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**NEWS**

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## **Net Property Tax Levies Up 5.7% in 2008** Increase Is Largest Since 2005

MADISON—Net property taxes in Wisconsin rose 5.7% in 2008, the largest increase since 2005, the year before the recent levy limits on municipalities and counties were imposed. A new report from the Wisconsin Taxpayers Alliance (WISTAX) found that while gross property taxes climbed 6.2%, state lawmakers increased the school levy credit \$79.3 million to \$672.4 million to lessen the impact on property taxpayers. The new study, “The Property Tax in National Context,” notes that 2006 property taxes here were ninth highest nationally and higher than those in all surrounding states.

According to the new study, school levies rose the most, 7.4%. With the recent state budget delayed until October 2007, school aids were unchanged from 2006-07. Since school property taxes are tied to state aids through state-imposed revenue limits, the budget delay resulted in higher school property taxes, WISTAX said. Now in its 76th year, WISTAX is a nonprofit, nonpartisan public-policy research organization dedicated to citizen education.

County and municipal levy increases were limited by state lawmakers to the greater of 3.86% or the increase in property values due to new construction. There were exceptions to the limits, particularly for new debt service. The WISTAX report noted that, with a slowing real estate market, statewide net new construction growth was 2.5%. However, municipal property taxes climbed 5.0%, and county levies were up 4.5%.

Among the three types of municipalities, municipal-purpose property tax levies in cities (5.3%) grew fastest, followed by villages (4.6%) and towns (4.2%). The report noted that the state’s two largest municipalities had above-average increases: Milwaukee was up 9.0%, while Madison’s municipal levy climbed 6.9%. The largest county increases were in Eau Claire (19.2%), Polk (13.5%), Door (12.4%), and Pierce (12.3%) counties.

The new WISTAX study also examined property taxes here relative to other states. Using the most recent figures from the U.S. Census Bureau, researchers found that Wisconsin property taxes, at 4.4% of personal income, were ninth highest in the nation. Nationally, property taxes averaged 3.5% of income. The highest property taxes were in the Northeast: New Hampshire (5.7% of income), Vermont (5.6%), New Jersey (5.4%), and Maine (5.4%). States with the lowest property taxes were Alabama (1.4%), Oklahoma (1.7%), Delaware (1.7%), Arkansas (1.8%), and New Mexico (1.8%).

“Use of the property tax has traditionally been related to geography,” noted WISTAX Research Director Dale Knapp. “States in the Northeast, Midwest, and Northern Plains tended to use it more, while southern

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July 22, 2008

states used it to a lesser degree.” That has changed a little over the last 47 years as some high property tax states, particularly in the Northern Plains, enacted major property tax reforms. Wisconsin was among the top 10 states in 22 of the 47 years studied, despite repeated attempts at property tax relief.

WISTAX researchers looked at several explanations for the state-to-state variations in property taxes. They noted that local spending was important, as were other revenue sources and, to a lesser degree, state aids to local governments. Wisconsin’s main local-option tax is the 0.5% county sales tax, which is intended to reduce county property taxes. Other states—particularly Maryland, Ohio, New York, Kentucky, and Pennsylvania—use local income taxes to help reduce the property tax burden. Louisiana, Colorado, Georgia, New York, and New Mexico make significant use of local sales taxes.

States in the south and west tend to use fees and charges to a greater degree than the rest of the nation. Local fees were most prevalent in Wyoming, Mississippi, South Carolina, Idaho, and Alabama. Wisconsin ranked 32nd in its use of local fees, WISTAX said.

The new report noted that state financial assistance to local governments can be of some help in reducing property taxes, but research has shown this often to be temporary. Wisconsin ranked eighth in state transfers to local governments, yet also had the ninth-highest property taxes. Large aid increases temporarily reduce property taxes, although there is evidence that some of the aid is used for new spending. Unless local aids are continually increased, their effect on property taxes diminishes over time.

Complete 2008 municipal tax levy information can be obtained at [www.wistax.org](http://www.wistax.org) in the “Facts and Figures” section. A free copy of *The Wisconsin Taxpayer* report on Wisconsin’s property taxes is available by contacting WISTAX at 401 North Lawn Ave., Madison, WI 53704-5033; e-mailing [wistax@wistax.org](mailto:wistax@wistax.org); visiting [www.wistax.org](http://www.wistax.org); or phoning 608.241.9789. □

*(Editor’s Note: An electronic version of this release is available at [www.wistax.org](http://www.wistax.org).)*