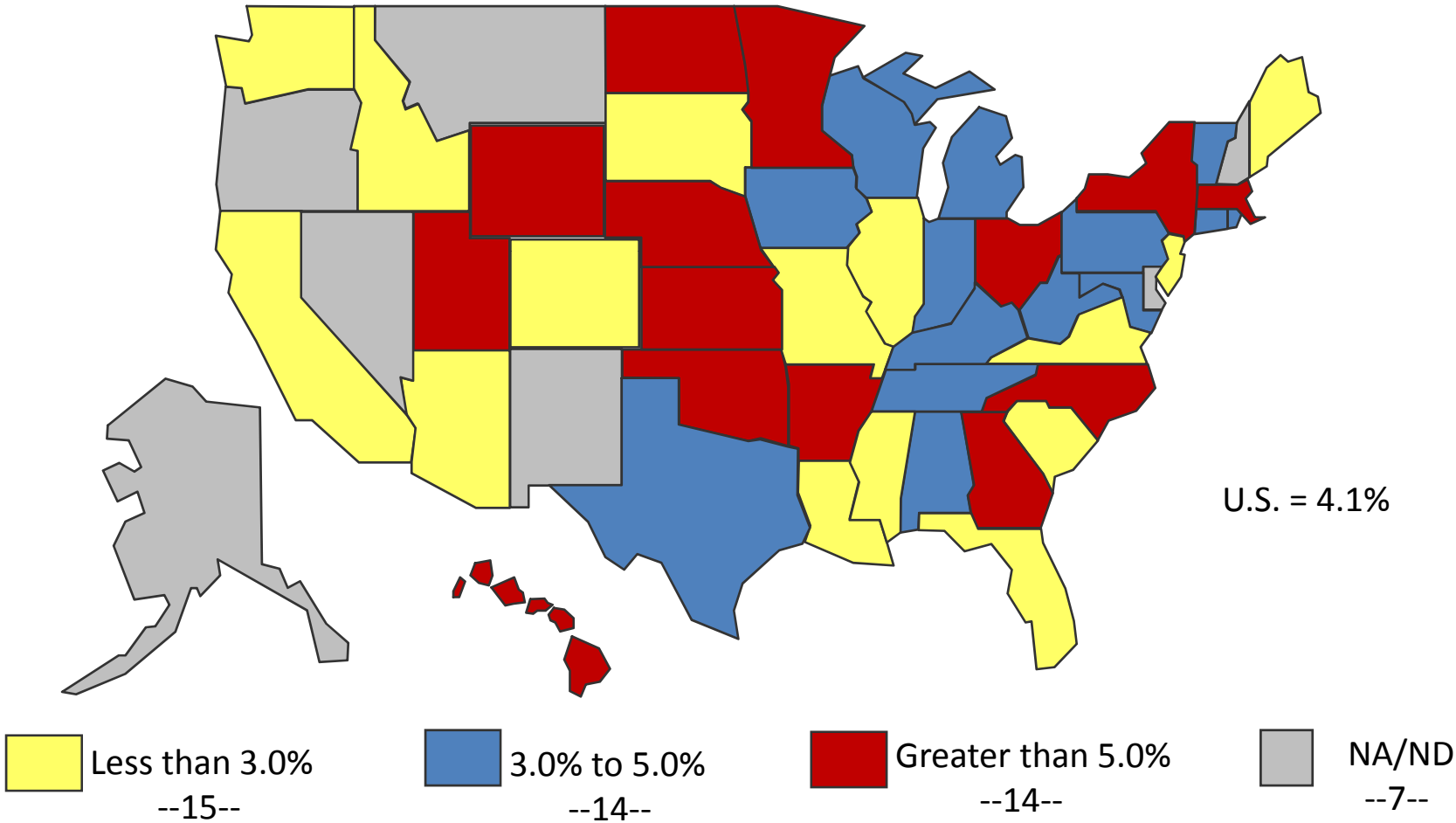
Individual income tax rate changes in 2009 and 2010



