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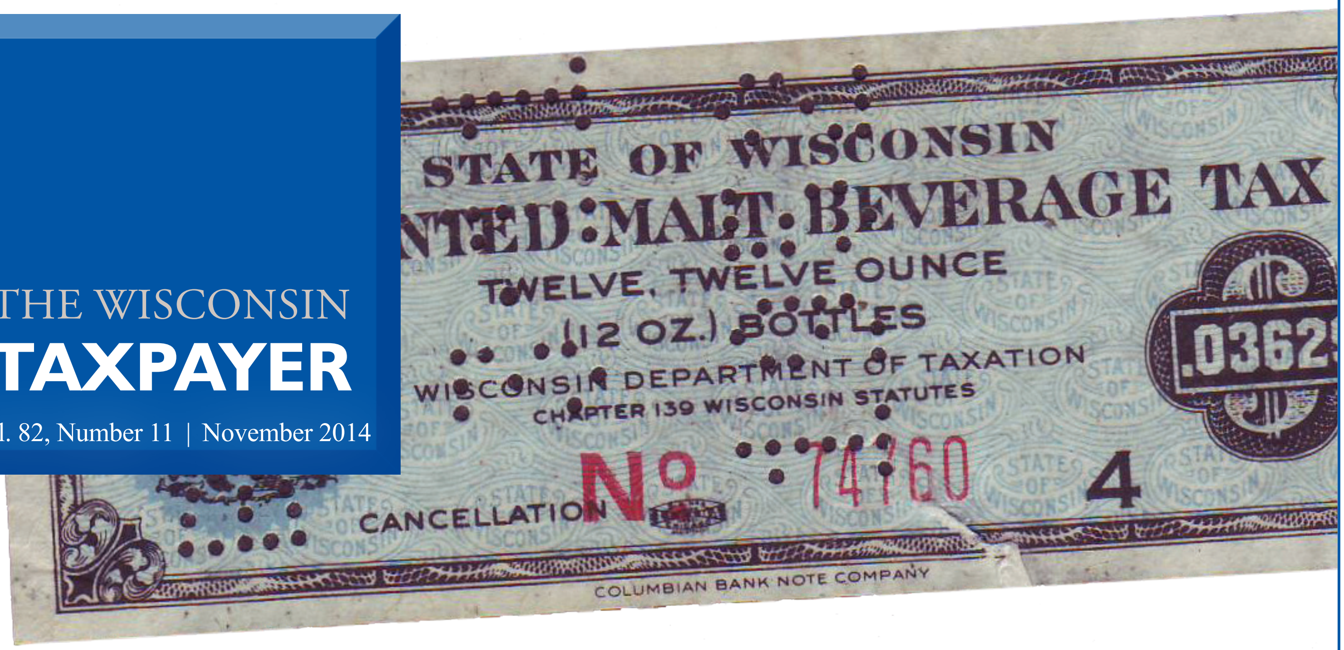



# Total Taxes in Wisconsin, 2014

## Federal Burden Rises While State-Local Steady

*Total state and local taxes were nearly unchanged in 2014, rising 0.2% to $27.6 billion. State tax collections declined 0.6% due largely to individual income tax cuts, while local taxes rose 1.6%. State-imposed limits on property taxes limited local tax growth. However, an 8.0% increase in federal tax collections pushed up the total tax burden from 30.4% to 31.3% of personal income.*

As economic conditions change and elected officials tinker with tax laws, tax collections can rise and fall. Both were in play during fiscal 2013-14 (2014).

Wisconsin's economy continued to expand, albeit slowly, and the state's unemployment rate dropped. When residents are working and families spend more because they feel financially secure, state sales and income tax collections climb. During expansions, business profits rise, with corporate and individual income taxes moving in tandem.

At the same time, several tax increases at the federal level helped drive up federal taxes paid by state residents. At the state level, tax collections were tempered by several income tax cuts and continued state tightening of local property tax limits.

Unfortunately, it is not always easy to separate the impact of the economy from state and federal policy changes.

### TOTAL TAXES OVERVIEW

Total taxes—the combination of federal, state, and local taxes— paid in Wisconsin rose 5.1% in 2014, due largely to an 8.0% jump in federal taxes. Local taxes—mostly property taxes—rose 1.6% from $10.0 billion to $10.2 billion, while state collections fell 0.6% from $17.5 billion to $17.4 billion. The drop in state taxes was due mostly to declining income and unemployment insurance taxes.

