

## STATE AND LOCAL TAXES IN WISCONSIN – STATE FISCAL YEAR 2004

### A. REVENUES BY TYPE OF TAX

Wisconsin state and local governments collected \$19.4 billion in taxes in state fiscal year 2004 (FY04). This amount was equal to 11.6% of Wisconsin personal income.<sup>1</sup>

Property, individual income, general sales and use taxes were the major sources of tax revenues, accounting for 86% of total taxes. As Table 1 shows, the property tax was the largest revenue source, bringing in \$7.2 billion, 37% of the total. Individual income tax revenues totaled \$5.3 billion, 27% of the total, and sales taxes were \$4.2 billion, 22% of the total.

**TABLE 1**  
**WISCONSIN STATE AND LOCAL TAXES, FY04**

Tax	Amount	
	(\$ Millions)	% of Total
Property	\$7,218.0	37.2%
Individual income	5,277.1	27.2%
General sales and use	4,197.9	21.6%
Motor fuel	934.6	4.8%
Corporate income and franchise	650.5	3.4%
Other taxes	1,134.9	5.8%
Total state and local taxes	\$19,413.0	100.0%

The property tax is almost exclusively a local tax – a state forestry tax accounts for less than 1% of total property tax collections. The property tax amount in Table 1 and elsewhere in this paper equals the amount of tax after the school levies credit, but prior to the lottery credit.

The individual income tax is exclusively a state revenue source, since local governments do not have authority to impose taxes on income. The sales tax is imposed by the state at a 5% rate, by most counties and a football stadium district in Brown County at a 0.5% rate, and by a baseball stadium district in Milwaukee, Ozaukee, Racine, Washington and Waukesha counties at a 0.1% rate.

The next two largest taxes are both state-imposed: the motor fuels tax used for transportation-related spending, with collections of \$935 million, and the corporate income and franchise tax, totaling \$651 million. A variety of other taxes, such as excise, estate, insurance and utility taxes, raised an additional \$1.1 billion.

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<sup>1</sup> Personal income data source – U.S. Bureau of Economic Analysis – June, 2005.

## B. TAXES BY LEVEL OF GOVERNMENT

Most of the taxes imposed by the state are general purpose revenue (GPR) taxes – used to finance general government spending. GPR taxes, such as the individual income, corporate income and franchise, sales and use, excise and utility taxes, were \$10.7 billion in FY04, or 55% of total state and local taxes. State segregated tax revenues and miscellaneous program tax revenues totaled another \$1.2 billion, 6% of total taxes.

Segregated taxes are taxes earmarked for specific purposes – transportation, conservation, recycling. Program tax revenues consist primarily of fire dues paid by companies selling fire insurance and the portion of local sales, exposition and premier resort taxes retained by the state to cover its cost of administering those local taxes. The motor fuels and other transportation taxes account for \$935 million, or 81% of segregated taxes and program tax revenues.

The state collected a little more than three-fifths of the taxes raised in Wisconsin in FY04, as shown in Table 2. The state imposed \$11.9 billion in taxes and local governments raised nearly \$7.5 billion.

**TABLE 2  
WISCONSIN TAXES BY LEVEL OF GOVERNMENT, FY04**

Level of Government	Amount	
	(\$ Millions)	% of Total
<u>State taxes</u>		
General purpose tax revenues	\$10,739.3	55.3%
Other tax revenues	<u>1,178.9</u>	<u>6.1%</u>
Total state taxes	\$11,918.2	61.4%
<u>Local taxes</u>		
Property taxes	\$7,145.8	36.8%
Other taxes	<u>349.1</u>	<u>1.8%</u>
Total local taxes	\$7,494.9	38.6%
Total	\$19,413.1	100.0%

Property taxes are the primary local revenue source, totaling \$7.1 billion in FY04, or nearly 37% of state and local taxes. Other taxes imposed by local governments totaled \$349 million, and about 84% of these were general sales and use taxes. Other local taxes include room, local exposition district, premier resort and motor vehicle (wheel) taxes.

The Appendix shows each of the components of state GPR tax revenues, other state tax revenues and local taxes.

## C. STATE GENERAL PURPOSE REVENUE TAXES

GPR taxes account for about 90% of state tax revenues. State GPR taxes are shown in Table 3. The individual income tax and general sales and use tax are the dominant GPR revenue sources, accounting for 85% of total collections – the income tax, with \$5,277 million in revenues, nearly half the total, and the sales tax, totaling \$3,899 million, more than a third.