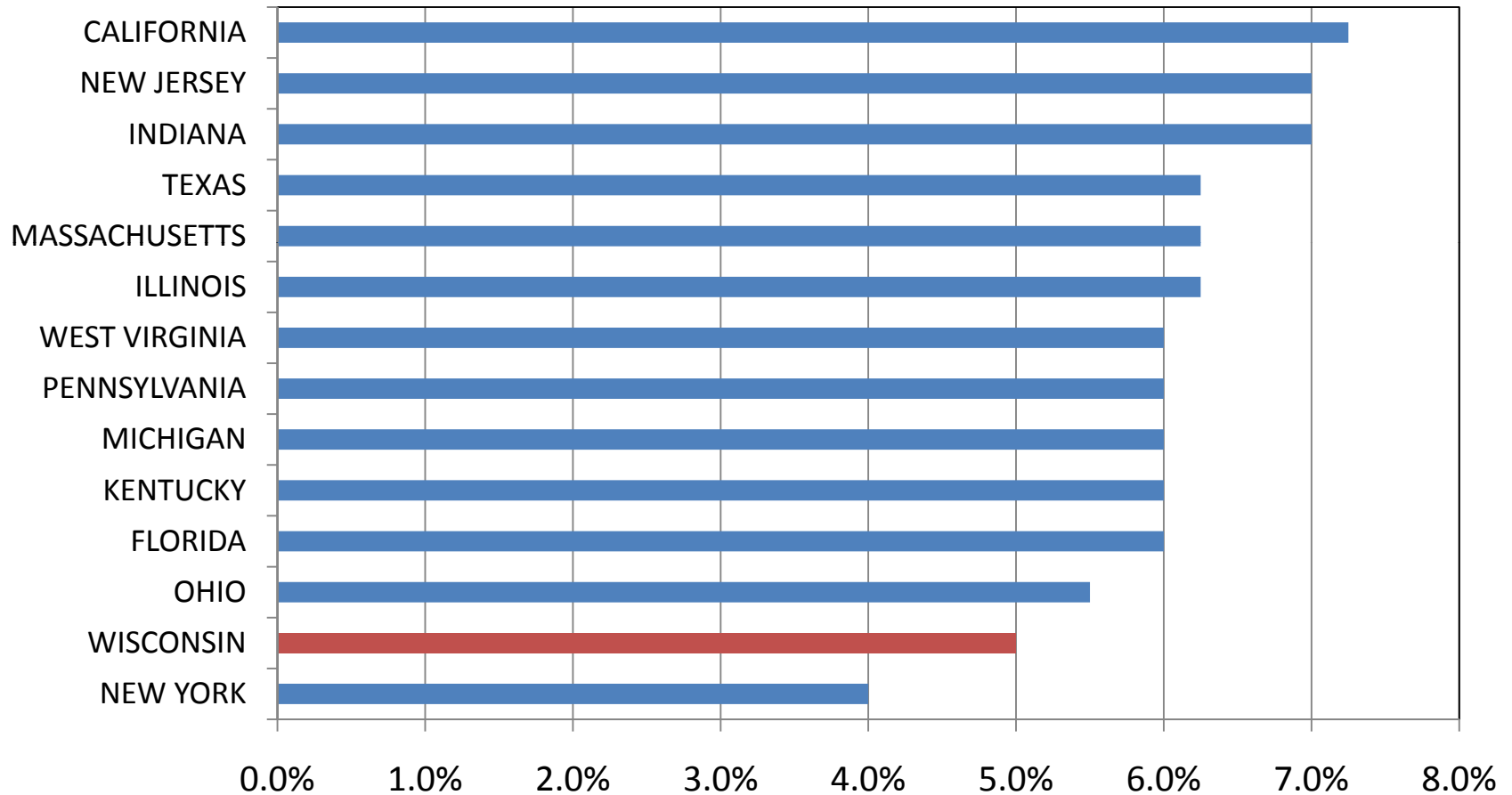
Note: Vermont and New Jersey had more than one rate change over the two year span. Shown is the direction of the most recent change.

Source: The Tax Foundation.

