WISCONSIN'S STATE AND LOCAL TAX BURDEN FELL AGAIN IN 2024

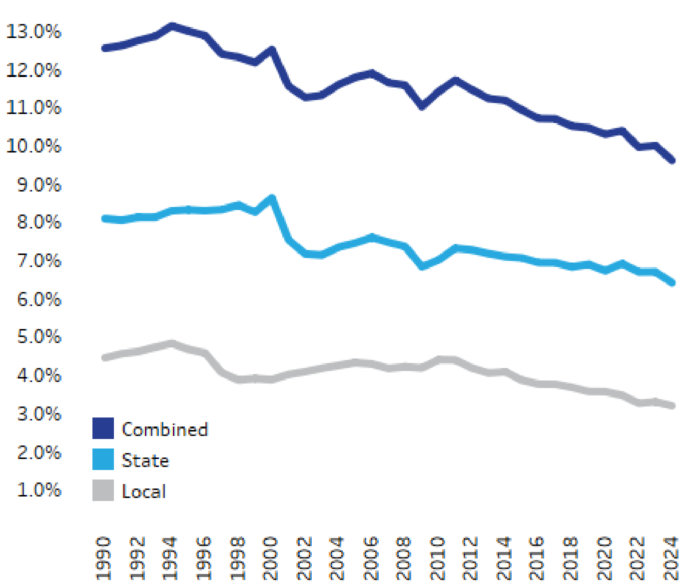
Incomes rose rapidly in Wisconsin for the most recent year while state and local tax collections grew at their slowest rate since 2017, pushing the state and local tax burden to its lowest level since at least 1970. The growth in revenues from state taxes slowed substantially, as corporate tax collections fell for the second year in a row and sales tax revenues grew at their lowest rate since the Great Recession.

State and local taxes as a share of income fell once again in Wisconsin in 2024, extending a trend that has lowered the percentage by nearly one quarter since 2000 and one third since 1970, a WPF analysis shows.

This ratio between what Wisconsin residents pay in all state and local taxes and what they receive in income from all sources fell from 9.92% in 2023 to 9.62% in 2024 – the lowest level on record in our more than half century of data (see Figure 1). The decrease in Wisconsin's tax burden last year reflects continued growth in incomes in the state as well as aggressive efforts by the state to hold down local property taxes.

Overall, state and local tax revenues grew by 1.9%, rising from $36.2 billion in 2023 to $36.9 billion in 2024. That was less than the rate of inflation and less than half the rate of growth in personal income in Wisconsin. It was the smallest annual increase since 2017, when combined state and local taxes rose by only 1.7%.

Figure 1: Tax Burden Falls to Record Low in 2024
State, local, and combined state-local taxes as a % of Wisconsin income



Sources: State of Wisconsin agencies, U.S. Bureau of Economic Analysis, and Wisconsin Policy Forum analysis

State revenues from sources like income and sales taxes grew by only 1.6% in the fiscal year running from July 1, 2023 to June 30, 2024. This increase was one of the smallest of the past decade and meant state taxes in isolation also dropped to their lowest share of personal income in our records dating back to 1970.

Meanwhile, net local tax revenues rose 2.7% in our latest year of data, driven by jumps in net property (2.6%) and county sales taxes (4.4%). That increase also lagged the growth in personal income and meant that the local tax burden likewise fell to its lowest level on record.

Each year, the Wisconsin Policy Forum gathers data from various state agencies to give a complete picture of every local and state tax paid, ranging from those as small as the fees paid by dry cleaners ($369,050 in 2024) to those as large as the gross property taxes levied by all local governments combined ($13.09 billion before state credits are applied).

We then compare these state and local tax collections to personal income figures from the U.S. Bureau of Economic Analysis that include income sources such as wages, salaries, interest, dividends, and the transfer receipts paid to state residents such as various government assistance payments. We then use these figures to calculate Wisconsin's state and local tax

Our researchers have collected more than a half century of data on state and local taxes using the approach of our predecessor organization, the Wisconsin Taxpayers Alliance. We include all taxes paid by individuals and businesses in the state and generally collect the data from state agencies on a state fiscal year basis (the 2024 fiscal year ran from July 1, 2023 to June 30, 2024). There are a few exceptions to this approach including county sales taxes, which are gathered on a calendar year basis. The state and local taxes are compared to personal income data from the U.S. Bureau of Economic Analysis for the most recent calendar year (in this case 2023) to calculate the state and local tax burden.

burden (see textbox for more details on our methodology).

