

## How Can I Learn More and Get Involved?

### Books and Other Resources

Collins, Chuck. "Shifting Fortunes" and "Economic Apartheid in America"

Interfaith Center on Corporate Responsibility, 475 Riverside Dr., New York, NY 10115; phone: 212-870-2295; e-mail: info@iccr.org; Web: [www.iccr.org](http://www.iccr.org)

"Public Subsidies, Public Accountability" Grassroots Policy Project, Sugar Law Center for Economic & Social Justice and Sustainable America (1998); [www.grassrootspolicy.org/publications/pspa.html](http://www.grassrootspolicy.org/publications/pspa.html)

### Useful Websites

Center On Wisconsin Strategy (COWS) UW Madison, 1180 Observatory Dr., Madison, WI 53706; [www.cows.org](http://www.cows.org)

"The Corporation" film, [www.thecorporation.com](http://www.thecorporation.com)

Good Jobs First, 1311 L. Street, N.W. Washington, DC 2000; [www.goodjobsfirst.org](http://www.goodjobsfirst.org)

Corp. for Enterprise Development [www.cfed.org](http://www.cfed.org)

United for a Fair Economy, [www.faireconomy.org](http://www.faireconomy.org)



## Wisconsin Network for Peace and Justice Organizations Working on Ending Corporate Welfare:

**Democratic Socialists of America - South Central Wisconsin Area**, Diana Gilberts, P.O. Box 628313, Middleton, WI 53562; phone: 608-276-6248; email: mdsilber@wisc.edu; Web: [www.dsausa.org](http://www.dsausa.org)

**Peace Economics**, Bob Reuschlein, 3264 Stonecreek Drive, Madison, WI 53719; phone: 608-848-5248; email: earlwal@chorus.net; Web: [www.realeconomy.com](http://www.realeconomy.com)

**The Madison Institute**, Gene and Linda Farley, 2299 Springrose Rd., Verona, WI 53593; phone: 608-845-8724; email: lfarley@fammed.wisc.edu; Web: [www.themadisoninstitute.org](http://www.themadisoninstitute.org)

**Wisconsin Budget Project (Council on Children and Families)**, Jon Peacock, 16 N. Carroll, Suite 600, Madison, WI 53703; phone: 608-284-0580; Web: [www.wccf.org/budget.html](http://www.wccf.org/budget.html)

**Wisconsin Democracy Campaign**, Mike McCabe, 201 N. Bassett St., Suite 215, Madison, WI 53703; phone: 608-255-4260 or toll free 1-888-455-4260; email: meyer@wisdc.org; [www.wisdc.org](http://www.wisdc.org)

**Womens International League for Peace and Freedom—Madison Branch**, Lea Zeldin, 5705 Forsythia Place, Madison, WI 53705; phone: 608-238-5740; email: LZ14@Juno.com



## About the Wisconsin Network for Peace and Justice (WNPJ)

The purpose of WNPJ is to facilitate activities, cooperation, and communication among Wisconsin organizations and individuals working toward the creation of a world free from violence and injustice.

The Corporate Accountability Task Group (CATG) was created to better focus, educate, and organize our shared work for economic justice. The CATG also offers community workshops and produces other resource materials including a 100 page packet on Corporate Accountability available for \$13 from the WNPJ office.

### For information about:

- Joining WNPJ
- working with the CATG
- purchasing an annual Directory of WNPJ Organizations
- attending the Annual Assembly in October
- attending the Steering Committee meeting of organizational representatives in April

### Contact WNPJ at:

**WNPJ**  
122 State Street, #402  
Madison, WI 53703  
Phone: 608-250-9240

Email: [info@wnpj.org](mailto:info@wnpj.org)

Web: [www.wnpj.org](http://www.wnpj.org)



## Corporate Welfare In Wisconsin: Time for Reform!



*As a businessman I never made an investment based on the tax code... If you are giving money away I will take it.... But good business people do not do things because of inducements*

—Treasury Secretary Paul O'Neill  
at his January 17, 2001 confirmation hearing



Brochure prepared by  
**WNPJ Corporate  
Accountability Task  
Group**

Number 4 in a Series  
Revised 9/04

## Corporate Subsidies in Wisconsin

Wisconsin economic development programs cumulatively provided \$1.6 billion in 2002 to private businesses, local governments, and individuals to spur economic growth. Despite the tremendous investment of public dollars, these programs generally lack monitoring, evaluation, and accountability safeguards. Without such safeguards, the programs – and the specific deals they subsidize – fail to ensure that taxpayer investments are paying off in good jobs, a growing economy, and a more stable tax base.

The programs span a wide variety of subsidies, including grants, low-interest loans and loan guarantees, corporate income tax credits, sales tax exemptions, training, and technical assistance.

