



Wisconsin Taxpayers Alliance

401 North Lawn Avenue • Madison, WI 53704-5033
www.wistax.org • 608.241.9789 • fax: 608.241.5807

NEWS

Contact: Todd A. Berry or Dale Knapp
608.241.9789 or wistax@wistax.org
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State-Local Tax Burden 16th Highest, But Lowest Since 1962 New WISTAX Report Also Shows Shift in State-Local Relationship

MADISON—New U.S. Census figures show Wisconsin’s state-local tax burden was 10.8% of personal income in 2014, 16th highest in the nation but the lowest since 1962. Total state-local expenditures, funded with taxes, fees, and federal aids, claimed 20.1% of income and ranked 21st. These are two key findings in a new Wisconsin Taxpayers Alliance (WISTAX) report, “Big Changes Happen Slowly.” Now entering its 85th year, WISTAX is a nonpartisan organization devoted to public policy research and citizen education.

Despite intermittent fluctuations, Wisconsin’s state-local tax burden has been trending down for about 20 years. In 1993, state-local taxes claimed 12.6% of personal income and ranked third nationally. By 2002, that percentage was 11.1% and the state ranked sixth. Taxes reached 11.8% of income in 2011, but the state-local tax burden has declined every year through 2014, according to WISTAX researchers. While the 2014 tax take was the lowest since 1962, it remained above the U.S. average (10.6%).

A broader measure of the “cost” of government adds various state and local fees to taxes. State campground fees, university tuition, and charges for local building permits are examples of user fees. The “tax-plus-fee” burden was 13.8% of personal income, equal to the 50-state average and 22nd highest among the states.

Among major taxes:

- Wisconsin’s property tax claimed 3.9% of income and ranked 11th;
- The individual income tax claimed 2.8% of income and placed 12th;
- The sales tax claimed 2.0% of personal income, 34th highest; and
- The corporate income tax claimed 0.4% of income and ranked 15th.

On the other side of the ledger, state-local spending here is dominated by three areas: education, public welfare, and roads. Combined, these three areas accounted for two-thirds of state-local spending. In only four states—Arkansas, Kentucky, Vermont, and West Virginia—do these three account for a greater share of spending.

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The new WISTAX report highlights 15-year changes in Wisconsin's spending priorities. Driven largely by increased Medicaid spending, public welfare expenditures increased 175% during 1999-2014, from \$4.1 billion to \$11.3 billion. By comparison, all other state-local spending rose 59%. As a share of all spending, public welfare rose from 14.7% in 1999 to 23.0% in 2014, crowding out spending in other areas.

Despite rising Medicaid costs, education remains Wisconsin's largest government expenditure. During 1999-2014, total spending on education increased faster than inflation (60.3% vs. 42.1%) but declined as a share of total spending, from 38.8% in 1999 to 35.3% in 2014 .

There was also a shift within the education sector. In 1999, spending on K-12 schools accounted for 72% of total education spending, with higher education claiming the remaining 28%. By 2014, the split was 63%-37%. A good part of the change was due to enrollment changes: K-12 student numbers were down 1% during this period, while higher education counts rose almost 20%.

A similar shift occurred in road and highway spending. In 1999, 61% of all road and highway spending was local, with the remainder at the state level. During 1999-2015, state highway spending more than doubled, while local spending rose at about half that rate. By 2014, local road spending accounted for 54% of the total; the state share rose from 39% to 46%.

The study also examines another long-term shift in state-local spending: During 1999-2014, the share of all spending done locally fell from 63% to 52%.

A free copy of *The Wisconsin Taxpayer* magazine, "Big Changes Happen Slowly: Census Figures Highlight Changing Tax Burden, State-Local Relationship," is available by visiting www.wistax.org; emailing wistax@wistax.org; calling 608.241.9789; 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.)