Personal income in our most recent year of data grew by 5.2%, a relatively strong increase that was twice as large as in the previous year though still much smaller than during the overheated economy and runaway inflation of 2022. Because this latest increase in income easily outstripped the growth in tax collections in 2024, the overall tax burden was driven down.

However, the growth in personal income in Wisconsin for the most recent year once again lagged the national average of 5.9%, as it has in every year since 2009. That slower growth in incomes means over time Wisconsin residents can afford to pay for fewer goods and services than they otherwise could – including those services provided by government.

We published a recent brief showing Wisconsin's tax burden and the state's national tax ranking have been falling for a generation – a notable trend that has been accompanied by drops in spending on services such as K-12 education. Those national data, however, are slow to appear and are only available up to 2022. This latest Forum report looks at only Wisconsin but is much more up to date.

In reviewing these figures on the tax burden, readers should remember that the numbers represent the average share of income in the state needed to cover all the taxes paid by individuals and businesses in the state. The tax burden for individual Wisconsinites will vary substantially and for some residents may be rising rather than falling.

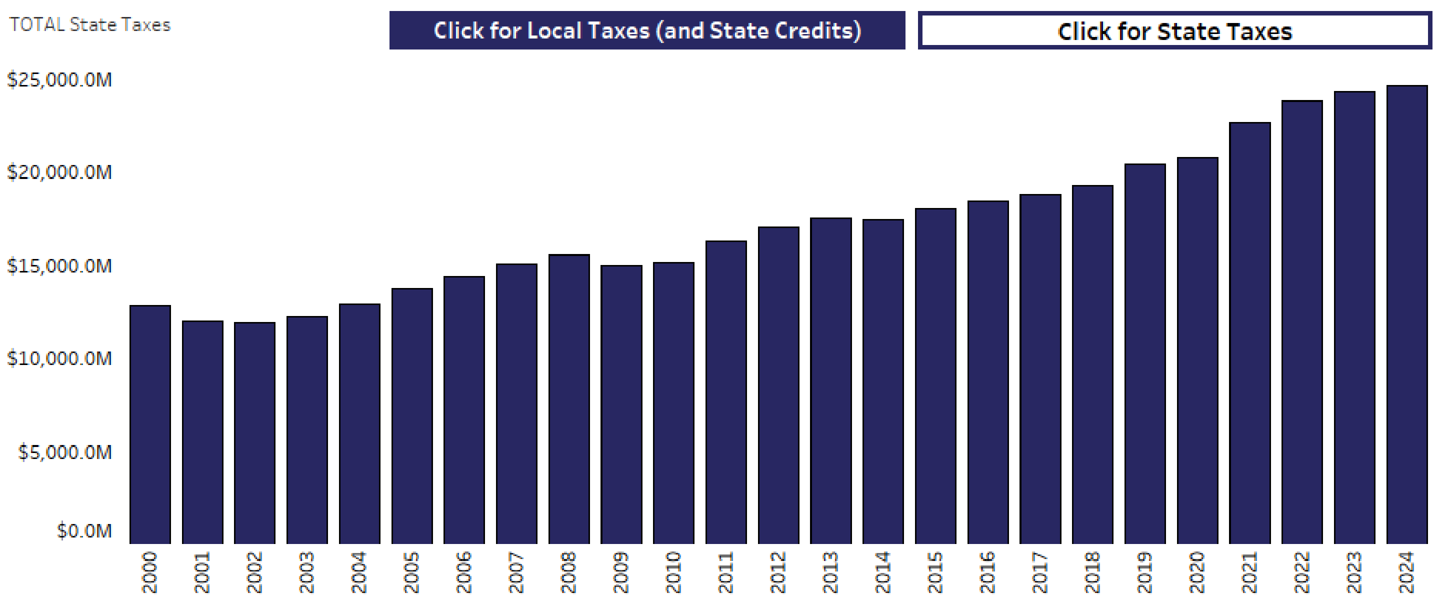
STATE TAXES

Total state taxes grew to $24.65 billion in fiscal year 2024 from $24.27 billion in the prior year. The 1.6% increase was the smallest since the worst year of the pandemic in 2020. Previously, the last year to see such a modest rise in Wisconsin was 2014.

