

Focus

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In brief

During last year's income tax season, 2.8 million filers paid \$5.7 billion in state income taxes. The average amount paid by those owing tax was \$2,834. Those with incomes of \$30,000 or less represented half (50.2%) of all filers and paid 5.2% of state income taxes, while those with incomes of \$70,000 or more comprised one-fifth (19.3%) of filers but paid two-thirds (67.0%) of the taxes.

Capitol notes

- *"Fraud, waste, and mismanagement in state government" can be reported to the Legislative Audit Bureau's hotline at 1-877-372-8317.*
- *With the state's 2007-08 fiscal year three-fourths over, general fund tax collections were up 3.8%. Adjusted for a timing difference, they rose 2.3%. Always hit hardest by an economic slowdown, state corporate income tax collections were off 13.3% vs. last year.*
- *The national switch to digital TV broadcasting in early 2009 means consumers will need either a digital set or a converter box for their current TV. The federal government will provide consumers two \$40 coupons, each of which can be used to purchase one box. State sales tax will not apply to the portion of the converter attributable to the \$40 coupon, but it will apply to any additional amount.*

Income tax season in the rearview mirror

Wisconsin taxpayers recently filed their 2007 income tax returns, most probably convinced that they paid too much and others paid too little. Senator Russell Long famously described the attitude as "don't tax you, don't tax me, tax that fellow behind the tree."

Who files? Who pays?

Figures for last year's tax season, when 2006 returns were filed, shows who actually paid state and federal income taxes. Wisconsin had 2.76 million (m) income tax filers, who paid \$5.75 billion (b) in net taxes on adjusted gross income (AGI) of \$129.21b. On the 2.03m returns reporting tax (income and minimum) due, the average amount paid was \$2,834.

Wisconsin has a "progressive" income tax: As income grows, tax rates rise and the relative value of deductions and credits falls. In other words, taxes tend to claim a larger share of higher incomes. That explains why there is a difference between who files tax returns and who pays taxes (see table below).

□ *Half of filers.* Of 2.76m returns, 637,200 (23.1%) reported AGI of less than \$10,000. Those numbers grew in higher income ranges. With 401,200 filers (14.6%) having AGI between \$10,000 and \$20,000 and another 345,400 reporting between \$20,000 and \$30,000 (12.5%), a majority (50.2%) of filers had incomes under \$30,000.

However, these individuals—particularly at the lowest income levels with many student dependents—represented a smaller share of income and a small share of taxes. They accounted for 12.6% of all AGI (including losses) and 5.0% of all taxes. The average tax bill paid by this group was \$249. The above percentages mean that the other half of filers (49.8%) paid 95% of income taxes.

□ *Half of incomes.* About 1.13m filers (41.1%) had incomes between \$30,000 and \$100,000. This group accounted for about half of all AGI (49.7%) and roughly the same percentage of net tax paid (48.3%). Average

The Wisconsin Individual Income Tax: Who Files? Who Earns? Who Pays?

2006 Tax Statistics by AGI: Returns, AGI, Tot., and Avg. Tax

AGI (000)	2006 Returns		Adj. Gross Inc.		Income Tax ^m		
	(\$000)	% Tot.	\$ Bill.	% Tot.	\$ Mill.	% Tot.	\$ Avg. ^t
Under \$10	637.2	23.1	1.8	1.4	8.0	0.1	104
\$10 to <\$20	401.2	14.6	6.0	4.6	64.8	1.1	249
\$20 to <\$30	345.4	12.5	8.6	6.6	216.8	3.8	671
\$30 to <\$40	277.2	10.1	9.6	7.5	337.5	5.9	1,229
\$40 to <\$50	221.2	8.0	9.9	7.7	391.5	6.8	1,779
\$50 to <\$70	340.9	12.4	20.3	15.7	877.1	15.3	2,581
\$70 to <\$100	294.4	10.7	24.4	18.9	1,167.9	20.3	3,972
\$100 to <\$200	191.9	7.0	24.7	19.1	1,298.6	22.6	6,773
\$200 to <\$500	36.7	1.3	10.6	8.2	619.2	10.8	16,907
\$500 to <\$1m	6.8	0.2	4.6	3.6	282.3	4.9	41,470
\$1m and over	3.2	0.1	8.7	6.7	483.1	8.4	151,577
Totals	2,756.0	100.0	129.2	100.0	5,746.7	100.0	2,834

Source: Wisconsin Department of Revenue.

