



Wisconsin Taxpayers Alliance

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NEWS

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2016 State-Local Tax Burden Continues Edging Down But State Tax Collection Growth Outpaces Local in 2011-16

MADISON—Wisconsin’s overall state-local tax burden declined again last year, even as state tax collections continued to outpace local revenue growth, according to a new report, “State Tax Growth Outpaces Local Increases,” the annual recap of total tax information from the Wisconsin Taxpayers Alliance (WISTAX). WISTAX is a nonpartisan, nonprofit organization devoted to public policy research and citizen education.

The combined state-local tax burden for 2016 was 10.7% of personal income. Taxes relative to personal income reached a previous low of 10.9% in 2015; during the past decade, the burden ranged between 11% and 12% of income.

The easing of the tax burden was due to both tax changes and renewed income growth. It came primarily from negligible growth in local property taxes. State tax changes also played a role, including income tax rate cuts enacted in 2013-14 and nearly \$100 million less in unemployment tax collections in recent years due to reduced joblessness.

Personal income growth, which averaged 4% per year between 2011 and 2016, also helped reduce the burden; personal income includes wages and salaries, investment income, and government benefits.

Over the past decade, state taxes as a share of income have remained nearly constant at about 7% , which was the percentage for 2016. Local taxes, by comparison, hovered above 4% of income over the past decade. After increasing to 4.5% of income in 2010, they have since dropped to slightly less than 3.8% in 2016.

Overall, combined state-local tax collections totalled \$28.5 billion in 2016, 2.1% more than in 2015 and 9.4% higher than in 2011.

State collections grew 2.4%, to \$18.4 billion between 2015 and 2016, and a total of 13.5% during 2011-16. Over this five-year period, state sales taxes increased 23.3% to \$5.1 billion; personal income tax collections rose 15.5%, to \$7.7 billion, and corporate income taxes grew 12.9%, to \$963.0 million.

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At the local level, tax collections rose 2.5%, to \$10.0 billion in the same five year period, and 1.6% from 2015 to 2016. Net property taxes (after subtracting state tax credits) increased 1.3% during the five-year period and 1.5% between 2015 and 2016, to \$9.5 billion.

Local taxes have climbed more slowly than state collections largely due to state-imposed property tax levy limits on municipalities and counties, and revenue limits on schools and technical colleges.

Since 2011, the state has essentially frozen municipal and county tax levies, except for increases tied to new construction and borrowing. The state has restricted school revenue growth since 1994, but initially allowed inflationary increases. That ended in 2010, and since 2012, increases have been small to none.

The state also moved to restrict other revenue sources local governments had by limiting the ability of municipalities to charge fees for services previously funded by property taxes.

Apart from the county sales tax, used by 63 of the state's 72 counties, the only "new" local revenue source is the vehicle registration fee, or "wheel tax." The number of counties and municipalities with wheel taxes rose from four in 2011 to 15 in 2016. While still not a significant part of overall revenues, local wheel tax collections grew nearly 66% over the same period, to \$11.9 million in 2016.

At the state level, transportation-related fees and taxes grew more slowly. Gas tax collections increased 5.0% over the five-year period, to \$1.0 billion in 2016. Due partly to a legislated increase in 2008, vehicle registration fees increased 14.6%, to \$691.3 million.

For more information, a free copy of *The Wisconsin Taxpayer* report, "State Tax Growth Outpaces Local Increases," is available by calling 608.241.9789; emailing wistax@wistax.org; visiting www.wistax.org; or writing WISTAX at 401 North Lawn Ave., Madison, WI 53704-5033. □

(Editor's Note: An electronic version of this release is available at www.wistax.org.)