

State Representative Spencer Black



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Fill Hole by Closing Loophole

Representative Spencer Black today said that an agreement to fix the budget shortfall should include an end to the Las Vegas Loophole that allows multi-state corporations to escape paying Wisconsin corporate taxes.

“The way to fill the budget hole is to close the Las Vegas Loophole,” Black said. “Instead of relying on gimmicks or risky financial maneuvers to balance the books, we should make sure that profitable, multistate corporations pay their fair share of taxes.”

Black’s proposal would eliminate a tax avoidance scheme widely used by big box stores and other multi-state corporations to dodge the Wisconsin corporate income tax. It is called the “Las Vegas” loophole because corporations shield their Wisconsin income from taxes by setting up paper subsidiaries in states like Nevada that don’t collect corporate income taxes. The corporations then transfer their profits from Wisconsin to the dummy corporations until they owe little or no state income tax. The subsidiaries often consist of just a mail box in Las Vegas.

Black’s proposal would disallow deductions for such tax-avoidance schemes. “My proposal will shut down one of the biggest loopholes that profitable corporations have exploited to avoid their fair share of the tax burden,” Black said. According to the Department of Revenue, the Las Vegas Loophole costs the state as much as \$260 million a year.

Black noted that according to data from the Legislative Fiscal Bureau, corporations have cut their share of Wisconsin taxes by almost half - from 11.3% in 1979 to 6.5% in 2005. “One of the reasons our budget is out of whack is that big corporations are dodging their tax responsibilities,” Black said.

Black said that closing the loophole would avoid the need to engage in risky measures such as refinancing the tobacco debt. “The proposal to refinance the tobacco debt would require the state to assume an additional \$1.7 billion dollars in bonding and would require the taxpayers to take on responsibility for \$1.2 billion in questionable debt now held by the Badger Tobacco Asset Corporation. This is fiscally irresponsible and unnecessary if we instead close the Las Vegas Loophole.”