



Wisconsin Taxpayers Alliance

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NEWS

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Wisconsin's State-Local Tax Burden Edges Down in 2017

Decline Mainly Due to Unemployment Tax Drop and End of Brown County Sales Tax

MADISON—Wisconsin's overall state-local tax burden again declined last year, though the drop was due mainly to two specific events, according to the Wisconsin Taxpayers Alliance (WISTAX). In a new report—"A Glass Half-Empty or Half-Full?"—WISTAX cites as primary reasons for the drop a 19% decline in unemployment insurance taxes due to a strengthening economy, and the elimination of the 0.5% Brown County sales tax that paid for renovations of Lambeau Field. WISTAX is a nonpartisan, nonprofit organization devoted to public policy research and citizen education.

The combined state-local tax burden for 2017 was 10.7% of personal income, down 0.1 percentage points from 10.8% in 2016. State-local taxes relative to personal income have declined six consecutive years since reaching 11.9% of income in 2011.

State tax collections totalled \$18.8 billion in 2017, a 1.7% increase over 2016. With state personal income increasing at a similar rate (1.9%), the state tax claim remained unchanged at 7.0% of income. The largest one-year change in state taxes during 2017 was an 18.6% decline in unemployment tax collections, from \$922.6 million in 2016 to \$751.3 million in 2017. This was the fifth consecutive decline and one to be expected in an expanding economy with little unemployment.

The largest state tax—the individual income tax—increased 3.9% last year, from \$7.7 billion to \$8.0 billion. Unlike those that fund unemployment compensation, income taxes increase during economic expansion and generally decline during contractions. State sales tax collections increased 3.1% in 2017, from \$5.1 billion to \$5.2 billion. Over the past five years, sales taxes increased 21.8%, more than any other major state tax.

While corporate income taxes typically rise with the economy, state collections have fallen over the past two years. They dropped 4.4%, from \$963.0 million in 2016 to \$920.9 million in 2017. The decline was partly due to the multi-year phase-in of an agricultural and manufacturing tax credit which, when fully implemented, would nearly eliminate corporate income taxes for manufacturers and farmers.

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The state's two main transportation revenues—the gas tax and vehicle registration fees—continued sluggish growth. Gas tax collections rose 0.7%, to \$1.04 billion in 2017. Vehicle registration fees inched up 0.1% to \$692.3 million.

Local tax collections totaled \$10.2 billion in 2017, a 1.8% increase over 2016. The property tax is the main local funding source for local governments. Net collections (after accounting for state credits) increased 2.7% in 2017, from \$9.5 billion to \$9.6 billion. Since 2011, the state has essentially frozen municipal and county tax levies, except for increases tied to new construction and borrowing. It has restricted school revenue growth since 1994, initially allowing inflationary increases. That ended in 2010, and since 2012, increases have been small to none.

The second-largest local tax is the 0.5% optional county sales tax, imposed by 64 of 72 counties. Collections totaled \$361.5 million in 2017, a 3.0% increase over the prior year.

Wisconsin also allows several other small sales taxes, including a 0.1% tax in five southeastern Wisconsin counties to fund the Miller Park baseball stadium. In September 2015 (fiscal 2016), Brown County ended its 0.5% stadium tax to fund renovations of Lambeau Field in Green Bay. The ending of the tax reduced total stadium tax collections 28% in 2016 and another 21% in 2017.

For more information, a free copy of *The Wisconsin Taxpayer* report—“A Glass Half-Empty or Half-Full?”—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.)