



WISCONSIN POLICY FORUM

For release:
Jan. 5, 2022

Contact: Mark Sommerhauser, Communications Director & Researcher
(608) 982-0324 or msommerhauser@wispolicyforum.org

Wisconsin's State Tax Burden Up in 2021, but Total Burden Fell to Five-Decade Low

Rising income tax collections increased Wisconsin's state tax burden in 2021 for the first time in a decade, a nonpartisan Wisconsin Policy Forum analysis finds.

But as local and federal taxes as a share of income continued falling to historically low levels, Wisconsinites' total tax burden declined again last year, reaching its lowest point in at least a half century.

That may not always register for taxpayers, however, since some taxes paid by middle-class families here remain relatively high, such as the property taxes on a typical home.

"After a decade in which legislators in the state Capitol have put considerable focus on lowering taxes and the 2017 adoption of a major tax overhaul at the federal level, the combined local, state, and federal tax burden has never been lower for Wisconsin residents since at least 1970, when we began tracking this information," the report finds.

For decades, the Wisconsin Policy Forum and its predecessor, the Wisconsin Taxpayers Alliance, have tracked local, state, and federal taxes paid in this state. By comparing tax collections to the collective incomes of state residents, we can gauge their impact on households and businesses that pay them as well as the funding available for public services.

Surging economic activity boosts collections

In 2021, a surge in economic activity as the state emerged from the worst of the COVID-19 pandemic caused total state tax collections to increase 9.2%, even as state tax rates generally held steady. This was the largest annual increase in collections since 1984, outpacing the 5.2% increase in personal income in Wisconsin in calendar year 2020, the most recent year available. As a result, state taxes grew to 7% of personal income in 2021, up from 6.7% the previous year.

At the same time, however, local and federal tax burdens declined. As a share of income, property and other local taxes fell in 2021 to 3.5%, down from 3.6% the previous year to the lowest level since at least 1970.

Combined state and local taxes rose to 10.5% of income in Wisconsin in 2021, up from 10.3% in 2020 – though still the fourth-lowest year in our records. Total state and local taxes in Wisconsin rose to \$33.96 billion in 2021, up 7.1% from \$31.7 billion the previous year. Since personal income rose more slowly than combined state and local tax revenues in Wisconsin, the overall state and local tax burden rose.

Meanwhile, federal tax collections from Wisconsin have fallen since 2017 due to the passage that year of the Tax Cuts and Jobs Act, and the fact that during the pandemic, the incomes of state residents were propped up by multiple rounds of federal aid. The result has been a falling federal tax burden: we estimate that growth in federal tax collections in Wisconsin was outpaced by personal income in 2021, leading the federal tax burden to fall to an estimated 15.9% of income. In 2020 – the most recent year for which we have actual tax figures for Wisconsin – the federal tax burden was 16.3% of income. Those figures are the lowest in our half century of records.

The drop in the total burden does not mean that tax liabilities have dropped for all Wisconsin residents equally or that certain taxes do not remain relatively high for lower and middle-class families.

Declining tax burden

In reviewing the state's three largest taxes, the Forum has noted in the past that property and income taxes for middle- and upper-income families in Wisconsin generally tend to be relatively high compared to the rest of the country. Income taxes for low-income families tend to be lower and sales taxes in this state are relatively low for all taxpayers. Wisconsin's residential property taxes are among the nation's highest because of policy decisions including a heavy reliance on property taxes to fund local government and fewer tax benefits for Wisconsin homeowners compared to other states.

For example, data from the Lincoln Institute of Land Policy and the Minnesota Center for Fiscal Excellence show that 2020 property taxes on a \$150,000 home in Milwaukee were \$3,646. That was nearly 83% higher than the national average for the same value home of \$1,995, placing Milwaukee fourth highest among the 50 largest cities by state.

In the most recent state budget, with tax revenue projections that were more than \$4 billion above previous expectations through June 2023, lawmakers and Gov. Tony Evers again prioritized property and income tax cuts over spending in areas such as K-12 and higher education and local services such as public safety, libraries, and parks. As a result, the additional round of massive state tax cuts should further help to hold down the tax burden in future years.

Impacts to Local Services

For now, local governments are benefitting from federal pandemic aid, and an additional infusion of federal infrastructure funds may also provide further relief for tight budgets and capital project backlogs.

In the long term, however, a continued focus on lowering Wisconsin's tax burden may bring with it diminished public services, particularly at the local level. Today, if state leaders wish to continue their tight controls on the revenues of local governments and school districts, they may wish to consider new ways such as technology or service sharing to help their local counterparts manage their challenging finances.

[Click here to read "State Tax Burden up, But Overall Burden Still Falling."](#)

The Wisconsin Policy Forum is the state's leading source of nonpartisan, independent research on state and local public policy. As a nonprofit, our research is supported by members including hundreds of corporations, nonprofits, local governments, school districts, and individuals. Visit wispolicyforum.org to learn more.