

WISTAX: Wisconsin income tax burdens rank highest over “broad middle-income” range

Posted on Tuesday, Apr 11, 2017

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State Places 10th Highest at \$100,000, 32nd at \$20,000

MADISON—With tax season fresh in mind, many residents know that Wisconsin’s individual income tax ranks relatively high among the states, 12th highest according to available federal figures. What is not well known is that rank varies depending on taxpayer income from as high as 10th to as low as 32nd. A new analysis from the Wisconsin Taxpayers Alliance (WISTAX) shows that middle-income filers with taxable incomes between \$50,000 and \$150,000 are particularly affected.

For a hypothetical married couple in that range, income taxes rise surprisingly quickly as income increases. Drawing in part on calculations from the Minnesota Center for Fiscal Excellence, WISTAX found that:

n At \$20,000, a typical couple owes -\$591; that is, no tax is owed and a refund of \$591 is received. That is 51% below the national average (-\$391), and places the state 32nd among the 41 states with income taxes. At \$35,000, the Wisconsin burden (+\$125) is 65% below the US average (+\$353) and ranks 25th.

n At \$50,000, the typical Badger State bill is \$1,383, 19th highest and on par with the US norm (\$1,358).

n Over the next \$100,000 of taxable income, however, state income taxes here jump quickly compared to the average. At \$75,000, a Wisconsin bill averages \$2,811, 13th highest and 16.4% above the US mean (\$2,415). At \$100,000 of income—appropriate for spouses each with \$50,000 of taxable income—the state burden is again 16.4% above average (\$4,297 vs. \$3,693) and ranks even higher (10th). Finally, at the \$150,000 level, the average Wisconsin tax (\$7,069) ranks 13th, 13.7% above average (\$6,217).

At higher income levels, burdens were 7.8% to 15.4% above average, with ranks in the 13th to 18th range.

Why are income taxes relatively high on middle-income filers? One reason is that they are the state's main revenue source : "With only 10% to 15% of income either under \$40,000 or above \$500,000, the state turns to those between \$40,000 and \$150,000—where over half of income to tax is found," notes WISTAX President Todd A. Berry.

In addition, Wisconsin's income tax is "progressive," meaning taxes claim a larger share of income at higher income levels. State law provides for four marginal tax rates (4.00% to 7.65%), but the rates jump quickly to 5.84% and 6.27% once married-couple incomes exceed about \$15,000 and \$30,000, respectively. The state also has a unique "sliding" standard deduction that impacts middle-income taxpayers, since it drops from over \$18,000 to zero for couples with taxable incomes between \$20,000 and \$115,000.

For a free copy of the WISTAX study, "Wisconsin income tax has surprises," visit www.wistax.org; email wistax@wistax.org; call [608.241.9789](tel:608.241.9789); or write WISTAX at 401 North Lawn Ave., Madison, WI 53704-5033. WISTAX is a nonpartisan, nonprofit organization dedicated to public policy research and citizen education. o

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