### Rising Share of Income

The most common way to measure the overall tax burden is by expressing total taxes as a share of state personal income. Personal income is a broad measure of economic activity and includes wages, salaries, employment benefits, interest income, retirement income, unemployment, and other government benefits. In 2014, total taxes here claimed 31.3% of personal income, up nearly a full percentage point from 30.4% in 2013 (see Table 1) due entirely to higher federal taxes. State taxes claimed 7.0% of

### Also in this issue:

**Table I: A Snapshot of Federal, State, and Local Tax Collections**
Amounts ($ Millions), Average Annual % Changes, and % of Personal Income, 1990-2014

| | | | | | | Annual Avg. % Chg. | | | | Taxes as % of Pers. Inc. | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Source** | **1990** | **2000** | **2010** | **2013** | **2014** | 90-00 | 00-10 | 10-13 | 13-14 | 1990 | 2000 | 2010 | 2013 | 2014 |
| Federal | $18,748 | $35,890 | $38,213 | $46,381 | $50,091 | 6.7% | 0.6% | 6.7% | 8.0% | 22.0% | 24.2% | 17.6% | 19.1% | 20.2% |
| State | $6,915 | $12,846 | $15,157 | $17,542 | $17,441 | 6.4% | 1.7% | 5.0% | -0.6% | 8.1% | 8.7% | 7.0% | 7.2% | 7.0% |
| Local | $3,807 | $5,793 | $9,664 | $10,040 | $10,199 | 4.3% | 5.3% | 1.3% | 1.6% | 4.5% | 3.9% | 4.4% | 4.1% | 4.1% |
| Total | $29,470 | $54,530 | $63,034 | $73,963 | $77,731 | 6.3% | 1.5% | 5.5% | 5.1% | 34.6% | 36.8% | 29.0% | 30.4% | 31.3% |
| Pers. Inc. | $85,245 | $148,265 | $217,584 | $243,148 | $248,335 | 5.7% | 3.9% | 3.8% | 2.1% | - | - | - | - | - |

income, down from 7.2% last year, while the local tax burden was unchanged at 4.1%.

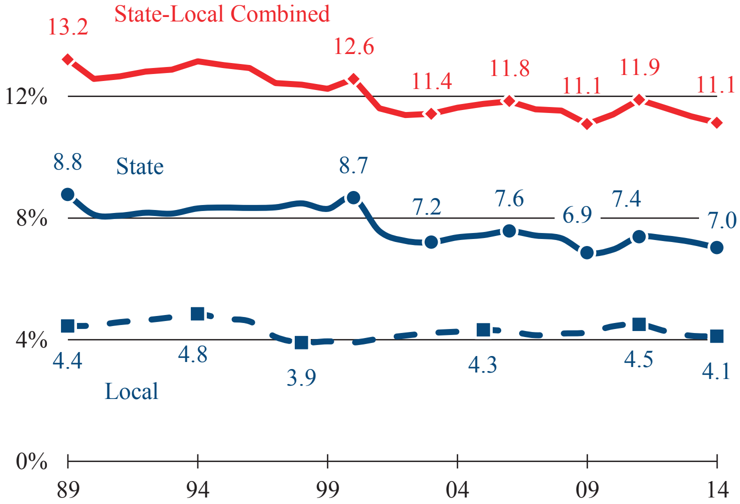
### State-Local Burden Overview

State and local officials cannot affect federal taxes, but they do impact state and local collections. During 1989-2000, Wisconsin state-local taxes claimed between 12.2% and 13.2% of total personal income (see Figure 1). They have not topped 12% since.

The decline in the state-local tax burden from 12.6% in 2000 to 11.1% in 2014 was due to a falling state tax burden. While the local tax burden rose slightly from 3.9% to 4.1% of income during these years, state taxes dropped from 8.7% to 7.0%. Factors affecting the state tax burden during these years included indexing (adjusting for inflation) the individual income tax and two rounds of rate cuts.

Beginning in 1999, Wisconsin began adjusting income tax brackets and the standard deduction for inflation, which helped slow collection growth in subsequent years. In 2000 and 2001, the state reduced income tax rates, which, combined with a recession, reduced the state tax burden to 7.2% by 2003.

**Figure 1: State-Local Tax Burden Falling**
State and Local Tax Collections as % of Personal Income, 1989-2014




As the economy improved after 2002, state collections rose faster than income. However, that ended with the 2007-09 recession, which drove the tax burden lower.

Tax increases included in the 2009-11 state budget combined with a rebounding economy to bump state collections to 7.4% of income by 2011. However, those increases were offset by income tax cuts in recent years, which helped reduce 2014 state taxes to 7.0% of income and state-local taxes to 11.1% of income.

