



WISCONSIN POLICY FORUM

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Wisconsin's State and Local Tax Burden Falls Again, Reaching Half-Century Low

Massive income tax cut, surging incomes cause another drop in total taxes paid as share of income

Wisconsin's state and local tax burden fell again in 2022 to its lowest level on record, due to a \$1 billion income tax cut, tight limits on property taxes, and strong growth in residents' incomes, a new Wisconsin Policy Forum report finds.

The tax burden is the total tax revenues collected in Wisconsin, measured as a share of statewide personal income. It's a metric tracked by the Forum and its predecessor, the Wisconsin Taxpayers Alliance, for more than 50 years.

This percentage has been in a steady long-term decline in Wisconsin and fell again in the 12-month state fiscal year that ended June 30, 2022. The state's local tax burden has never been lower in more than a half century of data, the report finds, and state and federal tax burdens on families and businesses are also near historic lows.

Total state and local tax collections in Wisconsin rose to \$35.36 billion in fiscal year 2022, up 4.1% from \$33.97 billion the previous year. But since that was markedly lower than the growth in personal income, the overall tax burden fell.

In fiscal 2022, state and local tax revenues fell as a share of personal income to just under 10.1%, – down from 10.3% in 2021 and from 11.4% a decade ago. It was the lowest level in Forum records going back to 1970.

State and local taxes as a share of income also have fallen substantially over time in Wisconsin compared to other states. As [the Forum noted in a recent brief](#), 2020 U.S. Census Bureau figures show Wisconsin's state and local tax burden has been below the national average for three years in a row. This report provides a more up-to-date picture on the tax burden, but only for Wisconsin. Additional findings include:

- Total **local tax collections** rose 2% to \$11.58 billion in 2021, up from \$11.35 billion the previous year. The increase was much lower than both inflation and personal income growth, causing the local tax burden to drop to 3.3% – the lowest level going back to 1970. This trend is largely due to efforts by state officials in the past decade to hold down property taxes, the largest single levy in Wisconsin and one that accounts for nearly all local taxes.
- Revenue from the **individual income tax**, the largest state tax, fell by 0.7%, from \$9.28 billion in 2021 to \$9.21 billion in 2022, as the state enacted a historic tax cut. In the 2021-23 budget, lawmakers and Gov. Tony Evers lowered the marginal rate for the third income tax bracket from 6.27% to 5.30%, lowering tax collections over what they otherwise would have been by approximately \$1 billion per year. The nearly one-percentage-point reduction is the

largest single-year drop in a bracket rate since the late 1980s and has a huge impact, as the third bracket applies to a wide range of income for state taxpayers.

- In 2022, **state sales tax collections** grew 9.5% to \$6.98 billion, up from \$6.37 billion in 2021. That was the largest year-over-year increase since the early 1980s – a period of high inflation and the Legislature’s increase of the sales tax rate from 4% to the current 5%. The rise in sales tax revenues here modestly trailed the median state nationally, which according to the National Association of State Budget Officers (NASBO) had an estimated increase of 10.1%. The increase resulted in large part from rapid inflation, which meant that consumer spending increased on goods and services, raising sales tax collections in turn.
- **Corporate franchise and income tax revenues** rose by 15.6% in 2022 to \$2.96 billion, leaving them more than three times larger than they were as recently as 2018. The increase in 2022, however, was somewhat less here than the median state nationally, where corporate collections are estimated by NASBO to have risen 19%.
- Excise tax revenues going to the state’s general fund fell in 2022. **Tax revenues from cigarettes** – a larger source of funds in Wisconsin than most states nationally – declined in 2022 by 5.4% to \$482.4 million. In 2020, the state enacted a new tax on vaping products at a rate of five cents per milliliter of liquid or other substance. Total vaping tax revenues rose nearly 165% to \$4.1 million in 2022, up from the \$1.6 million in 2021.
- **Gas tax collections**, which have been in long-term decline and saw a particularly pronounced pandemic-driven decline in 2021, rebounded strongly in 2022, rising 15.8%. Total revenues from motor fuel taxes increased from \$959.4 million in 2021 to \$1.11 billion in 2022. However, they remain well below inflation-adjusted levels from previous years.

Ultimately, the report finds Wisconsin state officials have kept local tax collections on a much tighter leash in recent years than they have their own. That contrasts with the decade from 2000 to 2010, when local tax revenues grew more quickly than state collections.

Since 2010, even with the recent large income tax cut, state tax revenues have grown by 56.9%. Local tax collections, on the other hand, have grown by only 23.7% over that same period. While the state passes on a share of the revenue it raises to local communities in the form of aid to schools and local governments as well as other services such as Medicaid, the discrepancy is worth noting.

In a growing number of referenda, voters have opted to raise their own property taxes to increase resources for school districts and, more recently, for other local governments as well. This trend, however, may exacerbate differences between the communities with the means and willingness to approve these ballot questions and those that do not.

In a typical budget year, state officials would have to choose between addressing these funding needs at the local level and restraining growth in taxes. In the upcoming budget for the two-year cycle beginning July 1, a [record projected state budget surplus](#) is likely to give the opportunity to accomplish both.

[Click here to read the full report.](#)

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