For more details on the revenues from any state or local tax since 2000, see Figure 2. In 2024, revenue growth continued to slow for the three largest state taxes –

Figure 2: Explore State and Local Tax Revenues Over Time

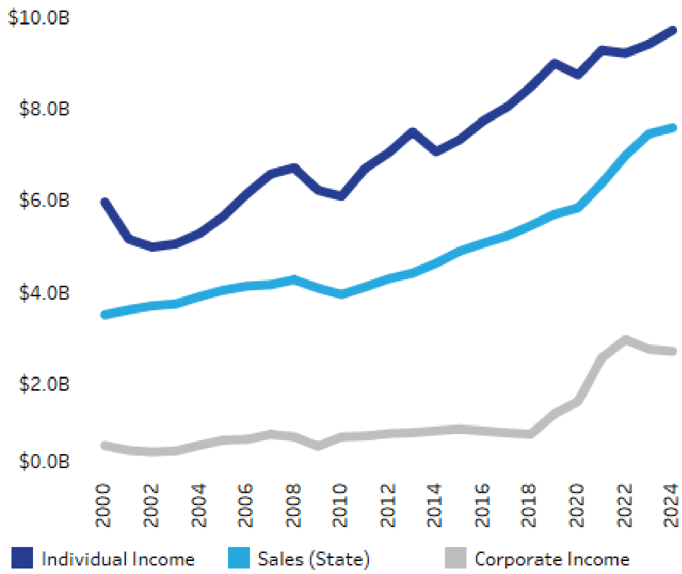
State or local tax revenue by type and year in millions (raw dollars)



Sources: Compiled by the Wisconsin Policy Forum using published and unpublished information from state Departments of Revenue, Administration, Workforce Development, Natural Resources, and Transportation

Fig 3: Income Taxes Grow, Sales and Corporate Taxes Slow

Collections from the largest three state taxes in billions (not adjusted for inflation)



Source: WI Department of Administration; figures are not adjusted for inflation.

those on individual incomes, sales, and corporate profits. Figure 3 shows collections from those three taxes.

Individual Income Tax

Individual income tax collections rose by 3.2%, climbing from $9.42 billion in 2023 to $9.72 billion in 2024. Annual growth in collections was just slightly above the 20-year average growth rate of 3.0%.

The combination of tax cuts included in the 2021-23 and 2023-25 state budgets have helped to hold down income tax collections in recent years. The tax decreases included one measure that – starting with calendar year 2023 – lowered the marginal tax rate in Wisconsin's second income tax bracket from 4.65% to 4.40% and the rate in the bottom bracket from 3.54% to 3.50%. That reduced state income tax collections by $86.8 million in fiscal year 2024, according to an LFB estimate.

Corporate Income Tax

For the second year in a row, corporate income tax collections fell, dropping 1.7% from $2.75 billion in 2023 to $2.70 billion last year. Nominal collections from the state's tax on corporate profits peaked in 2022, and since then have dipped for a variety of reasons that could include a cooling economy, rising interest rates, and lower inflation.

Corporate tax revenues, however, remain more than double what they were prior to the pandemic in 2019. They rose in prior years due in part to changes to federal and state tax laws that resulted in more profits being reported as corporate income rather than being passed through to shareholders for reporting as individual income. These federal and state changes, plus a growing economy and stepped up auditing and enforcement by the state's Department of Revenue, led to rapid growth in corporate tax collections from 2018 to 2022.

State Sales Tax

Sales tax collections climbed 1.8% in 2024 to $7.59 billion – the slowest year-over-year growth rate since 2010. The modest rise was largely due to the fact that inflation is now receding after several straight years in which it drove up sales tax revenues rapidly.