## STATE TAXES

A closer look at state taxes and fees shows they totaled $17.4 billion in 2014, a decline of 0.6% from


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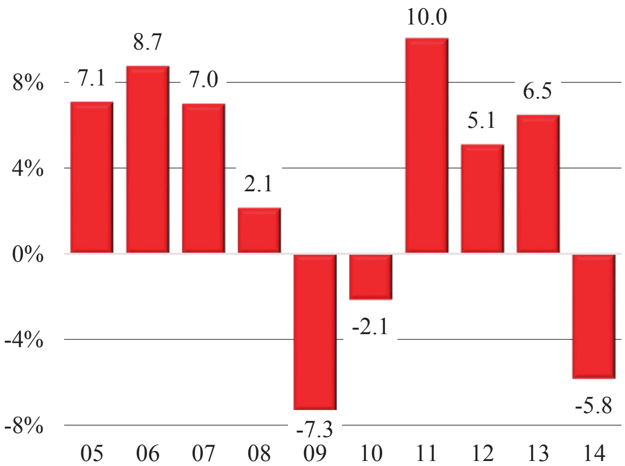
**Figure 2: Income Tax Changes Fluctuate**
% Change in Collections, 2005-14




2013. Although the state imposes a myriad of taxes, its general fund relies largely on three: individual income, general sales, and corporate income.

## Individual Income Tax

The individual income tax is Wisconsin state government's largest tax. At $7.1 billion in 2014, collections were more than 50% larger than those from sales taxes ($4.6 billion).

Individual income tax collections have been fairly volatile over the past 10 years. After climbing 7.0% or more each year during 2005-07, they rose only 2.1% in 2008 and declined in both 2009 and 2010 (see Figure 2) due to the 2007-09 recession.

That led to the first of several recent changes to the income tax code. To help balance the 2009-11 state budget, lawmakers added a new top tax bracket of 7.75% which applied to incomes above $225,000 for single filers and $300,000 for married couples filing jointly (see Table 2). The budget bill also taxed a greater percentage of capital gains: 70%, up from 40%. These increases, combined with a rebounding economy, led to a 10% increase in income tax collections in 2011, the largest increase since 2000 (15.5%).

The 2011-13 and 2013-15 state budgets, along with separate legislation, made further changes to Wisconsin income taxes. The net effect was to reduce all rates and collapse the five tax brackets to four. The top tax rate declined from 7.75% to 7.65%, while the bottom rate dropped from 4.6% to 4.0%. In addition to other smaller changes, lawmakers also reduced the earned income tax credit for low-income workers (an effective tax increase).

The bulk of the income tax cuts were effective with tax year 2014. Typically, these cuts would affect 2014-15 collections as taxpayers would receive larger refunds in the spring of 2015. However, withholding tables were changed beginning in April 2014 to reflect recent code changes and end a decade of over-withholding. Thus, workers had less state tax taken out of paychecks, but will receive smaller refunds in 2015. The withholding change was expected to reduce state collections about $156 million during the last three months of fiscal 2014.

## Sales Tax

The second-largest general fund tax is the 5.0% state sales tax. In 2014, it generated $4.63 billion. Like the state income tax, sales tax collections are sensitive to economic conditions. As unemployment rises during economic downturns, consumer spending declines due to a combination of reduced incomes and household retrenchment that comes with economic uncertainty. The most recent recession reduced state sales tax collections 4.3% in 2009 and another 3.4% in 2010.

However, when the economy improves, sales tax collections tend to rise. As Wisconsin's economy recovered after 2010, sales tax collections grew. They were up 4.9% in 2014, the largest increase since a 6.0% jump in 2000.

Two long-term trends are affecting sales taxes in Wisconsin. First, the tax is imposed primarily on the purchase of tangible goods which are becoming a smaller share of consumer expenditures. In 1960, goods comprised over half of all personal spending, but only one-third in 2013. As consumers devote more of their incomes to untaxed services, and food and medicine that are untaxed here, collections will lag.

Second, increased internet buying has affected collections. During 2004-12, online sales as a percentage

**Table 2: Wisconsin's Changing Income Tax Brackets**
Wisconsin Income Tax Brackets, Single Filer, Selected Years 2008-14

| ***2008*** | | ***2009*** | | ***2014*** | |
|---|---|---|---|---|---|
| Taxable Income | Rate | Taxable Income | Rate | Taxable Income | Rate |
| <$9,701 | 4.60% | <$10,220 | 4.60% | <$10,910 | 4.00% |
| $9,701-$19,401 | 6.15% | $10,220-$20,440 | 6.15% | $10,910-$21,820 | 5.84% |
| $19,401-$145,461 | 6.50% | $20,440-$153,280 | 6.50% | $21,820-$240,190 | 6.27% |
| >$145,461 | 6.75% | $153,280-$225,000 | 6.75% | >240,190 | 7.65% |
| | | >$225,000 | 7.75% | | |

of total retail sales more than doubled nationally, from about 2% to 5%. Since only companies with a physical presence in Wisconsin are required to collect the tax, the rise of online shopping means that many purchases that historically were taxed because they occurred at "brick and mortar" stores in the state are no longer taxed because they occur online.

