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Big Biz Avoids State Tax, Group Says

2 Of 3 Corporations, Including Kraft, Didn't Pay In '03

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By Scott Bauer Associated Press

Some of the largest, most-profitable companies in Wisconsin have not paid corporate income tax, resulting in a heavier burden on individuals, according to information released Monday by an independent nonprofit group.

Two out of three of the 54,644 corporate filers in Wisconsin paid no income tax in 2003, the most recent year available, according to data presented by Jack Norman, research director of the Milwaukee-based Institute for Wisconsin's Future.

Some of the companies that paid no income tax, according to Norman, were 26 of the 35 largest based in the state, as well as national businesses such as Kraft Foods, McDonald's, Microsoft and Pepsi Co.

Some of the Wisconsin companies that didn't pay, the data showed, were Johnson Controls, Manpower, Kohl's, Harley-Davidson, Rockwell Automation, and Marshall & Ilsley.

Large companies with a bevy of attorneys are adept at using clever accounting to avoid corporate income taxes, Norman said. There also are a number of corporate income tax credits in state law.

Many companies complain that corporate income taxes are too high here, and the Wisconsin Manufacturers & Commerce, the state's largest business lobbying group, has suggested that the corporate income tax should be eliminated.

But the fact that 67 percent of corporations didn't pay any corporate income tax in 2003 belies their arguments, Norman said. He accused the WMC of spending millions of dollars on false advertising to make taxpayers believe business taxes are too high.

"I think we're getting double talk from the big corporate lobby," Norman said. "They're not paying their fair share."

Jim Pugh, a spokesman for the WMC, said the institute's conclusions cannot be trusted because the people who pay for its work have an

interest in big government and higher taxes.

"You have to consider the source of the research," he said. "This is a very left-leaning institute that's heavily funded by labor and public employee unions."

The Democratic-leaning Institute for Wisconsin's Future was founded in 1994 by the Wisconsin State AFL-CIO, the Wisconsin Education Association Council, the Wisconsin Conference of Churches, and the Wisconsin Council on Children and Families. Its stated mission includes providing a progressive voice in policy debates that impact working families.

Pugh said the WMC supports lowering taxes for everyone, including corporations.

"Our total tax mix in Wisconsin is too high and needs to be fixed," he said.

Every Wisconsin business follows the law and pays what taxes are owed, Pugh said. There are legal reasons why some may not have paid taxes in the state, such as how they are organized, he said.

Norman said it is possible that some companies paid taxes under the name of a subsidiary.

He obtained the company-specific data from the state Department of Revenue but state law prohibited him from publishing it. Instead, he was allowed under the law to give an oral presentation in which the numbers were discussed.

Norman held news conferences in Milwaukee and Madison to do that.

The complexity of the law points to the need for reform, Norman said. It should be easier for the public to see what companies are paying taxes and to obtain a list of tax credits and other programs that reduce what corporations pay, Norman said. The Institute for Wisconsin's Future is working on legislation to increase disclosure and will make its proposals public in early January, he said.

Once disclosure is improved, then changes to the law to increase the odds of companies having to pay corporate income tax can be explored, he said.

Norman said his group's overriding concern was the burden being placed on state and local governments, including school districts, to maintain services while the business community and other people call for taxes to be cut. Everyone should pay their fair share, he said.

The corporate income tax, as of 2004, generated just 3 percent of state and local revenue in Wisconsin -- far behind property taxes (36 percent), sales taxes (29 percent), the individual income tax (26 percent) and *others (6 percent)*.