These recent increases – the largest of the past generation – reflected the rise in consumer prices as well as economic growth. Now that consumer prices are no longer growing so quickly, increases in the state's tax on these sales have also cooled.

Excise Taxes

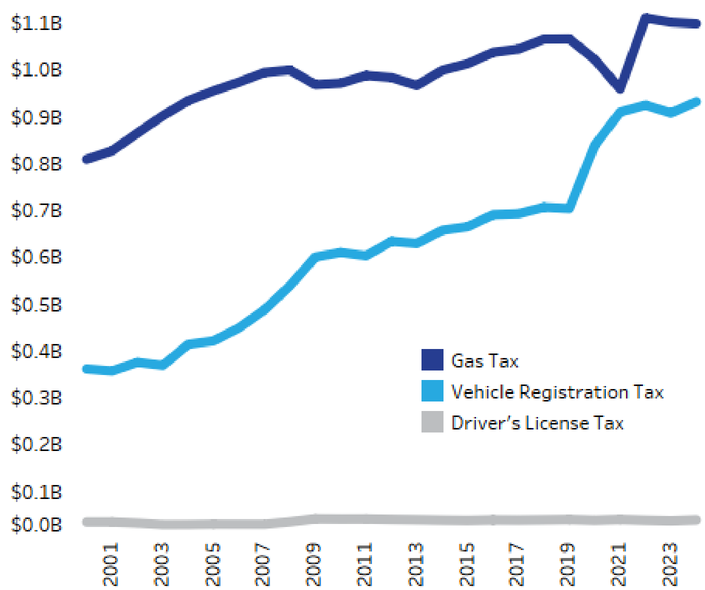
So-called "sin-taxes" include those the state imposes on cigarettes, other tobacco and vapor products, and liquor, wine, and beer. Revenues from these taxes fell by 7.4% in 2024 to $572.0 million. The decrease easily exceeded last year's 5.6% decline, which had been the biggest on record since at least 1970.

Revenues in 2024 dropped for all of these excise taxes except the relatively new vapor products tax, and growth in this tax on e-cigarette materials was only 0.6%. Since these excise taxes are all imposed on a per unit basis, the changes in revenues generally represent changes in the volume of products purchased and not the direct impact of inflation on prices. One potential exception may be the effect of the rise in hard seltzer drinks, which can complicate comparisons of consumption over time since they contain less alcohol by volume than a bottle of distilled spirits. Recent changes to state law clarify that hard seltzers will be taxed as beer in the future, which should eliminate this ambiguity.

The majority of the excise tax revenues in Wisconsin are generated by the state's $2.52 tax on each pack of cigarettes sold. Revenue from the cigarette tax fell from

Figure 4: Major Transportation Revenues Lag

Key transportation revenues by type and year in millions*



Source: WI Department of Administration. * Not adjusted for inflation.

$444.7 million in 2023 to $402.7 million in 2024, a 9.5% tumble. The longer-term decline in revenue from taxes on cigarettes reflects a decrease in the number of smokers and a growing number of alternative smoking options.

Beer tax collections fell to their lowest level since 1970, the first full year of collections following an increase in the beer tax rate the year before. That was true even without adjusting for inflation. This decrease likely reflects, at least in part, the rise in hard seltzer drinks as well as the fact that the beer tax rate has not been raised for more than a half century. Liquor and wine tax collections also fell after four years of rapid growth.

Transportation Taxes

Our research into state transportation funding has shown that Wisconsin's total transportation taxes have seen only limited growth over the last two decades. That trend continued in 2024, with a dip of 0.3% in gas tax collections to $1.1 billion (see Figure 4). Motor vehicle registration fees climbed by $24.0 million, or 2.6%, to $932.2 million.

These two major sources of revenue are set aside to help pay for transportation infrastructure needs at both the state and local level. Their lackluster growth mainly reflects a decision by state officials to end the practice of increasing the state gas tax rate to match inflation.