**Sales tax collections rose 4.9% in 2014 due largely to a growing economy. However, some of the increase was due to new sales tax collections from Amazon.com, the nation's largest online retailer.**

That said, sales taxes lost due to online buying are becoming a lesser problem in Wisconsin of late. Many of the largest online retailers (e.g., Best Buy, Walmart, and Target) already have a presence here and must collect the tax. Amazon.com, the nation's largest online retailer, is building a distribution center in southeast Wisconsin and began collecting Wisconsin sales taxes in November 2013. The Wisconsin Department of Revenue estimates the state will collect about $30 million per year from Amazon. In fiscal 2014, collections from Amazon likely accounted for about one-half percentage point of the 4.9% growth in sales tax revenues.

### Corporate Income Tax

More volatile than any other state tax, corporate income tax collections are even more sensitive to economic conditions than the individual income or sales taxes. Recent experience is instructive. Collections fell 24.9% in 2009 as the recession affected business sales and profits. However, as the economy began to recover in 2010, corporate tax collections rose 32.6%.

While the latter increase was driven partly by an improving economy, tax increases enacted in the 2009-11 state budget also played a role. In an effort to balance that budget, lawmakers passed, among other business tax hikes, a combined reporting law that requires corporations to combine income from subsidiaries for tax purposes.

In 2014, a growing economy helped increase corporate income tax collections 4.5% to $967.2 billion, though several business tax reductions over the past several years tempered collection growth. The largest cut was a new credit for manufacturers and farmers that, when fully phased in (2016), will eliminate nearly all tax liability. The state's Legislative Fiscal Bureau estimates that in 2014, corporate income tax revenues were reduced about $44 million due to the credit.

### "Sin Taxes"

Often dubbed "sin taxes," state taxes on tobacco and alcohol rose an unexpected 1.3% in 2014. The increase was the first since 2010 when taxes on cigarettes and other tobacco products were increased.

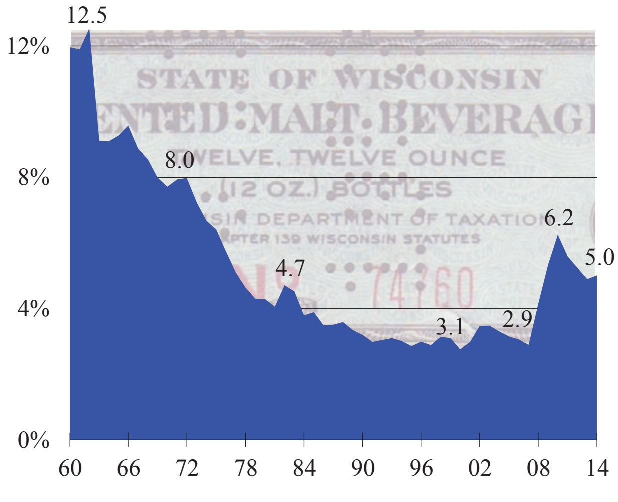
*Cigarettes and Tobacco.* Wisconsin imposes a $2.52 per pack tax on cigarettes sold here. Collections totaled $573.0 million in 2014, a 0.7% increase over 2013. The state taxes other tobacco products at a percentage of the manufacturer's suggested retail price: 100% for moist snuff and 71% for cigars and other tobacco products. Collections totaled $67.7 million, or 7.4% more than in 2013.

*Alcohol.* Wisconsin also imposes taxes on liquor, beer, and wine. The $2 per barrel tax on beer has not changed since it was originally imposed in 1969; the tax on liquor has not changed since 1981. By comparison, cigarette taxes have been increased eight times since 1981.

Collections of liquor and wine taxes rose 1.5% in 2014 to $49.0 million. Beer tax collections were unchanged at $9.0 million.

These taxes contributed significantly to the state's general fund during the 1960s and early 1970s, accounting for between 8% and 13% of tax revenues (see Figure 3). However, by the late 1990s, they accounted for only 3.1% of the general fund. Recent cigarette and tobacco tax increases temporarily pushed the

**Figure 3: "Sin Taxes" as Share of General Fund**
Tobacco and Alcohol Taxes, % of General Fund, 1960-2014



share to 6.2% in 2009, but that percentage declined to 5.0% in 2014.

### Unemployment Tax

While the corporate income tax is the most-discussed business tax, collections from the unemployment insurance (UI) tax are larger. UI revenues totaled $1.13 billion in 2014, making it the third-largest state-local tax behind the property (see below) and individual income taxes.

UI collections were about 70% higher than just five years ago. During the 2007-09 recession, the state consumed all of its unemployment reserves and even borrowed more than $1 billion from the federal government. To help repay the loan and return the fund to solvency, the amount of employee wages subject to tax ("the base") was increased from $12,000 in 2010 to $13,000 in 2011 and to $14,000 in 2013. This led to significant increases in collections.

As the economy improves and unemployment falls, many individual businesses become subject to lower UI tax rates. Thus, despite an increase in the taxable base to $14,000 in 2013, UI tax collections fell in both 2013 and 2014. They dropped 1.7% in 2014 from $1.15 billion to $1.13 billion.

