

New Census tax figures: Wisconsin tax rank lower than thought

The U.S. Census Bureau releases tax collection figures for states two years after the fact. New data for 2013 showed Wisconsin outside the top 10, while Minnesota ranked 8th and Illinois 9th. WISTAX analysis of the federal data found an error that overstated property taxes. As a result, Wisconsin taxes claim 10.9% of personal income, 15th highest. Census figures had the state at 11th.

Wisconsin's state-local taxes claimed 11.3% of personal income—11th highest in the U.S. and one notch above the prior year. That's the headline from Census figures just released for 2013 (data always lag two years).

But . . . the headline carries a big asterisk this year. WISTAX reviewed the new federal data, finding the state actually ranked 15th, down from 14th in 2012.

Tax rank lower than reported

Why? The U.S. Census Bureau erred in recent years by double counting state property tax credits paid to municipalities. The mistake resulted in overstating our property taxes and, therefore, the state's overall tax burden and rank.

As the table below shows, according to federal figures, Wisconsin taxes claimed 11.3% of personal income in 2013 and were 11th highest; property taxes took 4.4% (7th).

Surprise! Tax Ranks Lower Than Thought

Tot. Taxes, Prop. Taxes; % Pers. Inc. & Rank

Year	Tot. State-Local				Property			
	Census		WISTAX		Census		WISTAX	
	%	Rk	%	Rk	%	Rk	%	Rk
2004	11.7	5	11.5	6	4.2	9	4.1	11
2005	11.6	9	11.5	11	4.2	11	4.1	11
2006	11.7	14	11.6	16	4.2	10	4.1	12
2007	11.5	16	11.3	19	4.2	10	3.9	12
2008	11.4	13	11.3	16	4.2	9	4.0	11
2009	11.2	10	10.8	11	4.4	9	4.0	13
2010	11.4	9	11.0	13	4.6	9	4.2	12
2011	11.7	12	11.4	12	4.6	9	4.2	11
2012	11.4	12	11.1	14	4.3	10	4.0	11
2013	11.3	11	10.9	15	4.4	7	3.9	10

State-Loc. Rev. Sources as % Pers. Inc. (2013)

Wis. vs. U.S., Illinois and Minnesota (with ranks)

	U.S.		% +/-		Ill./		Minn./	
Revenue	Avg	Wis.	U.S.	Rk	Rank		Rank	
Taxes	10.5	10.9	3.9	15	11.7	8	11.8	7
Taxes/Fees	13.7	14.0	2.6	18	13.8	20	14.7	11
Property	3.3	3.9	18.3	10	4.3	9	3.3	19
Income	2.4	3.0	22.2	10	2.8	15	3.5	5
Sales	2.4	2.0	-16.6	34	1.7	41	2.0	33
Corp. Inc.	0.4	0.4	2.6	16	0.8	5	0.5	7
Tobacco	0.1	0.3	100.0	7	0.2	18	0.2	23
Gas	0.3	0.4	33.3	10	0.3	27	0.3	21
Alcohol	0.1	0.0	-60.0	38	0.1	17	0.0	29
Fed. Rev.	4.2	3.9	-6.7	36	3.4	43	3.9	35
Fees/Chgs	3.2	3.1	-1.6	26	2.1	47	2.9	38

Source: U.S. Census Bureau for 2013, with WISTAX correction. Calculations are based on more detailed figures that are rounded.

After the WISTAX correction, the property tax figure dropped to 3.9% of income (10th), and that pulled down the total tax burden to 10.9% (15th). Note that similar adjustments in earlier years may or may not affect ranks. For example, in 2011, the rank remained unchanged at 12th but fell from 12th to 14th in 2012.

Rank by tax

Other than total taxes and property taxes, Census figures are correct. The second table (above) summarizes tax burdens as a share of income with accompanying ranks for the U.S., Wisconsin, and the two principal neighbor-states.

By a considerable margin, the local property tax is Wisconsin's largest tax at 3.9% of income, about 18% more than the national average (3.3%). In distant second place was the state income tax, at 3.0% of income (10th) and 22% higher than the U.S. norm (2.4%). State income tax cuts enacted in 2013-14 are not included.