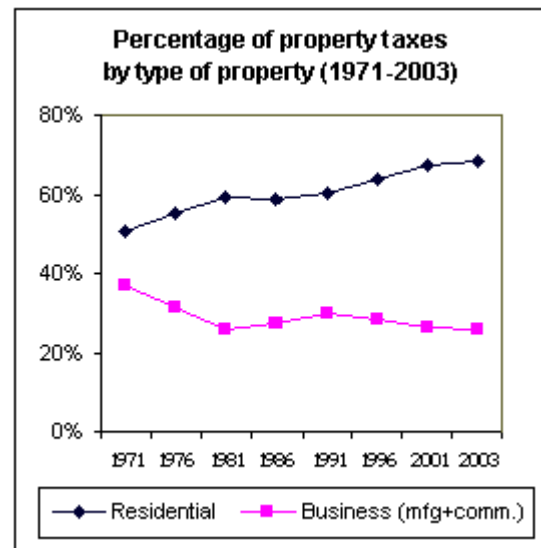
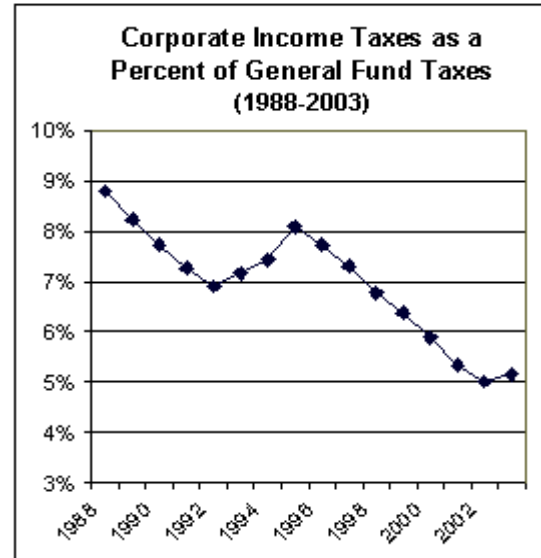
Sources familiar with the state’s economic development programming reveal:

1. Over 90 programs are being administered by at least 8 state agencies, numerous economic development authorities, and local governments, resulting in a high degree of fragmentation.
2. Very few programs attach job quality standards – such as wage and healthcare requirements – to subsidized companies.
3. There is no systematic public disclosure of either costs or benefits – such as jobs created, wages paid, or healthcare provided – for entire programs or specific deals.
4. There is little or no use of “clawback” provisions, which enable the state to recapture incentives if a company fails to deliver promised jobs, investments, or other benefits.
5. There have been few evaluations of such basic issues as whether programs are even creating jobs, to help policymakers eliminate ineffective programs and strengthen the others.

## Subsidies and Tax Breaks

Corporate welfare takes two forms - direct cash subsidies and tax breaks. Wisconsin corporations have received both forms of benefits. Cash subsidies have been increasing, while state and local taxes paid by corporations have fallen substantially. The portion

of total general fund revenue in WI that comes from corporate income taxes dropped from 12.1% in 1968, to 8.8% in 1988, and just 5.2% in 2003.



From 1971 to 2003, the share of total property taxes from manufacturing and commercial property declined from 37% to 26%, while the residential share increased from 50.6% to 68.6%.

A national study in 2003 estimated that corporations’ use of tax shelters reduced Wisconsin revenue about \$174 million in 2001.

## New Corporate Tax Breaks

In spite of the substantial decline in corporate taxes, politicians continue to enact new tax breaks. Some of the business tax cuts approved in the 2003-04 session include:

- Phasing in a new formula for apportioning the profits of multi-state corporations, which benefits less than 2% of businesses paying taxes in Wisconsin, but will gradually reduce state revenue by \$45 million per year.
- A new sales tax exemption for manufacturers that will cut taxes by \$14 million per year.
- A new \$6 million per year venture tax credit.

## Income Inequality

Wisconsin’s largesse for business via subsidies and tax breaks does not appear to be “trickling down” to the poorer residents of our state. Income inequality continues to grow: nationally and in Wisconsin:

The number of people living in poverty in Wisconsin increased by about 92,000, or 20%, from 2000 to 2003.

About one in five Wisconsin workers in 2003 held a job paying wages too low to support a family of 4 at the poverty level.

American CEOs made 254 times as much as workers in 2003, compared to a ratio of 28:1 in Britain (& 44:1 in the US in 1980).

CEO pay skyrocketed 480% during 1980-2003, adjusted for inflation, domestic corporate profits rose 145%, worker productivity rose 61%, but worker pay stalled (up just 0.5% for full-time production workers).

## What Can Be Done About This?

Policymakers can draw from best practices in other states to improve the effectiveness of Wisconsin’s economic development efforts. These reforms can enable the state to eliminate ineffective programs, boost those that are working, and thereby generate more jobs with better wages and benefits and higher tax revenues. For example:

- 1) Attach job quality standards - such as market-based wage requirements and healthcare - like those already used by 43 states.
- 2) Require public hearings for any subsidies of more than \$100,000.
- 3) Develop requirements that programs and individual deals actually create new jobs and require annual, company-specific disclosure of costs (subsidies granted) and benefits (new jobs, wages, and health care) like those now used in 10 states.
- 4) Make consistent use of “clawbacks,” or money-back safeguards used in 18 states, so subsidies can be recaptured and reinvested if a deal fails to pay off.
- 5) Require regular audits of subsidy programs, four-year sunseting of subsidies so each large program expenditure is frequently scrutinized and re-justified, and use a “Unified Development Budget” to pull together the cost of all development appropriations and tax breaks.
- 6) Create reciprocal agreements between public bodies, both state and local, to avoid counterproductive bidding wars to encourage business to relocate.
- 7) Pass a wage equity bill that ties the tax deductibility of executive pay to 25x the pay of the average worker.
- 8) Ensure that corporations and banks pay their fair share of state and local taxes by eliminating loopholes that allow Wisconsin profits to be hidden in out-of-state subsidiaries. Public pressure can force settlements. Check on your local bank.