### Transportation Taxes

Although not part of the general fund, various transportation taxes are a significant part of the state tax picture. Gas taxes and vehicle registration fees account for the bulk of transportation fund revenues, which are used to fund state transportation projects and aid local efforts.

After declining in both 2012 and 2013, gas tax collections rose 3.4% in 2014 to $999.4 million, the largest increase since 2004. Recent stagnation in gas tax collections are primarily due to improved vehicle gas efficiency, less travel, and a gas tax that is no longer adjusted for inflation. Until 2006, the rate was indexed for inflation, allowing collections to rise even as vehicles became more efficient.

Wisconsin's second largest transportation revenue, vehicle registration fees, declined for the third consecutive year and the fourth time in the past five years. In 2014, they totaled $39.2 million, or 2.2% less than in 2013.

Vehicle registration fees jumped 16.9% and 18.0%, respectively, in 2008 and 2009 following an increase in fees—effective January 1, 2008—from $55 to $75. However, since 2009, collections have declined 6.7%.

### Hospital Tax

One of the state's newest taxes is a tax on hospital revenues, which began in 2009. The revenues generated by the tax are deposited into the state's Medical Assistance (Medicaid) fund and are eligible for federal Medicaid reimbursement (about 62% of the tax). In 2014, collections from the tax totaled $414.6 million, unchanged from 2013. At a 62% reimbursement rate, the tax generated more than $250 million in additional Medicaid payments to the state.

## LOCAL TAXES

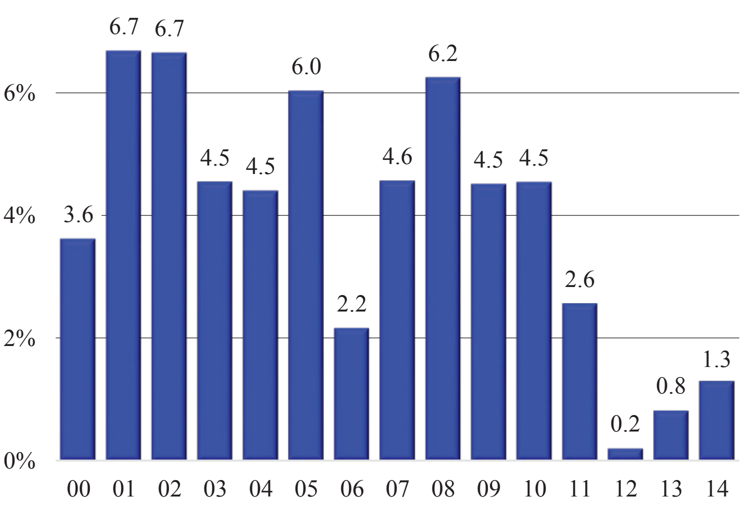
Local tax collections totaled $10.2 billion in 2014, up 1.6% from the prior year. Unlike many other states, Wisconsin offers local governments few taxing options; the property tax accounts for more than 95% of local collections.

### Property Tax

Gross property taxes totaled $10.6 billion in 2014 (taxes levied in December 2013, collected in 2014), or 1.3% more than the $10.5 billion collected in 2013. The increase was the largest since a 2.6% rise in 2011 (see Figure 4). In the 10 years prior, property tax levies rose an average of 5.0% per year.

Growth in local levies has been suppressed by a tightening of state-mandated property tax limits during 2012-14. Under municipal and county levy limits, property tax growth was limited (with some exceptions) to the percentage change in property values due to new construction. During 2006-11, municipalities

