



## Wisconsin Taxpayers Alliance

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# NEWS

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### **Taxes Accounted for Nearly 35 Cents of Every Wisconsin Dollar in 2007** Total Taxes Up 8.1% from 2006

MADISON—Wisconsin residents paid more in federal, state, and local taxes for the fourth consecutive year in 2007. Payments rose 8.1%, to \$66.4 billion. Growing federal taxes (up 10.8%) were primarily responsible for the increase. State tax collections grew less (3.9%), hampered by stagnant sales tax revenues and falling cigarette tax revenues. Local taxes (3.0%) increased the least. These tax trends are examined in “Wisconsin’s Total Taxes: 2007,” a new report from the Wisconsin Taxpayers Alliance (WISTAX). WISTAX is a nonprofit, nonpartisan public-policy research organization.

Total taxes in 2007 claimed 34.7% of personal income, an increase of one percentage point from 2006 (33.7%). This percentage was at its highest since 2001 (33.9%). While still lower than 2000’s record high (36.8%), the tax burden has moved up following declines between 2001 and 2003, when an economic slowdown and tax policy changes lowered tax collections.

#### **State**

A total of \$14.9 billion in state taxes and fees were collected in fiscal 2007, an increase from \$14.3 billion in 2006. State taxes were 7.8% of personal income, slightly lower than in 2006 (7.9%).

- The state income tax generated the most revenue (\$6.6 billion) in 2007, up 7.0% from 2006 (\$6.1 billion). Since personal income also rose in 2007 (5.3%), the income tax burden was largely unchanged at 3.4% of income.
- The second-largest state tax, the sales tax, increased 0.8%, from \$4.1 billion to \$4.2 billion, in 2007. The sales tax burden (2.2% of income), declined slightly for the second year, after remaining relatively unchanged between 1985 and 2005. The 2007 sales tax burden was virtually identical to the burden in 1978 (2.2% of income). In 1978, however, the sales tax rate on purchases was 4.0%, compared to today’s 5.0% rate. Internet purchases that don’t capture sales taxes appear to be a factor.
- Corporate income taxes grew 14.1% in 2007, to \$890.1 million, increasing for the fifth consecutive year. Corporate income tax collections tend to mirror the health of the economy, and the increase is

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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.

February 6, 2008

consistent with the economic recovery of past years. The only other period of five-year growth (1993 through 1997) was followed by a 2.6% drop in 1998.

- There were two notable state taxes whose collections declined in 2007. Real estate transfer fees fell 10.9%, to \$80.5 million, as a result of slower home sales. Cigarette taxes fell 1.8%, to \$296.1 million, due to lower consumption.

## **Local**

Local taxes increased 3.0% in 2007 from the previous year. Although raising less money overall than state taxes (\$8.4 billion vs. \$14.9 billion), the single largest state-local tax remains the property tax.

- Net property taxes totalled \$8.0 billion in 2007, also an increase of 3.0% from the previous year. The increase would have been higher (4.9%) had it not been for additional state credits. The lottery credit increased by \$25.3 million in 2007. And the school levy credit increased by \$123.8 million, the first increase since 1997.
- County sales taxes raised \$274.5 million, 3.3% more than the previous year. Growth in county sales taxes can differ from statewide changes due to differences in fiscal years and counties adopting the sales tax.

Further details of the report, including a table of state-local taxes from 1997 to 2007, are available from WISTAX. For a free copy of *The Wisconsin Taxpayer*, "Wisconsin's Total Taxes: 2007," write WISTAX, 401 North Lawn Ave., Madison, WI 53704-5033; e-mail [wistax@wistax.org](mailto:wistax@wistax.org); visit [www.wistax.org](http://www.wistax.org); or phone 608.241.9789. □