



## THE TAX RANK GAME

A frequent question asked about taxes is: "How does Wisconsin compare with other states?" The answer from the U.S. Census Bureau is 13th highest as a share of personal income. More creative answers can range from 8th to 30th, depending on one's goal.

### RANKING 101

Census Bureau figures are used most often by tax researchers to do interstate comparisons. They are widely accepted but lag a few years—2007-08 data are used here.

To do rankings, researchers combine state-local revenues to avoid problems associated with aids governments pay each other. States are then ranked based on taxes relative either to personal income or population. Here, we use income.

### THE TAX-RANK GAME

Confusion over rankings arises from the definition of taxes, and whether fees or other revenues are considered "taxes." This "playing board" illustrates how the game works. The "player" starts at the green circle and moves around the board to the red finish.

### Taxes: The Census View

If the state is ranked using only its four principal taxes—individual and corporate income, property and sales—its burden is 10.1% of income, or eighth highest. If the goal were to obtain the highest possible tax ranking, this might be the approach used.

In defining taxes, the Census adds taxes other than the four already mentioned, including gas and excise taxes. Wisconsin's combined take from these smaller taxes accounts for 1.4% of personal income, 40th highest among the states. Adding those brings the state's rank to 14th (11.5% of income).

The Bureau also includes various fees un its tax total, including fees for vehicle registration, driver licenses, hunting, and fishing. When these are added to the other taxes, the result is the Census definition of taxes. Wisconsin ranks 13th (11.8% of income) on this measure. When researchers speak of Wisconsin taxes, they are usually referring to this rank.

### Modest Fees Lower Rank

State-local governments also collect fees from residents for tuition, public hospital stays, local sewers, etc. Some include these fees in calculating a "tax" rank. Although fees are paid by citizens to various units of government, they are not truly taxes. Their payment is discretionary, not mandatory like taxes. A better name for this category is "taxes and fees," and Wisconsin ranks 17th.

### Miscellaneous Revenues Help, Too

The revenues that follow, some not paid by state citizens, further drop the state's rank. Wisconsin's "own-source" revenues, which are comprised of taxes and fees, interest, property sales, royalties, rents, and other miscellaneous revenues, were 16.7% of income. Some cite this number when discussing the state's "tax" rank.

### Little Help from Your Feds

Although not often done, it is possible to push this rank even lower if the small amount (38th) of federal aid this state receives is included. The bottom line? Wisconsin taxes rank in the top 15. However, since it relies less on fees and other miscellaneous revenues, its own-source revenue ranking is much more modest.