**TABLE 3  
STATE GENERAL PURPOSE TAX REVENUES, FY04**

Tax	Amount	
	(\$ Millions)	% of Total
Individual income	\$5,277.1	49.1%
General sales and use	3,899.3	36.3%
Corporate income and franchise	650.5	6.1%
Excise	355.5	3.3%
Utility	269.8	2.5%
Estate	86.4	0.8%
Insurance	123.6	1.2%
Other	77.1	0.7%
Total state general purpose revenue taxes	\$10,739.3	100.0%

The corporate income and franchise tax was the third largest GPR tax, totaling \$651 million or 6% of collections in FY04. Excise taxes on cigarettes, tobacco products, liquor and wine, and beer raised \$355 million – of which \$291 million came from the cigarette tax. Utility taxes totaled \$270 million, most of which was light, heat and power utility taxes of \$167 million and telephone company taxes of \$82 million.

#### **D. LOCAL TAXES BY TAXING AUTHORITY**

Local taxes are imposed by various taxing jurisdictions including city, town, village, county, school, and technical college authorities. All of these jurisdictions have the authority to levy a property tax. Only counties are permitted to levy a sales tax. Municipalities can impose fees for specific purposes.

In FY04, local governments imposed property taxes totaling \$7,146 million and other taxes of \$349 million, for a total of \$7,495 million. As Table 4 shows, school districts levied \$2,898 million, or 39% of the total. The property tax is the only tax that school districts impose, and the school levy shown in the table is net of the \$469 million school levies credit.<sup>2</sup>

**TABLE 4  
LOCAL TAXES BY TAXING DISTRICT, FY04**

Taxing District	Amount (\$ Millions)			% of Total
	Property Tax	Other Taxes	Total Taxes	
School districts	\$2,898.3*	---	\$2,898.3	38.7%
Municipalities	1,852.3	\$38.2	1,890.7	25.2%
Counties	1,544.9	252.2	1,796.9	24.0%
Technical college districts	565.3	---	565.3	7.5%
Other local governments	<u>284.9</u>	<u>58.6</u>	<u>343.5</u>	<u>4.6%</u>
Total local taxes	\$7,145.8	\$349.1	\$7,494.9	100.0%

\* Gross property tax levy of \$3,367.6 million less the school levies credit of \$469.3 million.

Note: Property taxes reported are for calendar year 2004 (levied in 2003, collected in 2004)

<sup>2</sup> The school levy tax credit is distributed to municipalities based on their share of statewide school levies. It is designed to reduce individual owners' property tax bill and is not to be considered a source of revenue in determining annual budgets.

Municipalities levied \$1,852 million in property taxes and \$38 million in room (hotel and motel lodging) taxes and motor vehicle registration taxes. Municipalities accounted for 25% of all local taxes and 26% of net property taxes.

County taxes included \$1,545 million in property taxes and \$252 million in sales taxes, or 24% of local taxes. The remaining local taxes were property taxes levied by technical college districts and property, sales, exposition district and premier resort taxes levied by other local governments.

## E. PROPERTY TAXES BY CLASS OF PROPERTY

Taxable property is classified into one of the following groups: residential, commercial, manufacturing, undeveloped land, productive forestland, agricultural land, agricultural forest, and other. Other is defined to include farm buildings, improvements, and the land necessary for their location. Under the Wisconsin constitution all property is assessed uniformly except for agricultural and undeveloped land.

Agricultural land assessments are based on formula estimating value from rental capability from crop-share leases. 2003 Wisconsin Act 33 changed classification of swamp and waste to "undeveloped land" (effective January 1, 2004), which is assessed at 50% of its full value. In 2004, a new class of property called "agricultural forest" was created. This classification is defined as land capable of producing commercial forest products that is contiguous to an agricultural land parcel if both parcels are owned by the same person. Agricultural forest land is also assessed at 50% of its full value.

Table 5 shows tax levies by class of property. As the table shows, nearly 70% of property taxes, \$5,024 million, fell on residential property in FY04. Residential property includes single-family and multi-family housing with two to eight units (the number varies by municipality). Commercial property, including larger multi-family housing, accounted for \$1,365 million, or 19%, of the tax. Manufacturing, agricultural and other real property and personal property each accounted for less than 4% of the net property tax levy.

