

# WISCONSIN'S DROP IN TAX RANK AMONG NATION'S LARGEST

*Over the past 20 years, almost no state has seen a greater drop in its tax burden than Wisconsin, which also saw its ranking among states fall from fourth to the middle of the pack. Depending on how it is measured, the drop in Wisconsin's state and local taxes as a share of personal income was the largest or nearly the largest nationally since 1999. The pandemic and federal relief aid to the state, as well as surging tax collections last year and large tax cuts in the newly approved state budget, may impact this trend in the coming years.*

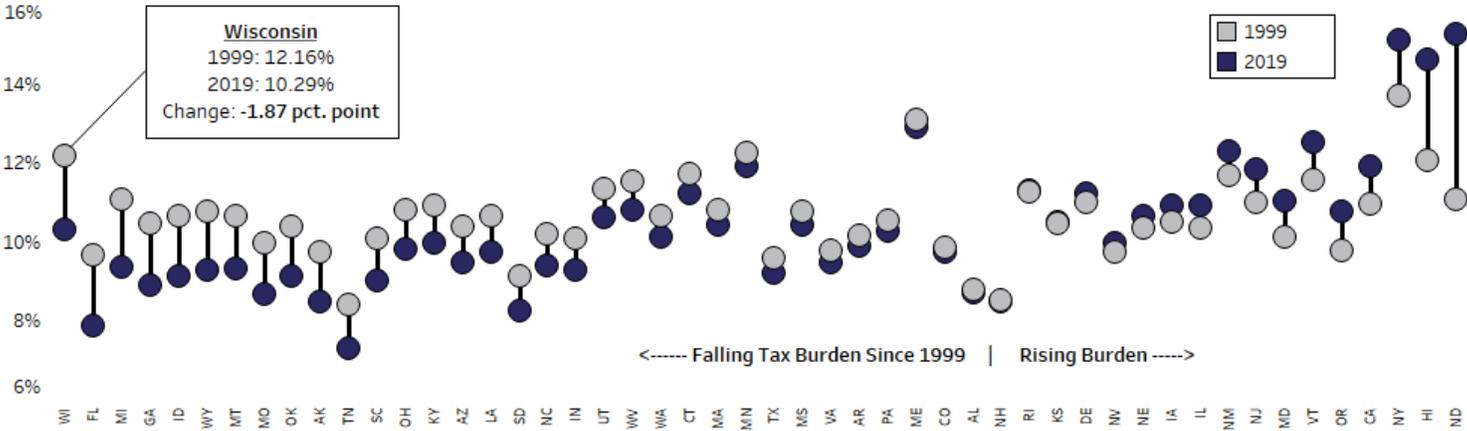
New federal data confirm the remarkable decline in Wisconsin's state and local tax burden over the past two decades, which has exceeded that of almost all other states. The Forum and one of its predecessor organizations – the Wisconsin Taxpayers Alliance – have long tracked this metric, which we define as annual taxes paid to state and local governments here as a percentage of residents' personal income.

In 1999, state and local governments took in \$17.4 billion from taxpayers - about 12.2% of total personal income in the state (the fourth-highest percentage in the country) and \$3,288 per capita (sixth-highest). By 2019, the \$30.6 billion in total taxes accounted for just 10.3% of personal income (23<sup>rd</sup> in the nation) and \$5,275 per capita (24<sup>th</sup>). Under both metrics, the 2019 tax burden was below the national average. To compare Wisconsin to other Midwest states, readers can go [here](#).

From 1999 to 2019, no other state saw a decrease in state and local taxes as a share of personal income that was larger than the 1.87 percentage point drop in Wisconsin (see Figure 1). If instead we look at the percentage drop of 15.4% in Wisconsin's tax burden over those 20 years, then only Florida (-18.5%) and Michigan (-15.5%) had larger decreases. Under both methods, Wisconsin's decline is either the largest or nearly so. If the state's tax burden were as large today as it was in 1999, taxpayers in Wisconsin would be paying billions of dollars in higher taxes to fund additional state and local services.