^mIncludes state minimum tax; ^taverage tax for returns with tax due.

tax bills ranged from \$1,229 for filers in the \$30,000 to \$40,000 bracket to \$3,972 for incomes between \$70,000 and \$100,000.

□ *Half of taxes.* With the lower 91.3% of filers accounted for, that means the remaining 8.7% had AGI of \$100,000 or more. This group reported 37.6% of all AGI and paid almost half (46.7%) of all income taxes.

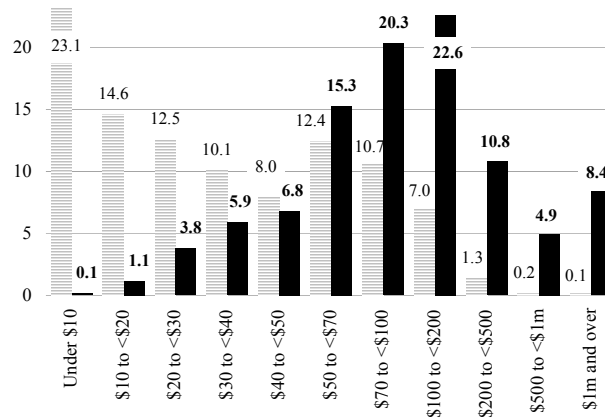
The average tax bill for those with AGI of \$100,000 or more was \$11,258. This varied considerably, from \$6,773 for those in the \$100,000 to \$200,000 range to \$151,377 for those reporting AGI of \$1m or more.

Sometimes it is easier to see numbers than to read them. The graph (above, right) shows the percentages of filers (gray) and of income taxes paid (black) for various income groups. For example, those with AGI between \$40,000 and \$50,000 were 8.0% of filers and paid 6.8% of taxes, while filers in the \$70,000 to \$100,000 range accounted for 10.7% of filers and 20.3% of income taxes.

Us vs. U.S.

Although Wisconsinites paid over \$5.7b in 2006 state

Who Files, Pays State Income Taxes?
% of Filers (gray) and of Taxes Paid (black; 000) by AGI



income taxes, they paid a much larger amount in federal income taxes (\$16.8b). Detailed federal figures are not yet available for 2006, but 2005 data for the nation as a whole are revealing, particularly when compared against the state numbers earlier mentioned.

Federal Income Taxes, 2005
Total U.S. Filers, AGI, and Taxes (Source: IRS)

AGI (\$000)	Returns		Adj. Gross Inc.		Taxes	
	(\$000)	%	\$ Bill.	%	\$ Bill.	%
Under 25	57,898	43.1	0	0.0	0	0.0
25 to 50	33,297	24.8	594,171	9.3	15,929	2.3
50 to 100	28,801	21.4	1,199,450	18.8	70,869	10.1
100 to 200	10,810	8.0	2,028,146	31.7	178,810	25.6
200 to 500	2,738	2.0	1,430,581	22.4	189,468	27.1
500 to 1m	525	0.4	788,882	12.3	159,395	22.8
1m+	304	0.2	355,221	5.6	84,700	12.1
Total	134,373	100.0	6,396,450	100.0	699,172	100.0

The number of U.S. filers (134.4m) and income taxes paid (\$699.2b) dwarfs the Badger State. But it is the distribution of those figures (see table below, left) that offers a noticeable contrast to Wisconsin. There is little difference between the state and nation in the income distribution of filers at low- and middle-income levels. For example, 68.3% of Wisconsin (2006) and 67.9% of federal (2005) filers reported adjusted gross incomes of \$50,000 or less. At \$200,000 or more, there was an upward income skew to federal filers (2.6% vs. 1.6%).

Where the state and nation depart is on income amounts and taxes. While 18.5% of Wisconsin AGI was earned by filers with income of \$200,000 or more, the U.S. percentage was double that (40.3%). As a result, the federal tax burden was more heavily tilted toward those above \$200,000 than Wisconsin's (62.0% vs. 24.1%).

Looked at another way, because Wisconsin lacks the earners at high income levels that the federal government can tax, a greater share of state taxes fall on those with incomes between \$25,000 and \$100,000 (50.5%) than is the case with the federal income tax (12.4%).

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