

Raising Sales Taxes Does Not Cut Property Taxes
By Glenn Grothman

Last week, Michael Spector, the Chair of Governor Doyle's task force on Excellence in Education announced a preliminary set of proposals for funding Wisconsin schools. Central to the proposal will be an increase in the state sales tax from five percent to six percent. Also suggested will be the elimination of some current sales tax exemptions. In the past such proposals usually focus on services, such as a sales tax on accountants, hair stylists, etc. To sell this proposal to the public they are claiming their goal is to cut property taxes. People hate property taxes and they've gone up 32 percent in the past eight years. But will raising the sales tax cut property taxes? Does history have any lessons for us?

Wisconsin didn't even have a sales tax until 1962 when we started the new tax out at three percent. The purpose of the new tax was to cut property taxes. In December 1961, Wisconsin residents paid a net \$512 million in property taxes. The new tax was signed into law by then Governor Gaylord Nelson. The new tax became effective the next year and property taxes actually did drop by seven percent. Four years later they had bounced back to \$623 million - a twenty percent increase in five years; and well over the rate of inflation at the time. There was not tax relief - just more spending.

But in politics the temptation to spend other peoples money is always great. In 1969 Republican Governor Warren Knowles and a Republican legislature decided to raise the sales tax from 3 to 4 percent. This time property taxes didn't even go down for any year. They shot up 10 percent the year the sales tax hike went into effect (December 69 tax bill), 12 percent in 1970, and 8 percent in 1971. The Republicans lost 19 seats in the Assembly in the 1970 elections - and rightly so. I asked an old time Republican who was in the legislature in 1969 what they were thinking. He told me they thought they could cut property taxes but people just kept thinking of new ways to spend the money.

You'd think they would learn. In 1981, Republican Governor Lee Dreyfus was back with a proposal to "temporarily raise" the sales tax from 4 to 5 percent in May 1982. The net levy only went up 1 percent in that December's tax bills. In December 1983, it went up another 12.4 percent and 6.8 percent the year after that. Governor Earl made the 5 percent tax permanent.

But the legislature still was not finished. In order to help hold down property taxes in 1985 they allowed counties to impose a separate one-half percent sales tax to hold down county property taxes. Today the vast majority of Wisconsin citizens are paying at least 5.5 percent sales tax. While this tax was introduced gradually county by county, suffice it to say that in the nine years after the new law went into effect the property tax jumped by 77 percent.

One more example - did you know Wisconsin was the first state to have an income tax? It started in 1911. Our new income tax was supposed to cut property taxes. In 1912 general property taxes totaled \$32.6 million. By 1917 they totaled \$47.4 million. Raising income taxes didn't cut the property tax either.

While politicians who propose raising the sales tax claim they want to cut property taxes, they usually happen to be the same ones who are looking for new ways to spend money. This task force kind of let the cat out of the bag as it also recommended increases in teacher salaries, lower class sizes, and full funding of four-year-old kindergarten.

The reason Wisconsin has high taxes is we spend too much money. In the past 16 years the combined property, income, and sales tax take has gone up 133 percent while inflation went up 62 percent. In the past six years, statewide enrollment went down from 881,720 to 880,031 but the number of full time teachers went up from 65,094 to 69,870. Still the task force feels we need more teachers.

The legislature should kill the plan of the Governor's task force. Property taxes will not drop - but the sales tax would go up.

Please let me know what you think on this issue. Contact me here in Madison---please call 1-888-534-0058, or in any of the following ways:

* Madison Address: P.O. Box 8952, Madison, WI 53708-8952

* Home Number: (262) 338-8061

* E-Mail: rep.grothman@legis.state.wi.us