To analyze Wisconsin's taxing and spending rankings, we use annual data from the U.S. Census Bureau plus population and personal income figures from the federal Bureau of Economic Analysis. Readers should note that the most recent Census data available is for

**Figure 1: Wisconsin Sees Largest Drop in State & Local Tax Burden**  
Percentage point change in total state & local taxes as a share of personal income, 1999-2019



Sources: U.S. Census Bureau, Bureau of Economic Analysis



fiscal year 2019 and represents a final snapshot prior to the economic upheaval due to COVID-19.

## TAXES AND OTHER REVENUE

As is the case in most states, Wisconsin's state and local tax revenue comes from three main sources: property taxes, sales taxes, and income taxes.

Local governments in Wisconsin are [particularly reliant](#) on property taxes. In 2019, property owners paid \$9.7 billion in local property taxes, plus just under \$100 million at the state level (the small state property tax has since been eliminated). That equated to 3.3% of total personal income in Wisconsin (17<sup>th</sup>-highest in the country), or \$1,689 per capita (22<sup>nd</sup>), and was down from 3.9% of personal income in 1999 (11<sup>th</sup>).

In 2019, tax filers in Wisconsin paid about \$8.8 billion in individual income taxes to the state, accounting for 2.9% of personal income (13<sup>th</sup>-highest) and \$1,508 per capita (also 13<sup>th</sup>). Though relatively high, this was a decrease from the 3.6% of personal income (7<sup>th</sup>-highest) that tax filers paid the state in 1999. Corporate income taxes have held steady at around 0.5% of personal income, moving from 14<sup>th</sup>-highest in 1999 to 12<sup>th</sup> in 2019.

The state and 68 of the 72 counties in Wisconsin impose a general sales tax on the purchase of certain items (5% for the state and 0.5% for counties), with additional state taxes placed on certain goods such as motor fuel, alcoholic beverages, and tobacco products. In total, consumers paid \$9.0 billion in sales taxes in 2019, or 3.0% of personal income in the state (38<sup>th</sup>-highest) and \$1,557 per capita (38<sup>th</sup>). As was the case for property and income taxes, the sales tax burden has declined since 1999, when residents paid 3.6% of their personal income (30<sup>th</sup>) in these taxes.

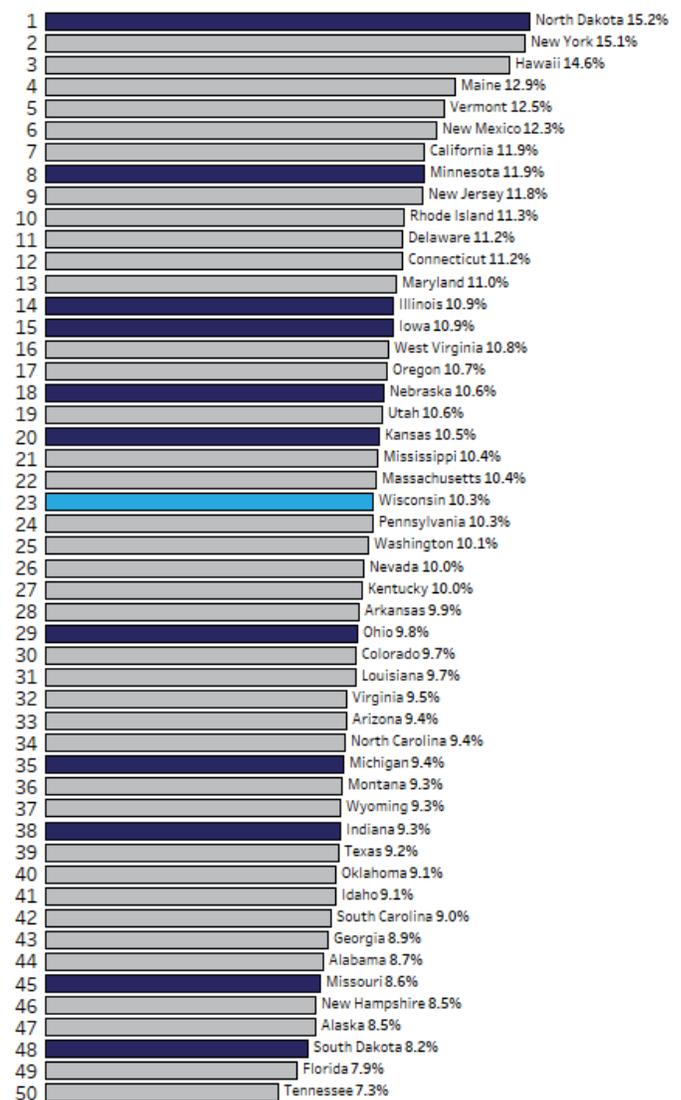
Wisconsin receives less than most states from federal aid and from fees or charges for public services, which in turn may put upward pressure on taxes and downward pressure on spending. Charges for services such as college tuition at public universities, bills from public hospitals, and sewerage fees, have grown slightly as a percentage of personal income – from 2.8% in 1999 to 2.9% in 2019 – and nearly doubled in per capita terms (\$765 in 1999 versus \$1,506 in 2019). Still, Wisconsin's rank dropped from 29<sup>th</sup> to 33<sup>rd</sup> as a share of personal income and from 27<sup>th</sup> to 29<sup>th</sup> when ranked per capita. Federal aid to Wisconsin amounted