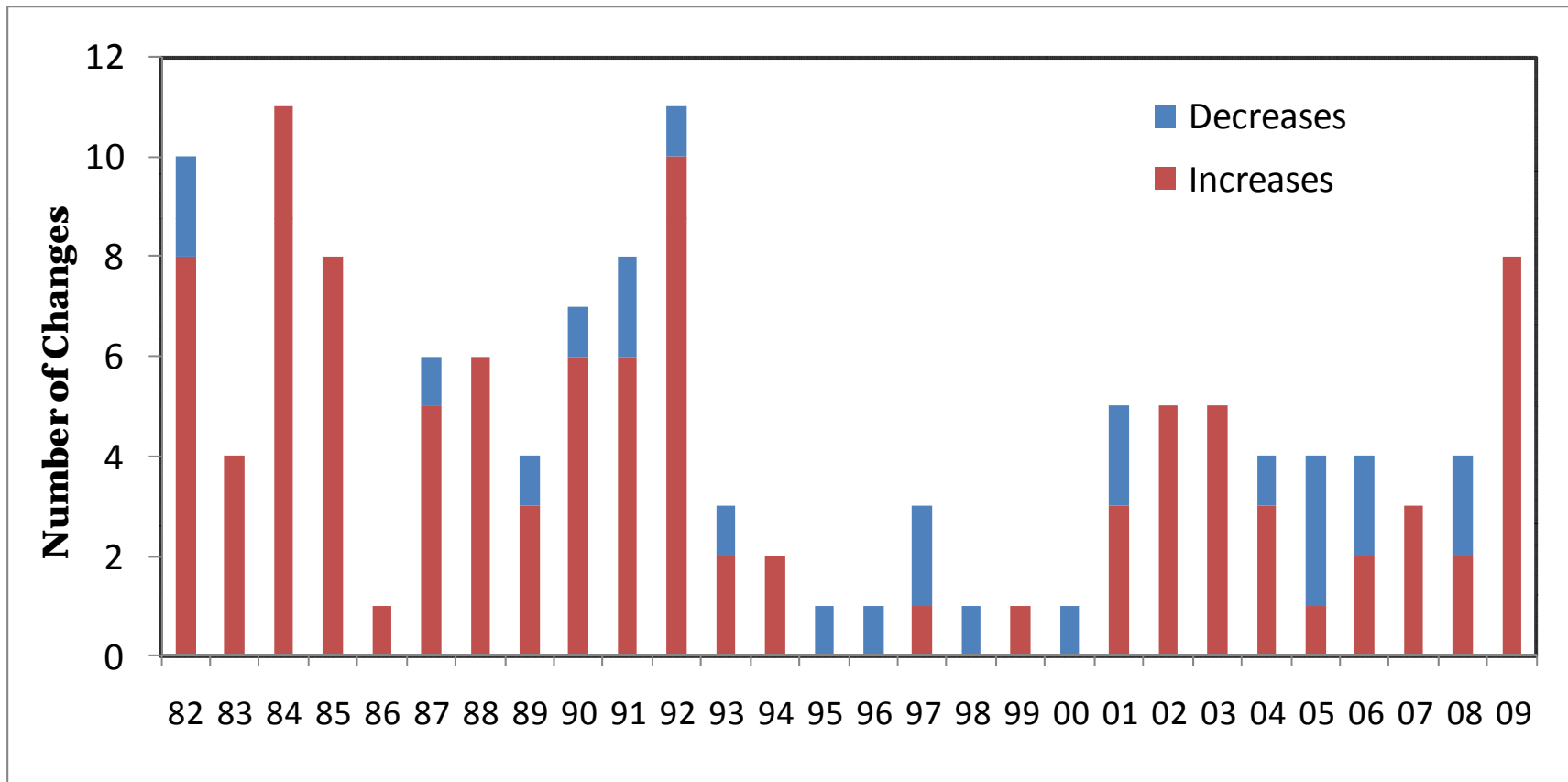
Change in Sales Taxes, July-September, 2009 to 2010