**TABLE 5  
WISCONSIN PROPERTY TAXES  
BY CLASS OF PROPERTY, FY04**

Tax	Amount	
	(\$ Millions)	% of Total
Class A residential	\$5,023.8	69.6%
Class B commercial	1,365.4	18.9%
Class C manufacturing	244.1	3.4%
Class D agricultural*	211.3	2.9%
Other real property**	164.4	2.3%
Personal property	208.8	2.9%
Total property taxes	\$7,217.8	100.0%

Due to rounding in the allocation of the net tax levy (gross levy less the school levies credit), the total amount in this table is slightly less than the total net levy reported previously in this paper.

\* Includes agricultural land and other (farm buildings, farm improvements, and land necessary for their location).

\*\* Includes undeveloped land and forest.

Table 6 shows equalized value by class of property. As the table demonstrates, the distribution of equalized value is very similar to distribution of property taxes levied. Residential and commercial property classes have the highest values. The difference occurs because of exemptions and various credits, such as lottery credit, homestead credit or Farmland Preservation credit. Manufacturing, agricultural and other real property and personal property each accounted for about 3% of equalized value.

**TABLE 6  
WISCONSIN EQUALIZED VALUE  
BY CLASS OF PROPERTY, FY04**

Class of Property	Amount (\$ Billion)	% of Total
Class A residential	\$279.2	71.4%
Class B commercial	68.3	17.5%
Class C manufacturing	11.4	2.9%
Class D agricultural*	11.1	2.8%
Other real property**	11.5	3.0%
Personal property	<u>9.7</u>	<u>2.5%</u>
Total property taxes	\$391.2	100%

Due to rounding in the allocation of the net tax levy (gross levy less the school levies credit), the total amount in this table is slightly less than the total net levy reported previously in this paper.

\* Includes agricultural land and other (farm buildings, farm improvements, and land necessary for their location).

\*\* Includes undeveloped land and forest.

**APPENDIX  
TAX COLLECTIONS BY TYPE OF TAX AND TYPE OF REVENUE, FY04**

Type of Tax	Collections by Type of Revenue (\$ million)		
	General Purpose Revenue Tax	Segregated Tax /Program Tax Revenue	Local Tax
Individual income	\$5,277.1		
Corporate income and franchise	650.5		
State sales and use	3,899.3		
Cigarette	291.3		
Tobacco products	16.1		
Liquor and wine	38.5		
Beer	9.6		
Utility	269.8		
Estate	86.4		
Insurance	123.6		
Real estate transfer fee	66.3		
Lawsuits	10.7		
Other	0.1		
Fire dues		\$14.8	
Pari-mutuel program tax revenues		1.8	
Business trust regulation fee		2.1	
Other program tax revenues		0.8	
Motor fuels tax		934.6	
Other transportation fund taxes		25.0	
Other segregated fund taxes		122.7	
Net property tax*		72.2	\$7,145.8
County sales – net of state fee*			252.2
County sales – state fee*		3.8	
Baseball park sales – net of state fee*			22.6
Baseball park sales – state fee*		0.3	
Football stadium sales – net of state fee*			19.5
Football stadium sales – state fee*		0.3	
Local expo – net of state fee*			14.7
Local expo – state fee*		0.4	
Premier resort – net of state fee*			1.8
Premier resort – state fee*		0.1	
Local room*			37.7
Local wheel*			0.6
<b>Total</b>	<b>\$10,739.3</b>	<b>\$1,178.9</b>	<b>\$7,494.9</b>

\* For net property tax, segregated tax/program tax revenue amount equals state forestry tax collections in FY04; local tax equals total state levy less state forestry tax collections. For county sales, baseball park, football stadium, local expo and premier resort taxes, the amount net of state fee is the amount of collections distributed by the state to the taxing jurisdiction and the state fee equals the amount retained by the state to cover its cost of administration. Local room and wheel taxes for FY04 are not yet available. They were estimated using collections from the past four fiscal years.

Sources for the data used in this table and the rest of the report: State of Wisconsin, *Annual Fiscal Report (Budgetary Basis)*, 2004; Wisconsin Department of Revenue, "Monthly Revenue Report," June-Final, FY04; Wisconsin Department of Revenue, *Town, Village and City Taxes (Taxes Levied 2003, Collected 2004)*, 2004; unpublished Department of Revenue data.