

Memorandum

DATE: May 30, 2007
TO: Members, Joint Finance Committee
FROM: Midwest Equipment Dealers Association Inc.
Midwest Food Processors Association Inc.
National Federation of Independent Business (NFIB/WI)
Wisconsin Automotive Aftermarket Association Inc.
Wisconsin Federation of Cooperatives
Wisconsin Housing Alliance
Wisconsin Manufacturers & Commerce
Wisconsin Merchants Federation
Wisconsin Motor Carriers Association
Wisconsin Petroleum Marketers & Convenience Store Association
Wisconsin Restaurant Association
RE: Transportation Financing – Paper #761 & Paper #765

As representatives of the state's highway users and fuel supply organizations, we urge you to reject the proposed gross receipts tax on oil suppliers. We do not believe the proposed tax represents the right direction towards funding our current and future transportation infrastructure needs. The gross receipts tax raises a number of concerns and negative, unintended consequences, including the following:

1. The tax mechanism proposed in SB 40 invites litigation and places transportation revenues in jeopardy. A recently released Legislative Council staff analysis raises troubling questions regarding the constitutionality of the proposed tax.
2. The tax represents continued over-reliance on the fuel tax as the major source of transportation funding. Wisconsin is already among the highest gas tax states in the country and this tax further exacerbates the ability of Wisconsin retailers to compete in border state areas. At today's prices, the tax is roughly an increase of 7 cents per gallon to consumers.
3. At best the tax represents a substantial increase in the gas tax and fuel prices for Wisconsin consumers. At worst, assuming the tax is somehow upheld and enforceable, the implementation of such a tax has serious implications on fuel supply. As proposed, the tax would likely disrupt fuel supply, discourage investment in Wisconsin's supply infrastructure, and leads to overall upward pricing pressure on the retail cost of gas.

Accordingly, we recommend the committee adopt Alternative #5 in Paper #761 to delete the gross receipts tax.

We recognize and support sound investment in our transportation infrastructure system. We also recognize that this recommendation alone does not represent a comprehensive solution in addressing transportation financing this biennium. However, we believe that rejection of the gross receipts tax will set the stage for a more rational discussion of transportation financing through the balance of the budget process.

In addition, we strongly recommend the committee adopt Alternatives A2, B2, and C2 in Paper #765 to remove all of the proposed shifts of general fund expenditures to the transportation fund. From our perspective, any meaningful discussion of supporting new or enhanced transportation funding must start with a commitment to using transportation revenues for core transportation program needs.

Thank you for your consideration. We are committed to working with the Legislature and the Governor to develop a more viable transportation financing alternative and believe the above recommendations create the best framework to achieve that result.