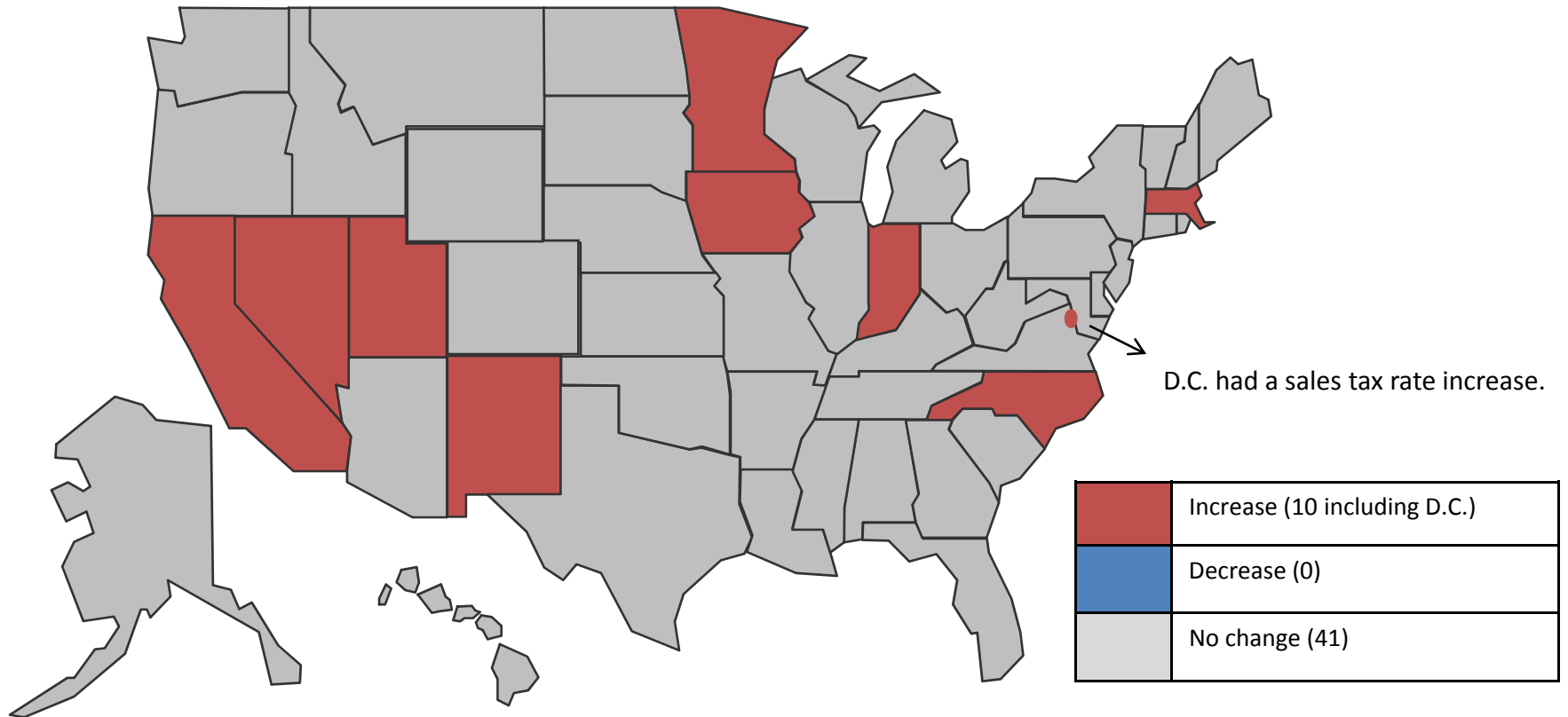
STATE SALES TAX RATES, 2010



NUMBER OF SALES TAX RATE CHANGES

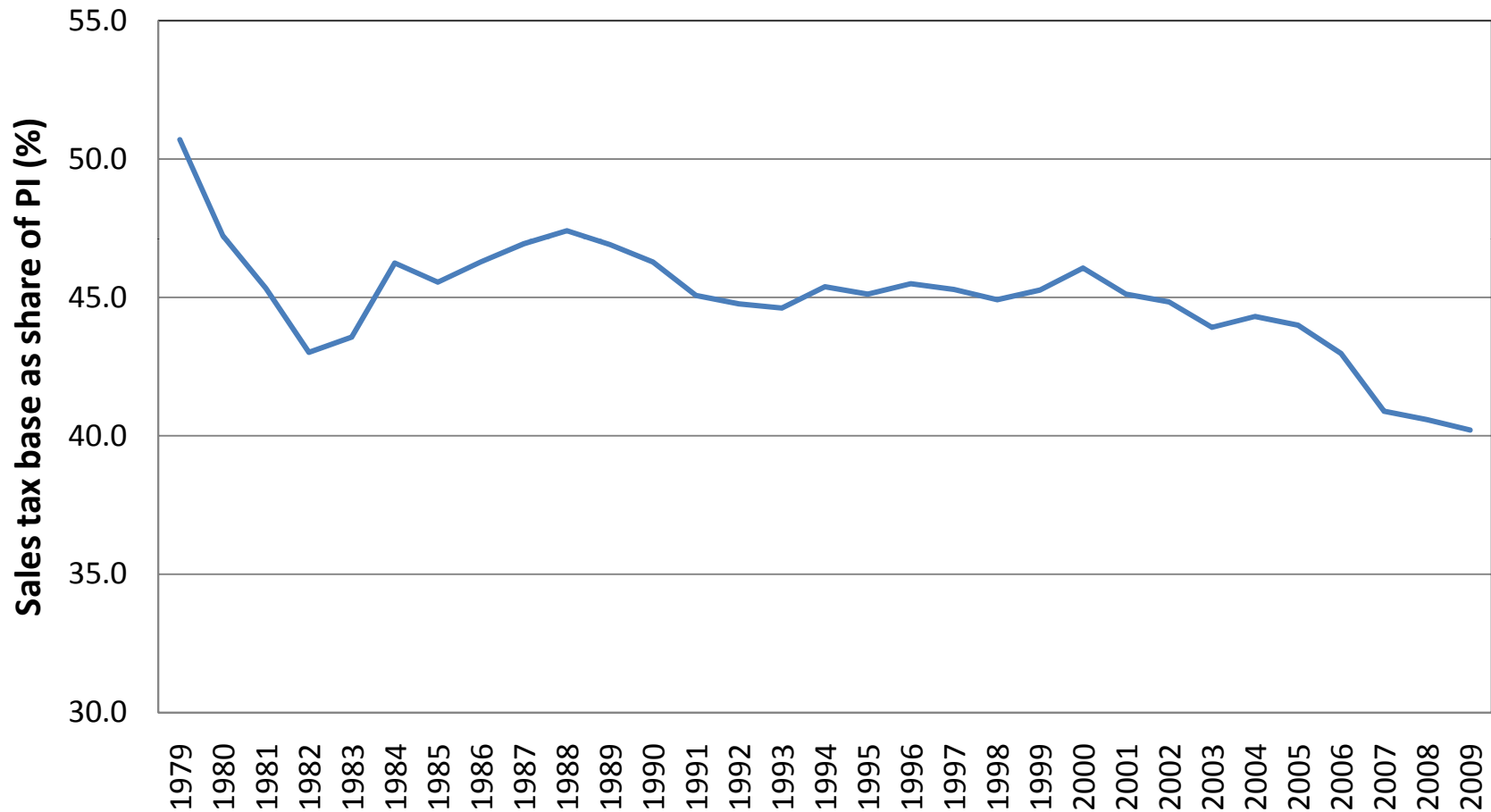