The lagging growth in transportation revenues has led state officials to use some income and sales tax revenues in recent years to help pay for roads and bridges rather than traditional programs such as education and health care. Driver's license fees and limo and car rental fees -- two smaller transportation revenue sources -- each grew 5.1% in 2024.

Real Estate Transfer Fee

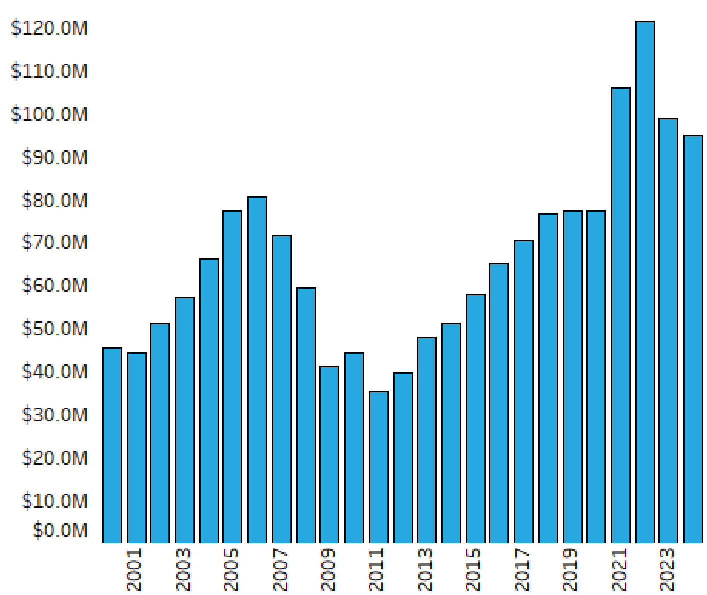
Wisconsin's housing market has cooled somewhat in the face of forces such as rising interest rates, resulting in a 4.1% drop in real estate transfer fee collections in 2024. Revenues from this $3 fee for every $1,000 in value of real estate sold fell for the second year in a row from 2022's recent high to $94.7 million in 2024 (see Figure 5).

This fee is collected by counties and then split up, with the state receiving 80% of the revenues and counties receiving the remaining 20%. In 2024, counties received $23.7 million – these revenues are not shown in Figure 5 and add to the total transfer fees collected.

While lower than the recent peak, the 2024 real estate transfer fee collections are still relatively strong. The signs point to a housing market in which prices have remained high but the number of sales, while greater than last year at this time, are still well below most years over the past decade.

Fig. 5: Real Estate Fees Falling as Housing Market Cools

Total state real estate transfer fee collections* by year



Source: WI Department of Administration; *Not adjusted for inflation.

LOCAL TAXES

Combined local government tax revenues, including those collected by municipalities, counties, school districts, and technical college and special districts, grew at a rate of 2.7%, to $12.28 billion in 2024.

It was the fifth straight year in which net local revenues grew by more than 2%, outpacing every year from 2012 to 2019. However, this growth was still less than the rate of inflation and much less than the rate of personal income growth.

Property Taxes

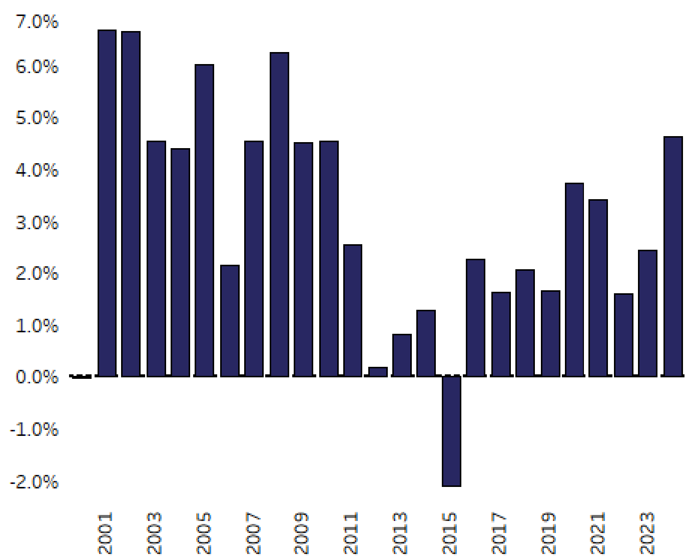
Gross local property taxes – the largest single tax in Wisconsin – grew by 4.6% in 2024, which was [the most since 2008 (](#)see Figure 6). Among other factors, the increases reflected [referenda approved by voters](#) and the end to the state's freeze on school revenue limits, which cap the funds that K-12 districts can raise from local property taxes and state general school aids.

