

WISTAX: “Little-known” taxes generate billions for federal, state and local governments

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New WISTAX Report Highlights Taxes Consumers Don't Notice

MADISON—As Wisconsin’s weather starts to warm, thoughts turn to summer vacation. However, few residents realize they pay hundreds of dollars per person each year in “hidden” taxes, many tied to those vacations. “Uncovering “Hidden” Taxes,” a new report from the Wisconsin Taxpayers Alliance (WISTAX), sheds light on many of these charges, including those on fishing and hunting equipment, driving, and hotels. The report also discusses a newer form of hidden taxes, those included on phone bills. Now in its 85th year, WISTAX is a nonpartisan organization dedicated to public policy research and citizen education.

Both federal and state governments impose taxes on products that manufacturers include in the selling price, hidden from the consumer. These are different than the retail sales tax that customers see added to the price at the time of purchase.

For example, the federal government imposes a 10% tax on fishing poles and equipment and a 3% tax on tackle boxes and outboard motors. These taxes are included in the retail price and ultimately paid by the consumer. Revenues from them are returned to states to support fish restoration, aquatics education, and boating access. In 2016, \$11.9 million of \$361.1 million collected was returned to Wisconsin.

The “feds” also impose taxes on the manufacture of rifles, shotguns, and ammunition (11%); pistols and revolvers (10%); bows, quivers, and arrow tips (11%); and arrow shafts (49¢ each). Revenues are returned to the states for wildlife management, conservation, hunter education, and shooting ranges. In 2016, Wisconsin received \$21.0 million of \$695.1 million distributed by Washington.

Wisconsin imposes a variety of taxes on manufacturers or distributors that are ultimately paid by consumers. Included in the price of each gallon of gasoline is a 32.9¢ state tax and an 18.4¢ federal tax. In other words, drivers pay more than 50¢ per gallon in gas taxes. In 2016, state collections alone totalled just over \$1 billion, or about \$215 per resident 16 or older.

The state also imposes taxes on alcohol and tobacco that are hidden in the price. Wisconsin taxes beer at \$2 per barrel, or 15¢ per 24-can case. A 50% credit on the first 50,000 barrels is available to small brewers. The state’s beer tax generated \$9.0 million in 2016. Beer drinkers also pay \$18 per barrel in federal taxes.

The state taxes liquor at 86¢ per liter and wine at varying rates depending on alcohol content. Combined, these taxes generated \$50 million in 2016.

While beer and liquor taxes in Wisconsin are lower than in most states, tobacco taxes are higher. The state taxes cigarettes at \$2.52 per pack, 11th highest nationally. The federal government imposes a tax of \$1.01 per pack, bring the total tax to \$3.53 per pack. State cigarette taxes generated \$573 million in 2016.

Other tobacco products are taxed by both federal and state governments, with rates varying by product. The state taxes totalled \$76.1 million in 2016. Combined, state alcohol and tobacco taxes totalled \$708.5 million, or about \$168 per resident 21 or older.

“Probably the least known and understood of the hidden taxes are the crop of recent charges that appear on phone bills,” says WISTAX President Todd A. Berry. Both the state and federal governments impose separate universal service fees on providers, who pass them on to consumers. The state tax is 24% of intrastate telecommunication revenues. The federal tax is 16.7% of interstate and international revenues. Wisconsin’s universal service fee generated \$47.8 million in 2016.

The state also imposes a “Police and Fire Protection Fee” of 75¢ per cell phone and

landline and 38¢ per pre-paid mobile phone. Despite its name, revenues are not used specifically for police and fire; rather, they supplement the county and municipal aid program.

The new WISTAX report also discusses other unseen taxes, including the state tax on home purchases, municipal room taxes, local sales taxes in several resort areas, and property taxes on renters.

It also explains that a number of income, sales, and property taxes levied on businesses may ultimately be passed on to consumers through higher prices, employees through lower compensation, or owners through reduced profits.

A free copy of The Wisconsin Taxpayer magazine, "Uncovering "Hidden" Taxes: Taxes and Fees Consumers May Not Know They Pay," is available by visiting www.wistax.org; emailing wistax@wistax.org; calling [608.241.9789](tel:608.241.9789); or writing WISTAX at 401 North Lawn Ave., Madison, WI 53704-5033. O

(Editor's Note: An electronic version of this release is available at www.wistax.org.)