Sales tax rate changes in 2009 and 2010

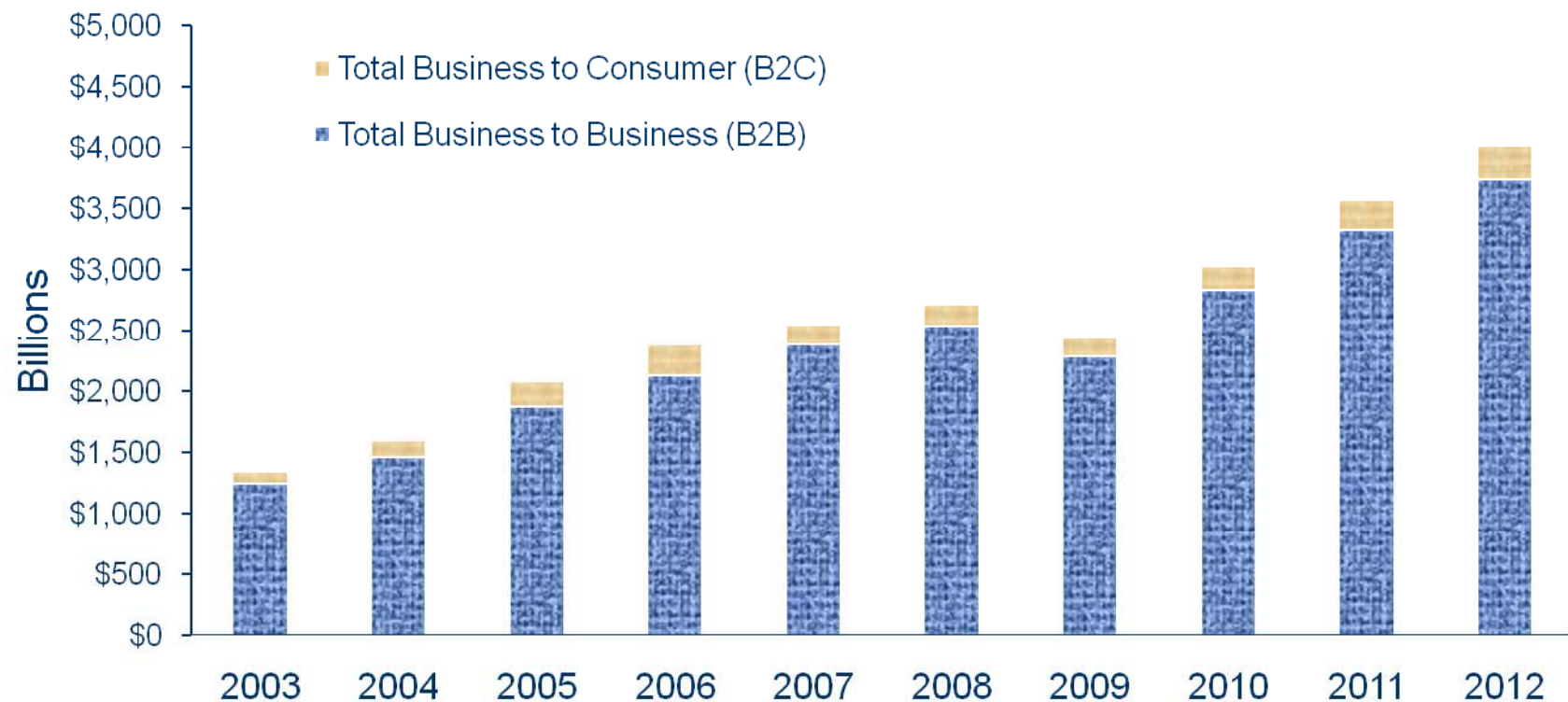


Source: The Tax Foundation.

Wisconsin Sales Tax Base as