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How Taxes Used is What Counts

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More fun with state tax rankings, before we get to our real subject.

Last week, while examining various myths promoted in the present budget debate, I reported "latest data" census estimates of Wisconsin's state taxes. These were based on the last two quarters of 2000 and the first two quarters of 2001, combined into one year. They put Wisconsin 17th among the states in overall state taxes per person, and 25th in state corporate income taxes per person. I also reported what I said was a better measure of our fiscal burden per person, one that included local taxes along with state ones, and also user fees -- the last being something other states rely on more heavily than we do. On this second measure, Wisconsin ranked 11th nationally in its fiscal burden per person -- below that of our neighbor Minnesota, and other states as diverse as Wyoming and Delaware, or Washington and Connecticut.

On either the poorer measure or the better one, I observed, Wisconsin's cost of government didn't seem excessive or out of line, especially given the level and quality of public services we are used to here.

For obvious reasons, this observation drove a number of my Republican brethren crazy with anger and concern. Scott McCallum's strategy for election as governor rests centrally on his repeated claim that taxes are Wisconsin's greatest problem, and his implication that cutting them is the solution to our most important ills. But if this strategy is based on incorrect facts, which it is, that creates some obvious problems for its success -- at least if voters ever get wind of what's really going on. In the worst case, informed voters might actually ask the governor to say something more interesting about our government than "let's have less of it."

It is to that point -- the ends of government, rather than its quantity -- that I hope the gubernatorial debate finally inclines. In the meantime, however, just in the service of full disclosure and high-minded public debate, let me report that I looked at yet a third census series this week, again on the restrictive measure of state taxes only, and found different results than with the quarterly estimates used earlier. Specifically, "State Government Tax Collections," now complete only through 2000, show our state taxes per person were eighth overall (not 17th), and 20th (not 25th) for corporate income taxes.

This doesn't mean that the quarterly estimates running through 2001 were wrong; they may turn out to be right on the mark once we get the final data. And once more, I think any measure of fiscal burden that looks at state taxes only is next to useless -- except perhaps as fuel for disputes between state and local government about which has lately gotten "fatter" -- since we obviously also pay local taxes and user fees for government. So the 11th ranking, which is based on complete and settled data, is the one to pay attention to if you're in the rankings game.

But now let's move on to substance. The real questions about government spending are not how much we spend, but what we spend it on and who pays for it. The first is important because we don't want to waste our money, and want to be as prosperous as possible. The second is important because we'd like to live in a society in which the burdens of living together are somehow fairly shared. Oliver Wendell Holmes famously said that taxes are "the price we pay for civilization." Part of being "civilized" is being responsible to and caring about each other, not just ourselves.

How is Wisconsin doing on these dimensions? Well, here too, it seems to me, there is much confusion in present budget debates. On the first, there seems to be the view, assiduously promoted in business quarters and the governor's office, that somehow our present taxes are killing us economically. And on the second, there seems less appreciation than there might be of how unfair our tax burden has become, with those least able to pay paying more than their share, and the better off paying much less.

Getting clear on both these issues is important to getting out of the present budget mess and, more broadly, to finding our way to a better future for our state. But here too I'm afraid -- and as I write this I can see another storm cloud of anger massing above the heads of my Republican brethren, and maybe even above some Democratic heads as well -- that what is generally accepted now in Wisconsin political debate about taxes and government spending is simply wrong, and stupid.

* This is very worrisome to me, and should be to you, because getting these matters right is extremely important to the quality of our life here in Wisconsin. Put bluntly, we're now talking and acting very foolishly about them, and if we don't stop this nonsense soon we're going to get badly burned, and have that life threatened.

Joel Rogers is director of COWS, the Center on Wisconsin Strategy, at the UW-Madison. COWS is sponsoring "Sustaining Wisconsin," a statewide dialogue about the future of Wisconsin. Go to www.sustainingwisconsin.org for more information.

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