The property and income tax figures suggest that Wisconsin's historical reputation as a high-tax, high-service state has some merit. Tobacco taxes reinforce the image, ranking seventh and claiming twice as much income as the average state.

However, income and property taxes are offset by other lower-ranking revenue sources. Taxes on retail sales (34th) and on alcohol (38th), as well as revenues from the federal government (36th) and user fees (26th) are all below average. Less reliance on the latter means that Wisconsin ranks lower on taxes-plus-fees (18th) than on taxes only (15th).

Viewed another way, part of the reason property and income taxes are high is that Wisconsin makes less use of these other revenues. That leaves it with an approach to government finance that some argue is unbalanced.

Changes over time

Another factor mitigating the state's tax reputation is time. As the following table (p. 2) reveals, the Badger State's tax burden and rank has eroded over the past 15 to 20 years, falling from 12.4% of income (4th highest) in 2000 to 10.9% (15th) in 2013.

Part of this is due to post-recession recovery. When personal income expands faster than tax collections, the tax burden relative to income drops.

Another factor is tax changes, most notably income tax indexing in 1999,

major income tax reform in 2000-01, and state-imposed tax limits on local governments and schools. Offsetting these were tax increases on business and investment enacted in 2009. Recent tax changes are not reflected in 2013 figures.

Just because tax ranks and burdens relative to income are falling does not necessarily mean that tax bills are. As the above table (right col's) reminds, Wisconsin tax burdens per capita have been growing. During 2000-13, they increased from \$3,443 to \$4,618 per capita. Annualized average increases have ranged from 1.9% (2005-10) to 3.6% (2010-12).

Another View of Taxes, 2000-13 % Pers. Inc. and Per Capita (with avg. % chg.)

Year	Pct. Inc.		Per Capita		
	%	Rk	\$	Rk	Ann. Ch.
2000	12.4	4	3,443	9	-
2005	11.5	11	3,837	17	2.2%
2010	11.0	13	4,213	16	1.9%
2012	11.1	14	4,519	17	3.6%
2013	10.9	15	4,618	19	2.2%

*All figures reflect WISTAX correction of Census error.

Missed headline?

Wisconsin's tax burden and ranking have been declining in the past decade or two. In contrast, both Minnesota (11.8%, 7th in 2013) and Illinois (11.7%, 8th) have moved in the opposite

direction, cracking the top ten (p. 1, center). Compared to its position in 1995 (10.7%, 33rd), the change is particularly dramatic in Illinois.

The rising burden in Minnesota is due to individual (5th) and corporate income (7th) taxes. In Illinois, the highest taxes are on property (9th), corporate income (5th), and individual income (15th).

Wisconsin and its two neighbors are similar on one score: None ranks high in receipt of federal aid. This ironically means that other states spend as much as Wisconsin but, due to federal largesse, have lower taxes. □



Wisconsin Taxpayers Alliance

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Capital Notes

■ *The Joint Committee on Finance approved \$350 million in additional transportation borrowing, \$200 million of which will be used to expand or build new highways.*

■ *In 2015-16, 2,514 Wisconsin K-12 students were attending a private school as part of the Wisconsin Parental Choice Program (WPCP). Of 1,640 newly-enrolled students, 75.7% attended a private school the previous year. In 2014-15, 1,008 students*

were enrolled. In 2013-14, the count was 511. Recent changes to state law eliminated a 1,000 full-time equivalent enrollment cap outside Milwaukee; statutes now limit enrollment in the program to 1% of school district student population.

■ *State Supreme Court Justice Shirley Abrahamson, who served as Chief Justice of the Wisconsin Supreme Court for 19 years, dropped a lawsuit filed to regain the chief's post. Justice Pa-*

tience Roggensack replaced her after voters backed a constitutional amendment that allowed sitting justices to elect the chief justice. Before then, the position automatically went to the most senior justice.

■ *The University of Wisconsin-River Falls has been named a "Best for Vets" College in Military Times' 2016 rankings. The rankings are based on college results of an annual survey in which more than 600 colleges participated.*