However, a large increase in state property tax credits helped to hold down the increase in the taxes actually paid by home and business owners. Net property taxes grew by only 2.6% in 2024 to $11.38 billion, a slightly smaller increase than in the previous year.

For more than a decade, local property taxes have been tightly limited by the state. School district property taxes

Figure 6: Property Tax Collections Grow by the Biggest Amount Since 2011

Year-over-year change in gross local property tax collections



Source: Wisconsin Department of Revenue

– the largest part of the statewide levy – are tied to the per pupil revenue limit set by the state budget, which rose by $325 per pupil in 2024 after two years with no increase at all despite rapid inflation.

Since 2011, municipalities, counties, and technical colleges generally have only been allowed to raise property taxes each year for their operating budget by the rate of net new construction within their jurisdiction. This rate represents new construction as a share of total property value, and across the state it has averaged around 1.6% since 2017.

These limits on local revenues have served to slow the growth in property taxes. Yet they have also prevented funding for local services from rising at the same rate as inflation in recent years.

To reduce the impact of total property tax levies, the state provides three credits – the school levy tax credit, the lottery credit, and the first dollar credit. The most recent budget provided $297.6 million more for these three credits in 2024, an increase of 21.1% over the previous year. Together, these credits reduced the net taxes paid by property owners by $1.71 billion in 2024.

Of the three credits, the school levy credit saw the biggest increase in 2024, rising by $255 million to nearly $1.20 billion. Like the other tax credits, the school levy credit serves to offset local property taxes and does not increase the amount of net funding available for schools and local governments to spend.

The levy for December 2023 tax bills was also the final year before the repeal of the personal property tax. That repeal of the tax on machinery and other property besides land and buildings takes effect on December 2024 tax bills, which will be counted in our next edition of this brief a year from now.

Local Sales Taxes

Counties are authorized to levy a sales tax of 0.5%, or 0.9% in the case of Milwaukee County, collected in addition to the state's 5.0% tax. County sales taxes grew in calendar year 2023 by 4.4% -- more slowly than in previous years but still a solid clip.

Our data for county sales taxes have been gathered and organized on a calendar year basis, not on a fiscal year basis like many of our other taxes. Because the figures have been gathered in that way for decades, we are not able to go back and change these data to a fiscal year basis.

That means our data do not capture the new sales taxes authorized for 2024 for Milwaukee County and the city of Milwaukee by Wisconsin Act 12. Next year we will see the impact of these collections as part of our overall analysis of the state's tax burden. The state and local tax burden for fiscal year 2024 would have been slightly higher if these revenues from January to June of 2024 had been included. However, the burden would have still been at a record low.

Wheel Taxes

Thirteen counties and 45 municipalities in Wisconsin have chosen to levy an optional state-authorized vehicle registration fee or "wheel tax." The fees range from $10 to $40 as of December 2024.

The total number of jurisdictions imposing this fee has grown by seven since 2023 alone, part of a growing trend around the state. In 2010, only four cities and St. Croix County levied a wheel tax.

Local wheel taxes in fiscal year 2024 rose by 1.6% to $66.7 million -- slower than statewide registration fee growth -- despite local fees being added in some communities. This is largely due to the fact that the state's largest local governments, including Dane and Milwaukee County, as well as the cities of Madison and Milwaukee, already have fees in place and did not increase them.

Room, Premier Resort, and Local Expo Taxes

In general, municipalities in Wisconsin can levy up to an 8% tax on hotel stays so long as 70% of revenues are directed towards promoting tourism. Room tax revenues dropped rapidly amid the travel restrictions during the early months of the pandemic, but have largely rebounded since then.

