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## Senate approves its budget repair plan

### GOP lawmakers decry Democrats' plan for tax on business, hospitals

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**Madison** - Madison - Democrats Tuesday pushed through the Senate a budget-repair bill that would raise taxes on businesses, saying large, multistate corporations pay little or no corporate income taxes in Wisconsin.

The bill passed on a partisan, 18-14 vote and would tax the profits of parent companies, instead of the current system of taxing only the profits of their subsidiaries.

The change, called combined reporting, would cost businesses \$130.5 million by mid-2009, according to the Legislative Fiscal Bureau.

That money would help offset a \$652 million expected shortfall in tax collections in the current two-year budget.

Senate Democrats said giant companies such as McDonald's, Wal-Mart, Microsoft and GE use tax-code loopholes and set up subsidiaries that allow them to pay little or no corporate income taxes in Wisconsin. Those tactics include creating Las Vegas-based subsidiaries and shifting assets to them to avoid Wisconsin taxes, Democrats said.

Small and medium-sized Wisconsin companies can't afford to set up such tax-avoidance deals, so they have no choice but to pay the 7.9% corporate tax, said Democratic Sen. John Lehman of Racine.

Senate Majority Leader Russ Decker (D-Weston) said Wal-Mart made more than \$850 million on its Wisconsin operations from 2000 to 2003, but paid only \$3 million in corporate taxes during that period.

"It's time to pick a side: Wisconsin families and businesses, or Wal-Mart," Decker said. "Big business should pay their fair share . . ."

The Senate-passed package would also cut the corporate tax rate from 7.9% to 7.8%, which would save businesses about \$5.2 million, according to the Fiscal Bureau.

Businesses are expected to pay \$810 million in taxes this year, which is 6.2% of all general-fund taxes. By comparison, the individual income tax will bring in \$6.6 billion; the sales tax, \$4.2 billion

Senate Republicans voted against the budget measure, saying they objected to the Democrats' push for higher taxes on businesses and hospitals.

Republican Sen. Scott Fitzgerald of Juneau called Democrats "anti-business, anti-jobs" and added, "You're chasing businesses out of Wisconsin."

Republicans also said Democrats should cut spending instead of raising taxes and spending.

### **Also in the plan**

Other items included in the Senate Democrats' bill:

**Hospital tax.** Senate Democrats went along with Doyle's proposal for a new tax on hospital revenues, which would attract about \$408 million more in federal Medicaid funds. The tax would cost hospitals about \$416 million, but it would also pay for the first rate increase in years for hospitals that care for Medicaid patients. It would also free up \$125 million to help balance the budget.

Assembly Republicans oppose the hospital tax.

**KRM commuter rail.** Senators approved a \$200 million Kenosha-Racine-Milwaukee commuter rail system, with local matching funds coming from raising the \$2 rental car fee to \$15 in those three counties.

Assembly Republicans blocked the KRM commuter link last year.

**School-aid payment delay.** Senate Democrats joined Assembly Republicans in asking that a \$125 million school-aid payment scheduled to be made in June 2009 be made instead in July - an accounting trick that would raise the budget-ending balance by that amount. Doyle opposes delaying that school-aid payment.

**Child-care subsidy.** The Democrats' plan includes \$18.6 million to subsidize child-care programs for low-income parents. Assembly Republicans have not backed that new subsidy, however.

**Spending cuts.** Democrats want a \$40 million additional cut in state spending by mid-2009, which is about \$320 million less than the cuts requested by Assembly Republicans.

The Senate vote returned the budget-repair bill to the Assembly.

Legislative leaders are expected to meet soon to try to reconcile their differences on the budget.

Doyle spokeswoman Jessica Erickson said the governor hopes a compromise can be negotiated quickly.

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