**Figure 4: Property Tax Increases Slow During 2012-14**
% Change in Gross Property Taxes, 2000-14



## Table 2: State and Local Tax Collections, 2005-14
($ Millions)

| Tax/Fee | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| **STATE** | | | | | | | | | | |
| Income: | | | | | | | | | | |
| Individual | $5,650.1 | $6,144.3 | $6,573.8 | $6,713.7 | $6,222.7 | $6,089.2 | $6,700.7 | $7,041.7 | $7,496.9 | $7,061.4 |
| Corp. | 764.1 | 780.3 | 890.1 | 837.8 | 629.5 | 834.5 | 852.9 | 906.6 | 925.4 | 967.2 |
| Sales | 4,038.7 | 4,127.6 | 4,158.6 | 4,268.0 | 4,084.0 | 3,944.2 | 4,109.0 | 4,288.7 | 4,410.1 | 4,628.3 |
| Motor Vehicle: | | | | | | | | | | |
| Fuel | 955.5 | 974.1 | 994.7 | 999.9 | 968.8 | 971.8 | 988.3 | 983.9 | 967.0 | 999.4 |
| Vehicle Reg. | 421.9 | 449.8 | 488.2 | 539.3 | 600.7 | 610.5 | 603.4 | 634.4 | 629.9 | 658.1 |
| Driver's Licenses | 30.6 | 30.5 | 30.5 | 35.7 | 42.1 | 41.7 | 41.8 | 40.8 | 40.1 | 39.2 |
| Limo/Car Rental | 3.9 | 5.0 | 7.6 | 7.1 | 7.5 | 7.3 | 8.3 | 8.2 | 8.0 | 8.3 |
| Excise: | | | | | | | | | | |
| Cigarette | 294.3 | 301.5 | 296.1 | 455.7 | 551.3 | 644.3 | 604.8 | 587.8 | 569.2 | 573.0 |
| Tobacco Products | 15.8 | 16.4 | 17.5 | 29.7 | 42.2 | 59.9 | 60.9 | 65.5 | 63.0 | 67.7 |
| Liquor & Wine | 39.5 | 41.0 | 42.7 | 45.2 | 44.1 | 44.2 | 45.8 | 47.0 | 48.3 | 49.0 |
| Beer | 9.8 | 9.8 | 9.5 | 9.6 | 9.9 | 9.6 | 9.3 | 9.2 | 9.0 | 9.0 |
| Public Utility: | | | | | | | | | | |
| Electric & Gas | 161.5 | 191.5 | 197.8 | 214.8 | 226.2 | 211.5 | 230.5 | 234.6 | 229.2 | 235.7 |
| Telephone | 72.6 | 63.0 | 65.3 | 59.5 | 63.5 | 70.0 | 67.0 | 81.0 | 67.3 | 72.2 |
| Railroad | 16.0 | 16.4 | 16.4 | 19.9 | 21.6 | 24.1 | 24.9 | 28.1 | 29.1 | 31.3 |
| All Others | 26.5 | 25.6 | 28.8 | 30.0 | 36.0 | 42.4 | 50.2 | 57.9 | 50.9 | 60.9 |
| Unemp. Comp. | 656.1 | 700.3 | 663.8 | 642.3 | 666.2 | 760.2 | 1,015.5 | 1,187.9 | 1,149.0 | 1,129.2 |
| Insurance Premiums | 144.9 | 150.8 | 156.8 | 172.1 | 152.0 | 146.9 | 156.5 | 165.8 | 176.7 | 185.5 |
| Inheritance & Estate | 112.3 | 108.1 | 121.1 | 158.8 | 20.9 | 0.9 | -0.1 | 0.3 | 0.3 | -0.1 |
| Hospital Assessment | | | | | 335.2 | 379.0 | 414.7 | 412.7 | 414.6 | 414.6 |
| Real Estate Transfer | 77.2 | 80.5 | 71.7 | 59.4 | 41.2 | 44.3 | 35.6 | 39.8 | 48.0 | 51.2 |
| Temp. Service Charges [1] | 13.2 | 19.5 | 23.5 | 25.1 | 27.2 | 20.6 | 25.9 | 27.5 | 30.4 | 19.3 |
| Petroleum Inspection | 86.6 | 71.3 | 52.5 | 47.0 | 44.7 | 61.0 | 67.6 | 66.1 | 41.7 | 41.2 |
| Conservation Fees [2] | 75.7 | 84.3 | 85.5 | 99.8 | 106.4 | 106.5 | 113.2 | 120.0 | 100.6 | 100.6 |
| Pari-mutuel | 1.6 | 1.2 | 1.0 | 0.9 | 0.7 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Miscellaneous | 25.3 | 29.8 | 32.7 | 30.0 | 33.0 | 32.3 | 34.5 | 36.3 | 37.8 | 38.6 |
| Total State | $13,693.9 | $14,422.8 | $15,026.1 | $15,501.4 | $14,977.6 | $15,157.2 | $16,261.2 | $17,071.8 | $17,542.5 | $17,440.9 |
| **LOCAL** | | | | | | | | | | |
| Gen. Prop. | $8,150.8 | $8,326.7 | $8,706.4 | $9,250.3 | $9,667.1 | $10,105.7 | $10,364.3 | $10,384.8 | $10,469.9 | $10,605.5 |
| School Levy Credit | -469.3 | -469.3 | -593.1 | -672.4 | -747.4 | -747.4 | -747.4 | -747.4 | -747.4 | -747.4 |
| Lottery Credit | -131.9 | -119.9 | -144.7 | -129.6 | -118.1 | -113.2 | -131.2 | -136.3 | -166.1 | -164.0 |
| First Dollar Credit | | | | | -72.6 | -141.9 | -147.6 | -147.3 | -148.4 | -146.7 |
| Net Levy | 7,549.6 | 7,737.5 | 7,968.6 | 8,448.3 | 8,801.6 | 9,245.1 | 9,485.7 | 9,501.1 | 9,556.4 | 9,694.1 |
| Room | 55.1 | 58.6 | 63.5 | 67.9 | 72.0 | 62.5 | 68.4 | 73.8 | 78.8 | 84.2 |
| County Sales | 264.3 | 265.7 | 272.8 | 282.8 | 293.8 | 272.9 | 276.5 | 296.6 | 302.9 | 312.7 |
| Real Estate Transfer [3] | 19.3 | 20.1 | 17.9 | 14.9 | 10.3 | 11.1 | 8.9 | 10.0 | 12.0 | 12.8 |
| Motor Vehicle | 0.6 | 0.5 | 0.4 | 0.3 | 4.6 | 7.6 | 7.3 | 7.6 | 7.9 | 8.0 |
| Local Expo. | 15.2 | 16.6 | 17.4 | 18.5 | 18.0 | 17.2 | 24.3 | 27.0 | 27.2 | 29.2 |
| Premier Resort Sales | 1.9 | 2.1 | 2.1 | 2.9 | 2.8 | 2.9 | 5.4 | 6.4 | 6.5 | 6.6 |
| Stadium [4] | 46.4 | 46.1 | 46.7 | 47.3 | 47.1 | 43.7 | 46.1 | 48.1 | 47.9 | 51.5 |
| Total Local | $7,952.4 | $8,147.2 | $8,389.5 | $8,882.8 | $9,250.2 | $9,663.9 | $9,922.5 | $9,970.6 | $10,039.6 | $10,199.0 |
| **TOTAL STATE & LOCAL** | $21,646.3 | $22,570.0 | $23,415.6 | $24,384.3 | $24,227.7 | $24,821.1 | $26,183.8 | $27,042.3 | $27,582.1 | $27,639.9 |
| Total Personal Inc. | $184,129 | $190,598 | $202,367 | $211,384 | $218,495 | $217,584 | $220,327 | $232,803 | $243,148 | $248,335 |
| **Taxes as % of Personal Income** | **11.8%** | **11.8%** | **11.6%** | **11.5%** | **11.1%** | **11.4%** | **11.9%** | **11.6%** | **11.3%** | **11.1%** |