a Share of Personal Income, 1979-2009



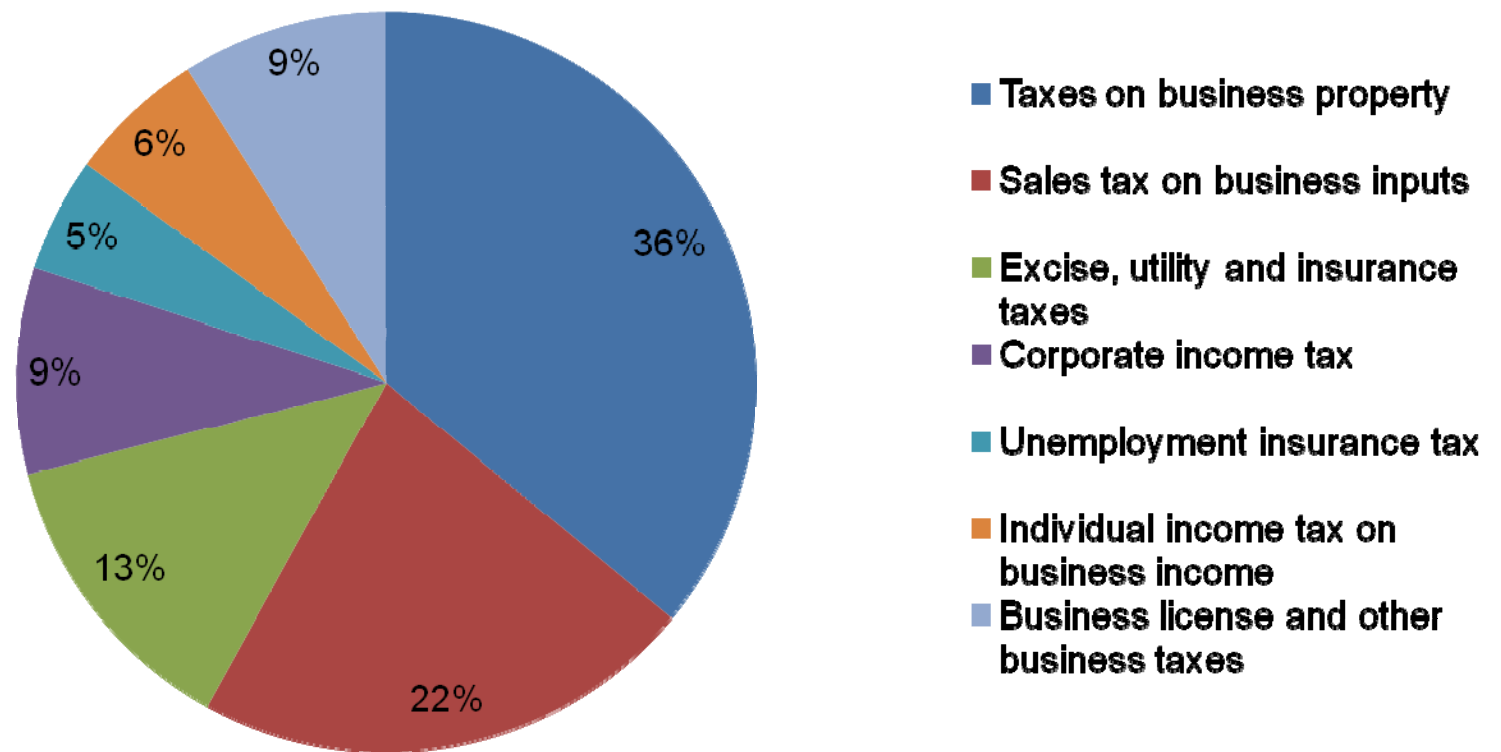
ESTIMATED TOTAL E-COMMERCE SALES



*Sales-taxing states only.