Nominal collections rose to $123.4 million in the most recent year. That was greater than their pre-pandemic high of $121.5 million, but the total was still down somewhat from pre-COVID levels after factoring in the impact of inflation.

Wisconsin authorizes a number of other tourism-related taxes, including those that support the Wisconsin Center District in Milwaukee. Those exposition district tax collections grew by 10.6% to $48.1 million in 2024.

In addition, a selective sales tax known as the "premier resort area" tax is imposed in eight municipalities across the state. Collections from this tax in tourist communities grew by 2.8% to $14.1 million.

FEDERAL TAXES

With the economy growing, federal taxes paid by individuals and businesses in Wisconsin are estimated to have risen in 2024 by a projected 5.4% to $73.17 billion, up from $69.40 billion in the prior year. Since the data on federal taxes paid by Wisconsin filers have not been finalized, we estimate this amount each year and then revise our projection in the following year once more accurate data become available.

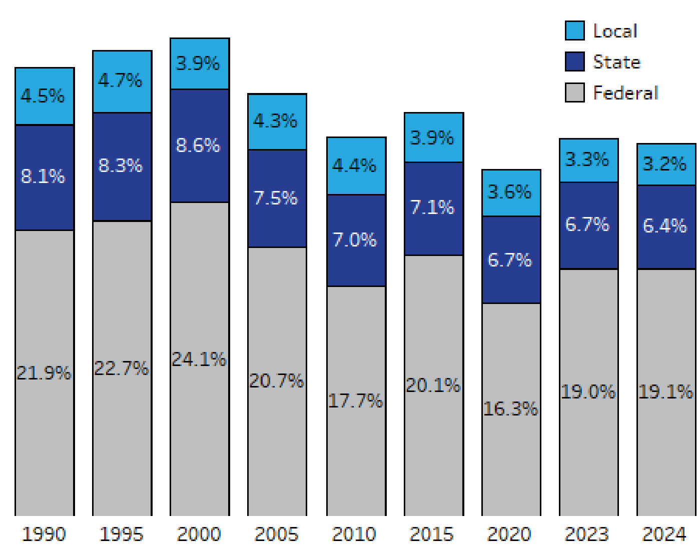
Federal taxes account for twice as much of state residents' income as state and local taxes combined. We estimate federal taxes equaled 19.05% of total personal income in 2024, up slightly from 19.01% in the previous year.

While the estimated federal tax burden was modestly higher, it remains relatively low by historical standards (see Figure 7). In 2000, for example, this percentage sat at 24.13%.

A LARGER TREND EMERGES

Over the last generation, elected leaders in Wisconsin have put most of their focus on holding down taxes on a

Figure 7: Overall Tax Burden in State Still Historically Low
Local, state, & federal taxes as a share of personal income in Wisconsin



Sources: Compiled by the Wisconsin Policy Forum using published and unpublished information from state Departments of Revenue, Administration, Workforce Development, Natural Resources, and Transportation; U.S. Internal Revenue Services and Office of Management and Budget. *Federal 2024 tax burden is estimated.

few select levies including the property tax, individual income tax, and motor fuel tax. Much of the decrease in Wisconsin's overall state and local tax burden reflects the impact of these concentrated efforts.

In the case of sales taxes, there have been fewer major cuts or changes in recent decades. With the exception of some generally small and isolated exemptions of certain goods, state leaders have not permanently decreased sales taxes.