Sources: Compiled by the Wisconsin Taxpayers Alliance using published and unpublished information from the Wisconsin Departments of Revenue, Administration, Workforce Development, and Natural Resources, and the U.S. Bureau of Economic Analysis.

Note: Detail may not add to subtotal due to rounding.
[1] Was the Recycling Surcharge prior to 2012.
[2] Estimated for 2014; includes fishing, hunting, camping, and admission fees, and boat and snowmobile registrations.
[3] 20% of real estate transfer fees collected remain at the local level.
[4] State-imposed 0.1% sales tax in the counties of Milwaukee, Ozaukee, Racine, Washington, and Waukesha. Brown County has a 0.5% local sales tax.

and counties with little new construction were allowed minimum increases that ranged from 2.0% to 3.86%, depending on the year.

K-12 schools are subject to state-imposed revenue limits that indirectly control property tax growth. During 2000-11, the state allowed per student limits to grow between $200 and $275 per student (between 2.0% and 3.1% for the average district). Per student limits were reduced 5.5% in 2012, then allowed to increase only $50 in 2013 and another $75 in 2014.

Gross property tax levies are subsidized by various state credits: the school levy credit, $747.4 million; the first dollar credit, $146.7 million; and the lottery credit, $164.0 million. After applying those credits, net property taxes totaled $9.7 billion, or 1.4% more than the prior year. Over the past three years, net levies have risen a total of 2.2%.

### Local Sales Taxes

Counties have the option of imposing a 0.5% local sales tax. Currently, 62 of 72 counties use the option, generating $312.7 million in 2014, or 3.2% more than in 2013. Changes in county sales tax collections mirror state sales tax changes. However, since not all counties impose the local tax, the relationship is not one-to-one.

In addition to the county sales tax, several other specific and limited sales taxes are permitted at the local level. Brown County has a 0.5% sales tax designated for Lambeau Field maintenance and improvements. Milwaukee, Ozaukee, Racine, Washington, and Waukesha counties impose a 0.1% sales tax to pay for the Miller Park baseball stadium. Combined, these "stadium" taxes totaled $51.5 million, a 7.6% increase over last year's $47.9 million.

The two stadium taxes were designed as temporary solutions for construction and maintenance of Miller Park and Lambeau Field. According to state law, once sufficient funds are available to meet the obligations of the districts, the taxes will end. Since inception, the Miller Park tax has generated more than $430 million, while the Lambeau Field tax has yielded about $275 million. The Lambeau Field tax is expected to end in 2015, the Miller Park tax in 2020.

### Wheel Tax

The motor vehicle tax (wheel tax) generated $8.0 million in 2014, a slight increase from $7.9 million collected in 2013. The cities of Janesville and Beloit, and the counties of St. Croix and Milwaukee have a wheel tax. Mayville ended theirs in April 2014. Milwaukee County's revenues accounted for more than 80% of 2014 collections. The tax is assessed when individuals living in one of these areas obtain or renew their vehicle registrations. By law, wheel tax revenues must be spent on transportation-related expenses.

