



Wisconsin Taxpayers Alliance

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NEWS

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2006 Total Taxes Rose 4.9% to Claim 33.4% of Wisconsin Personal Income Federal, State, and Local Tax Collections Reach \$61.4 billion

MADISON—For the third consecutive year, Wisconsin citizens and businesses devoted a larger share of income to federal, state, and local taxes. In 2006, taxes claimed 33.4% of personal income, up from 33.1% in 2005, according to a new report by the Wisconsin Taxpayers Alliance (WISTAX).

Total tax collections rose 4.9% to \$61.4 billion, a considerably smaller increase than the 11.2% jump in 2005, perhaps signaling a slowdown in Wisconsin's economy after two years of strong growth. Statewide personal income did not keep pace, increasing 4.2% to \$184.1 billion. Since 1980, though, income has grown slightly faster (an average of 6.0% per year) than taxes (5.7% per year), said WISTAX, a nonprofit, nonpartisan government-research organization.

Wisconsin's tax burden peaked in 2000 at 36.8% of personal income, but then dropped sharply due to tax cuts, a slowing economy, and the aftermath of the September 11 terrorist attacks. By 2003, it had fallen to 30.7% of personal income. As the economy has recovered, the tax burden rose to near historical averages. Most of the growth in the last three years has been due to increasing federal revenues (18.9% of income in 2003; 21.2% in 2006). State revenues have moved up slightly (7.4% in 2003; 7.8% in 2006), while local revenues have been stagnant (4.4% in 2003 and 2006).

WISTAX noted several trends in Wisconsin's state, local, and federal tax collections:

State Taxes

- Individual income tax collections totalled \$6.14 billion in 2006, breaking the state's previous record of \$5.96 billion set in 2000. The top rate is currently 6.75% on taxable incomes over \$132,580 for singles and \$176,770 for married couples, much lower than the 1972-78 peak of 11.4%.
- Collections from the state sales tax generated \$4.13 billion in 2006, accounting for 28.8% of all state taxes. Sales tax growth has been slow in recent years, with collections increasing just 2.2% in 2006, well below the 6.5% average annual increase of the 1990s.
- The corporate income tax is the smallest of the "big three" state general purpose taxes, bringing in 5.5% of total state tax revenues in 2006. Collections totalled \$780.3 million, up 2.1% from 2005.
- Wisconsin's unemployment insurance tax raised \$700.3 million in 2006, up 6.7% from 2005.

Local Taxes

- For the first time since 2000, local taxes fell as a percentage of personal income, from 4.5% in 2005 to 4.4% in 2006. Local taxes generated \$8.11 billion, up 2.5% for the year.

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The Wisconsin Taxpayers Alliance, founded in 1932, is the state's oldest and most respected private government-research organization. Through its research, publications, civic lectures, and school talks, WISTAX aims to improve Wisconsin government through citizen education. Nonprofit, nonpartisan, and independently funded, WISTAX is not affiliated with any group—national, state, or local—and receives no government support.

- Gross property taxes increased 2.2% in 2006 to \$8.33 billion, the smallest increase since 1997, due in part to various revenue limits on local governments, as well as increased state school aid.
- Net property taxes (gross taxes minus the school aid credit and the lottery credit) totalled \$7.74 billion, up 2.5% in 2006.
- Of the state's 72 counties, 58 imposed a local sales tax, collecting a total of \$265.7 million in 2005, up 0.5% over 2004. Total county sales tax collections have grown faster than state collections only because each year additional counties add the new sales tax.
- Remaining local revenues from the hotel room tax, a car registration tax collected in Beloit and Sheboygan only, and Milwaukee's exposition tax all increased over the previous year.

Federal Taxes

- Federal taxes were 73.4% more than state and local taxes combined, and claimed 21.2% of personal income in 2006, an increase of 0.3 percentage points over the previous year. Since 1996, federal taxes have increased 49.3%, outpacing state-local collections, which increased 46.8% in that period.
- The federal individual income tax is the largest single tax paid in Wisconsin. Collections rose 6.9% to \$16.8 billion in 2006. Since 2004, income tax collections have risen 21.7%. Despite this recent growth, federal income taxes relative to Wisconsin personal income have fallen from 11.5% of personal income in 2000 to 9.1% of personal income in 2006.
- Federal corporate income taxes fell 0.4%, from \$5.12 billion in 2005 to \$5.10 billion in 2006.

For a free copy of *The Wisconsin Taxpayer*, "Wisconsin's Total Taxes: 2006," write to WISTAX, 401 North Lawn Ave., Madison, WI 53704-5033; e-mail wistax@wistax.org; visit www.wistax.org; or phone 608.241.9789. □

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