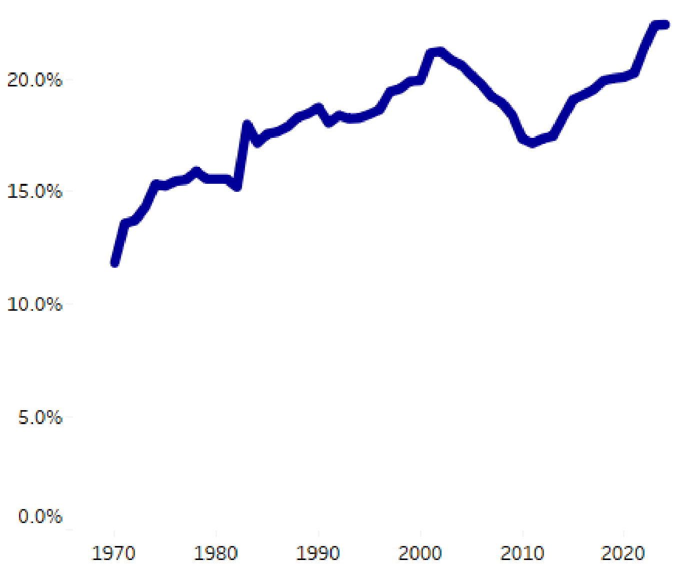
When rapid inflation sharply drove up sales tax collections in recent years, elected officials generally did not consider cuts to sales tax rates or to the base of taxable goods and services. In fact, state and local leaders have actually approved some recent sales tax expansions such as new counties adopting the 0.5% county sales tax and the additional sales taxes approved in Milwaukee and Milwaukee County.

There has been a predictable effect to these collective efforts, in which elected officials worked aggressively to curb property and income taxes while allowing sales taxes to grow. As Figure 8 shows, sales taxes have made up a larger share of overall state and local tax collections over time, rising from a little under 12% of state and local tax revenues in 1970 to 22.4% in 2024 – the highest percentage in our records.

The implications of this shift toward sales taxes are clear. Income taxes in particular in Wisconsin tend to be paid by those with greater incomes, while sales taxes fall disproportionately on those with lower incomes who spend more of their earnings on the basic necessities and simple pleasures of life such as clothing, vehicles, and restaurants, which are subject to sales taxes. As a result, Wisconsin's tax system has become less progressive than it otherwise would have been, or more favorable toward those with greater incomes and more real estate properties.

Figure 8: Wisconsin Relies More on Sales Taxes

Sales taxes* as a % of all state and local taxes in Wisconsin



Source: Department of Administration & Wisconsin Policy Forum analysis. *Includes state sales tax, county sales tax, premier resort area tax, and exposition district tax.

This trend will not necessarily continue as it has, since growth in sales tax revenues has slowed along with inflation and could reverse in a recession. Still, the shift shows how some taxpayers can end up shouldering a larger share of the tax burden even as it shrinks overall.

CONCLUSION

The tax burden in Wisconsin has fallen to a new record low, driven down by a combination of state curbs on property taxes and economic growth. Since 2000, no other state has seen such a precipitous decline in state and local taxes as a share of income. This downward trend, which has come with a decline in the state's education spending ranking, will not be easy to maintain in the future for several reasons.

First, the tax burden can be kept under control through rapid growth in the economy. That goal, however, relies in part on the state's present mix of businesses and industries as well as national and global forces – all factors that are not under the full control of state leaders.

Since 2000, the annual percentage growth in personal income in Wisconsin has lagged that of the nation as a whole in all but three years, making it more difficult for residents here to pay more for services such as those provided by the government. This challenge of lagging incomes has generally persisted in Wisconsin during periods of both divided state government as well as unified control by both Republicans and Democrats. It is worth noting that this brief looks only at Wisconsin's overall level of taxation, not at whether the state's mix of taxes is ideally suited to foster economic growth. While important, that goal lies outside the scope of this report.

In addition, some taxes have been raised over the past year, including the sales tax increases implemented in Milwaukee as well as scores of successful school and municipal referenda. Other potential changes under discussion include a potential sales tax in Waukesha County. Those changes suggest that voters and some state leaders are balancing the desire for low taxes against other priorities such as K-12 education and public safety.

The state does still have billions of dollars in reserves that could help to underwrite both spending on local services as well as efforts to slow the growth in taxes. Yet we have also noted that these one-time funds will last only so long.

A combination of economic expansion and more efficient government will likely be needed to maintain good quality public services while keeping state and local taxes affordable. There are no doubt opportunities for governments to limit spending, from helping Wisconsin's many local governments to work together on delivering services to adjusting school operations to reflect the decline in the number of K-12 students in the state. In many cases, however, lowering spending will impact the quality of local schools and services here. In these cases, elected officials and the voters themselves ultimately will have to decide what constitutes the best value for their limited resources.