### Room Tax

Municipalities may collect a room tax of up to 8% from visitors staying at temporary lodging establishments. State law requires at least 70% of the revenue go to tourism promotion and development. Although collections faltered in calendar 2009 due to the recession, they have since rebounded. In calendar year 2013, collections totaled an estimated $84.2 million, or nearly 7.0% more than the previous year ($78.8 million).

## FEDERAL TAXES

So far, the focus here has been on the $27.6 billion in state and local taxes collected in 2014. But that amount is dwarfed by an estimated $50 billion Wisconsin taxpayers paid to the federal government. That was 8.3% more than the $46.4 billion collected from the previous year and the third consecutive year that federal revenues increased. Prior to that they fell 15.2% in 2008-09 and 1.1% in 2009-10.

Federal taxes accounted for almost 65% of all 2014 taxes and fees paid in Wisconsin. As a share of personal income, they claimed 20.2%, compared to 19.1% in 2013.

The largest shares of federal taxes paid by Wisconsinites are for income and employment taxes (87.7% combined). These taxes include individual income, social security, and unemployment taxes, which, combined, generated $40.7 billion in 2013. A breakdown of federal tax collections is not yet available for 2014.

The next largest federal tax is the one on corporate income. Collections totaled $5.0 billion, or 10.8% of the 2013 total. Unlike Wisconsin's state corporate income tax, the federal corporate income tax is graduated, with rates ranging from 15% to 38%. Other federal collections include various excise taxes, gift taxes, and estate taxes. ☐

**DATA SOURCES:**

Internal Revenue Service; U.S. Bureau of Economic Analysis; Wisconsin Departments of Administration, Natural Resources, Revenue, Transportation, and Workforce Development.

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## WISTAX NOTES

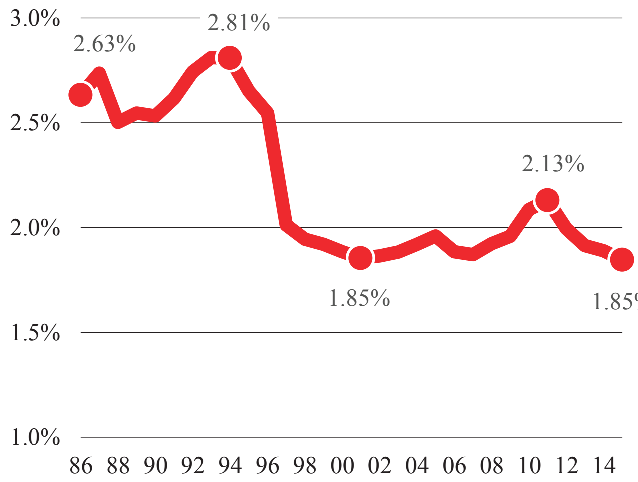
■ **School Levies Up.** Property tax levies for Wisconsin's 424 school are rising 1.3% this year (2014/15) to $4.75 billion. The increase is larger than the changes of the past three years (0.8%, 0.2%, and -1.0%, respectively), but lower than the 4.8% annual average of the prior 10 years (2000/01 through 2009/10).

Comparing school levies to state personal income gives an idea of their size compared to the size of the state economy. Due largely to tightening of state-mandated school revenue limits during 2012-15, statewide school levies declined from 2.13% of income in 2011 to 1.85% in 2015. This matches 2001's 1.85% as the lowest in more than 35 years.

Prior to state imposition of school revenue limits in 1994, school levies consistently claimed more than 2.50% of personal income. The limits, combined with an infusion of more than $1 billion into school aids during the mid-1990s, reduced the school share to under 2%. However, state budget problems during 2001-11 led to smaller increases in state school aids. With aid growth modest, schools relied more on property taxes to fund operations. As a result, levies rose to 2.13% of income by 2011.

■ **Firm Creation on the Rise.** In the first quarter of 2014, 2.5% of Wisconsin firms were new. This continues a recent trend of above average firm-creation rates here. Prior to the 2007-09 recession, Wisconsin's firm-creation rate averaged 2.4%, significantly less than the national average (3.2%). However, since the beginning of 2012, new firm creation here has averaged 2.6%. While still less than the national average, it is a 7% improvement over the state's 1993-2006 average.

**School Levies Falling as Share of Income**
Gross School Levies as % of Personal Income, 1986-2015




What is troubling, though, is the number of jobs created by these new firms is smaller than usual. Historically, 0.8% of Wisconsin private sector jobs were in new firms. Since 2012, that percentage has dropped to 0.5%. A large number of academic studies show that nearly all employment growth is attributable to new firms. □

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- State finances (II): Two big questions for candidates (#20-14)
- It's back! Tax-rate-itis hits some local governments, schools (#21-14)