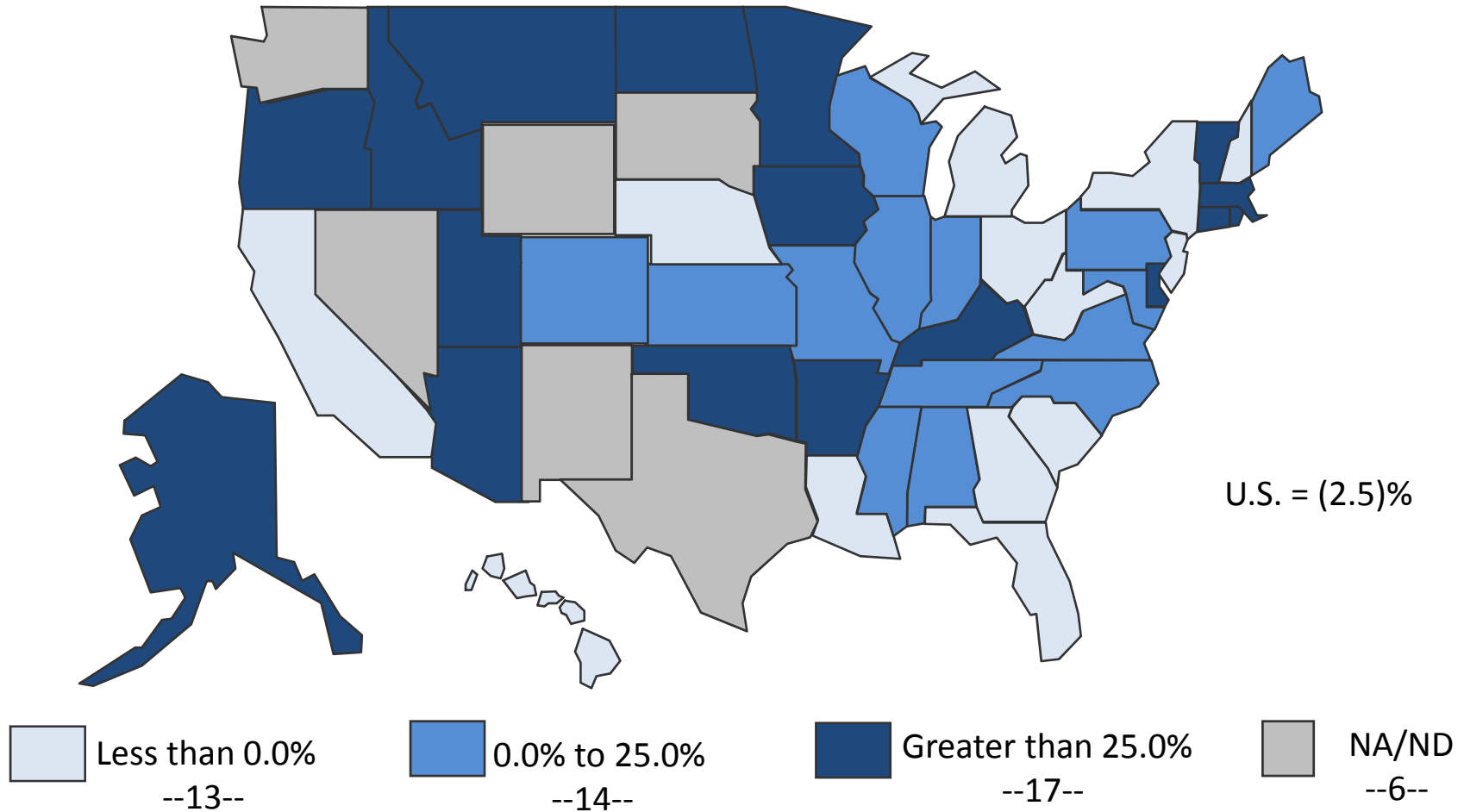
January 2011

Composition of Total State and Local Business Taxes, FY2009

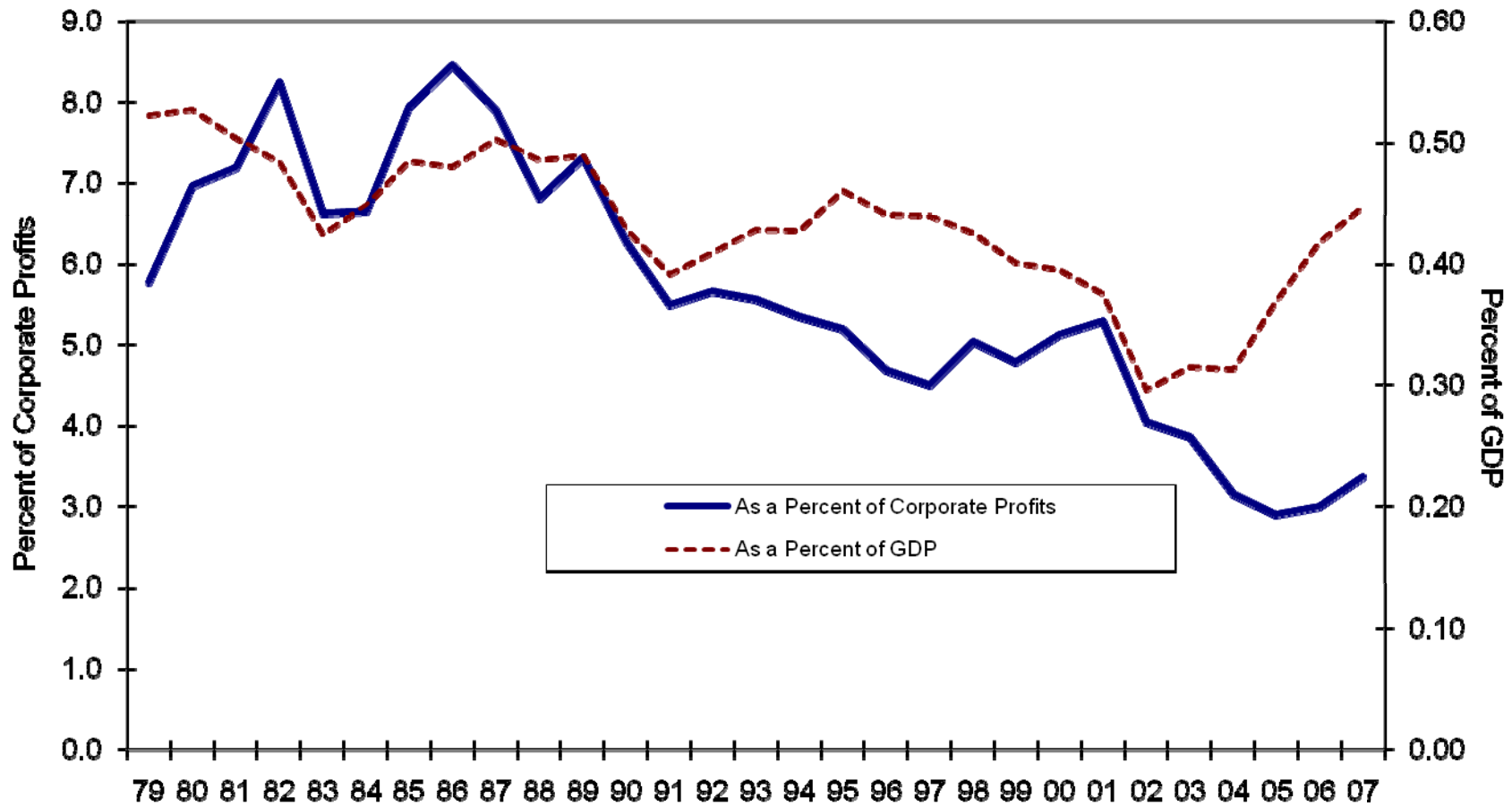


Source: Ernst & Young. "Total state and local business taxes: State-by-state estimates for fiscal year 2009." March 2010.

Change in Corporate Income Taxes, July-September, 2009 to 2010



State Corporation Net Income and License Tax Base



Types of Business Tax Reform

- New tax structures – Ohio, Michigan, Texas
- State efforts to reduce tax planning
 - Combined reporting
 - Disallow/addback deductions between related companies - Massachusetts
 - Economic nexus - Impose nexus on passive investment companies – South Carolina
 - Examine passive investment companies for valid business purposes - Maryland
 - Audit transfer prices