to 3.7% of the state's personal income (38<sup>th</sup>-highest nationally) in 2019.

The overall drop of less than two percentage points in Wisconsin's tax burden may seem modest but represents a substantial shift. If the state's tax burden as a share of income had been the same in 2019 as it was in 1999, then state taxpayers could have paid \$5.57 billion more in taxes to state and local governments. This calculation is imperfect because it rests on the questionable assumption that the hypothetical higher level in taxes would not have affected personal income in the state. Still, it illustrates the growing significance of these changes over time.

**Figure 2: Wisconsin Now in Middle of Tax Rankings**

Total state & local taxes as a % of personal income, 2019  
Dark blue bars = other Midwestern states



Sources: U.S. Census Bureau, Bureau of Economic Analysis



## SPENDING

The decline in the tax burden is reflected in Wisconsin's falling spending rankings over the same time period. In 1999, the state and its local governments combined for \$28.0 billion in direct general expenditures, or about 19.6% of personal income (22<sup>nd</sup>-highest) and \$5,294 per capita (14<sup>th</sup>). In 2019, state and local direct general expenditures totaled \$56.0 billion, 18.8% of personal income (29<sup>th</sup>) and \$9,636 per capita (24<sup>th</sup>). Readers should note once again how Wisconsin's lower fees and federal revenue mean its spending rank is lower than its tax rank.

Rankings for key spending areas have declined as well – especially for local governments. Spending on K-12 schools, second only to public welfare in Wisconsin, accounted for 4.1% of personal income in 2019 (24<sup>th</sup>), down considerably from 5.3% of personal income in 1999 (eighth). Spending on police stayed relatively flat at 0.7% of personal income, but dropped from 12<sup>th</sup>-highest in the country in 1999 to 22<sup>nd</sup> in 2019. Similarly, spending on fire protection stayed steady at about 0.3% of personal income in every year between 1999 and 2019, but Wisconsin declined from 15<sup>th</sup>-highest nationally to 31<sup>st</sup> over the same time period.

Higher education spending rose from 2.1% of personal income in 1999 to 2.2% in 2019 and Wisconsin rose from 21<sup>st</sup> to 16<sup>th</sup>–highest as other states increased spending levels less. Public welfare programs such as Medicaid health coverage for low-income residents increased significantly from 2.9% of personal income to 4.6%, but the state ranked 21<sup>st</sup> in both years. Highway spending – the responsibility of both the state and local

governments – declined slightly from 1.7% to 1.6% of personal income, but the state's ranking rose from 18<sup>th</sup>-highest in 1999 to 11<sup>th</sup> in 2019.

