

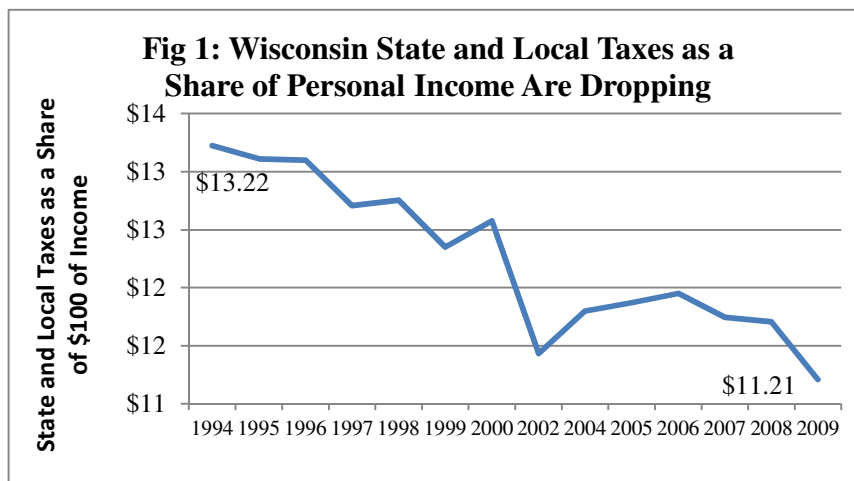


Wisconsin Taxes as a Share of Income at a 15-Year Low Yet Policymakers Cite Need for Lower Taxes as Reason to Roll Back Public Investments

By some measures, Wisconsin residents are paying less than ever in taxes, even before the recent round of tax-cutting by the Legislature. Despite this development, some policymakers are pushing to lower taxes further, particularly for businesses and well-off individuals. Additional reductions in tax revenue will limit the resources available to state and local governments for investments in a healthy, well-educated workforce and safe, livable communities.

In 2009, Wisconsin residents paid the smallest share of their income in state and local taxes in at least 15 years, according to an analysis of new figures from the Census Bureau. The share of income that Wisconsin residents pay in state and local taxes, including individual income, sales, property, corporate income, gas, and cigarette taxes, has dropped by 15 percent over the last 15 years.

The drop has meant that Wisconsin residents are paying less of their income in taxes. In 1994, Wisconsin residents paid \$13.22 out of every \$100 in income in state and local taxes. By 2009, the most recent year for which figures are available, the share of taxes had dropped to \$11.21 out of every \$100 in income, as shown in Figure 1.



Wisconsin Compared to Other States

There are several different methods to compare state and local government revenue and spending. Wisconsin ranks near the middle among the states in many measures of revenue and spending, and slightly above the middle in most of the remaining measures, with a significant drop in ranking between 2000 and 2009 in most measures. For example, Wisconsin went from 11th highest in 2000 to 18th in 2009 in taxes, fees, and miscellaneous revenue per person, and from 13th to 20th in total spending per person.

Total government spending per person at the state and local level in Wisconsin was \$349 (3.6%) below the national average in 2009, the most recent year for which figures are available. However, the better spending measure to use for comparisons between states is a slightly narrower spending category, which excludes

things like spending for public utilities and state-run liquor stores. By that measure, the Census Bureau data show that Wisconsin was \$103 (1.3%) below the national average in per person spending.

Table 1 –2009 State and Local Revenue and Spending in Wisconsin, Per Person

Revenue Source	Natl. Average	WI	% Difference	Ranking	
				2000	2009
Taxes, fees, miscellaneous revenue, and federal aid	\$ 7,870	\$ 7,757	-1.4%	15 th	22 nd
Taxes, fees, and miscellaneous revenue	\$ 6,120	\$ 6,131	0.2%	11 th	18 th
Taxes only	\$ 4,146	\$ 4,269	3.0%	8 th	16 th
Federal aid only	\$ 1,750	\$ 1,626	-7.1%	35 th	36 th
Total spending	\$ 9,674	\$ 9,325	-3.6%	13 th	20 th
Spending, excluding trusts and state-owned enterprises	\$ 8,071	\$ 7,968	-1.3%	12 th	20 th
State and local employees, per 1,000 residents (2010)	53.7	50.5	-5.9%	33 rd	39 th

Taxes, Fees, and Federal Revenue

Total state and local taxes per person in Wisconsin were \$123 more than the national average in 2009, and Wisconsin ranked 16th in that category (compared to 8th in 2000). However, because per person income in Wisconsin is 6.2 percent below the national average, Wisconsin ranks higher on many of the measures when revenue is calculated as a percentage of total personal income. In state and local taxes relative to income, Wisconsin ranked 9th among the states. That is well below Wisconsin's 4th place ranking in 2000, but up from 12th in 2008. Although the ratio of taxes to income dropped in Wisconsin from 2008 to 2009, it fell more in a couple of states that had been ranked below us.

State residents don't only care about taxes; they generally have the same feelings regarding other revenue sources, such as fees, that come from their pockets. A broader measure of what state and local government collects from its residents includes all state and local revenue except federal aid. On that measure, Wisconsin ranks 18th, with per person revenue \$11 above average. Measured against personal income, Wisconsin's taxes, fees, and miscellaneous income at the state and local level are 6.8 percent above the national average.

Wisconsin continues to rank low in federal revenue. On a per person basis, Wisconsin ranks 36th in federal revenue, 7 percent below average.

Table 2 – Revenue and Spending Relative to Income

Revenue	Natl. Average	WI	% Difference	Ranking	
				2000	2009
Taxes, fees, miscellaneous revenue, and federal aid	19.4%	20.4%	5.1%	18 th	22 nd
Taxes, fees, and miscellaneous revenue	15.1%	16.1%	6.8%	13 th	15 th
Taxes only	10.2%	11.2%	9.8%	4 th	9 th
Federal aid only	4.3%	4.3%	-0.9%	35 th	31 th
Total spending	23.8%	24.5%	2.8%	19 th	22 th
Spending, excluding trusts and state-owned enterprises	19.9%	20.9%	2.9%	17 th	21 st

Government employment and payroll

One reason that per person government spending in Wisconsin is below the national average is that government units in Wisconsin have fewer employees on their payroll. Census Bureau data reveal the following about public sector employment and payrolls in Wisconsin in 2010:

- The number of state and local employees per 1,000 state residents was 5.9% below average, ranking 39th nationally.
- State and local spending for public employee payrolls was 8.0 percent below the national average and ranked 31st.

The Effect of Further Tax Cuts

Wisconsin policymakers who are focused on cutting taxes should know that taxes, measured as a share of income, have steadily dropped over the last 15 years. Various ways of measuring state and local government revenue and spending in the state show that Wisconsin's ranking among the states has dropped over recent years, although it rose modestly in 2009.

The Legislature has cut state taxes by \$210 million over the next biennium, capped local property taxes, and is considering several additional proposals that would further reduce state revenue. These additional cuts could reduce the percentage of income that Wisconsin residents pay in taxes compared to what it would otherwise be, but also jeopardize Wisconsin's public investments in our state's high quality education and health care systems.

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