# Fiscal Facts: ****State increases tax auditors - and corporate tax collections****

*By Wisconsin Policy Forum*

Despite COVID-19’s severe economic impact, state corporate tax collections remained strong in the most recent fiscal year, rising 20.2%. Normally among the first revenues to decline in a recession, corporate taxes have been an unusual bright spot during the current downturn, and an enhanced state audit initiative may help explain why.

The initiative, now in its fifth year, expanded the number of state auditors and is generating additional corporate and sales taxes from out-of-state businesses or their Wisconsin customers. Corporate tax revenues for the recently ended 2020 fiscal year totaled $1.61 billion and topped 2019 by $269.8 million, according to preliminary figures from the non-partisan Legislative Fiscal Bureau.

The increase in fiscal 2020 (running July 2019 to June 2020) is even more remarkable given the fact that corporate and franchise taxes had already grown in 2019 at their fastest rate in more than a half century. Those revenues have helped offset some of the overall weakness in state tax collections amid the pandemic, with 2020 corporate tax collections beating the state’s projections by 7% despite the recession.

Though many factors drive corporate collections, corporate audit proceeds as of last June were running $191 million higher than the previous year due to the receipt of several large audit payments to the state since January. State Department of Revenue reports show the program has more than paid for the cost of the auditors and has exceeded its four-year revenue target of $277.5 million by $61.6 million because of large collections in 2019, some assessed in previous years that took time to collect.

Nevertheless, conservative lawmakers and business groups have expressed concerns about the impact of the audits on Wisconsin’s business climate, and more discussion of this initiative is likely going forward. Policymakers will need to balance the costs of compliance with the costs of unpaid taxesto maintain the right level of enforcement and avoid undue burdens.

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