## WHY THE TAX BURDEN DECLINE?

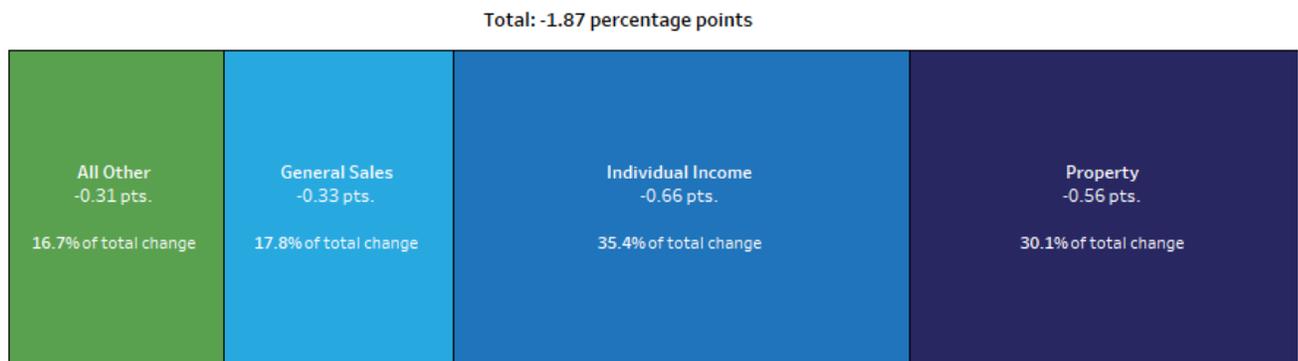
The decline in the state and local tax burden is due in part to growth in the economy and personal income following the Great Recession – where that growth exceeded the increase in actual tax collections the burden fell. In addition, while sales taxes, corporate income taxes, motor vehicle license fees, and other taxes have all shown declines as a share of personal income from 1999 to 2019, the majority of the decline can be attributed to a drop in individual income taxes and property taxes as a share of income (see Figure 3).

Since 2011, the state generally has restricted the percentage increase in municipal and county property taxes used for operations to a community's rate of net new construction, which at the statewide level has been below 1.7% since 2008. The state has also limited revenues for school districts, including property taxes, and made cuts to property taxes for technical colleges and personal property while also repealing the state levy. In addition, the state passed a series of income tax cuts since 1999, including decreases in marginal rates, the elimination of one tax bracket, the exemption of Social Security income from taxation as well as most income from manufacturing and agricultural production, decreases in capital gains taxes, and numerous other changes.

Those reasons help explain why property and income taxes have dropped as a percentage of personal

**Figure 3: Income, Property Tax Account for Most of Wisconsin's Tax Decrease**

Percentage point change in % of personal income in Wisconsin, 1999-2019, by type of tax



Sources: U.S. Census Bureau, Bureau of Economic Analysis.



income. As we recently [noted](#), however, a rise in both school referenda to exceed property tax limits and the growing use of levies for debt payments has put upward pressure on property taxes in recent years.

### WHAT'S NEXT?

After dropping far below the top 10 among states over the past two decades – a clear trend – Wisconsin's tax burden may be more difficult to interpret in upcoming post-pandemic Census data. On the one hand, state corporate tax collections [rose substantially](#) the past three years because of factors such as changes in the federal tax code and [expanded state auditing](#). Income and sales tax collections also have been boosted by several rounds of federal pandemic relief to individuals and businesses; particularly in fiscal 2021, that has led to an [increase in state tax collections](#). However, it remains to be seen whether the actual tax burden will rise given the strong growth in personal income in both 2020 and 2021 due to the COVID relief measures.

Going forward, the 2021-23 budget signed by Governor Tony Evers in July included more than \$1 billion in state income tax cuts in fiscal year 2022 alone. The budget also included substantial state funding increases for schools that should translate into lower K-12 property taxes.

As always, changes to the state's tax ranking are difficult to predict since they depend on personal income growth in Wisconsin and the nation as well as the tax changes made by other states. Still, this latest round of tax cuts will certainly lead to slower growth in state and local tax collections here and may even affect Wisconsin's ranking in the years to come.

