



Wisconsin Taxpayers Alliance

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NEWS

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Wisconsin's Tax and Spending Ranks Fall State Tax Rank Out of Top 10 for Second Consecutive Year

MADISON—Over the past 15 years, Wisconsin's tax ranking among the 50 states fell from third in 1993 to 14th in 2007, according to a new report, "Long-Term Tax and Spending Ranks," from the Wisconsin Taxpayers Alliance (WISTAX). The nonpartisan research organization also said that, with state and local government revenues growing less here than elsewhere, the Badger State's 50-state spending rank dropped from 13th to 26th.

Reasons given by WISTAX for the drop in tax and spending ranks included state income tax cuts in 1999-2001 and limits on school, municipal, and county revenues in recent years. The study was based on Census Bureau figures from 1993 to 2007, the most recent year for which data are available.

Wisconsin's rank dropped in nearly all major revenue categories during the 1993-2007 period. Wisconsin's individual income tax was among the seven highest from 1993 through 2000. However, income tax changes, including an indexing of tax brackets and the standard deduction and a lowering of tax rates, helped push Wisconsin out of the top 10 after 2004. In 2007, state income taxes were 14th highest nationally and claimed 3.2% of personal income, versus 3.5% in 1993.

Although no major changes were made to the state corporate income tax over the years studied, its national rank fell from 15th to 25th. Relative to state income, though, the corporate tax was 0.5% in both 1993 and 2007. Much of the shift in rank was due to Wisconsin's lagging economy. Corporate income tax collections are sensitive to economic conditions, and the state's economy lagged the nation's for the last several years. As recently as 2004, Wisconsin's corporate income tax ranked 12th highest nationally.

According to WISTAX researchers, the state's property tax was consistently among the top 10 from 1993 through 1996, claiming between 4.7% and 4.9% of income. However, a \$1 billion buydown of school property taxes in 1996-97 dropped the state's ranking to 11th (4.2% of income). Since then, the state has limited school levy increases through revenue limits, and more recently slowed the growth of municipal and county property taxes with levy limits. As a result, the state property tax ranking has fluctuated between ninth and 11th nationally. In 2007, property taxes here claimed 4.2% of personal income and were 10th highest nationally.

Of the major revenue sources for Wisconsin governments, federal money is generally the least reliable, WISTAX said. Wisconsin ranked 37th in federal dollars received in 2007, down from 32nd in 1993. The relative lack of federal assistance is one reason Wisconsin's tax rank has traditionally been high.

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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.

On the expenditure side of the ledger, the ranks for Wisconsin's state and local spending also fell. Direct general expenditures claimed 20.2% of personal income in 2007, down from 21.6% in 1993. At 26th, Wisconsin's 2007 spending was among the middle of states. In 1993, it was 13th.

The new WISTAX study also examined specific spending categories. Among the largest declines in rank was spending on public K-12 education. In 1993, Wisconsin's public schools spent 5.5% of state personal income, fifth highest in the U.S. A combination of state-imposed revenue limits and recent statewide declines in enrollments reduced K-12 spending here to 4.8% of income in 2007. Wisconsin was 23rd nationally. However, on a per student basis, Wisconsin schools ranked 15th nationally.

Over the years studied, Wisconsin's ranking for public welfare spending declined and then rose. From 1993 through 2000, Badger State spending rose less than the national average and our public welfare rank fell from 11th to 22nd. However, since 2000, welfare spending here (7.3% per year) has grown faster than nationally (7.1%) and our rank has moved back into the top 20. Increased spending for low-income residents is part of the explanation for the resurgence.

The new report also examined spending and ranking trends for higher education, highways, corrections, health, and police/fire protection. Among these, only corrections and health had higher national ranks in 2007 compared to 1993. Fire protection dropped the most, falling from ninth in 1993 to 29th in 2007.

A free copy of *The Wisconsin Taxpayer* titled "Long-Term Tax and Spending Ranks" is available by contacting WISTAX at 401 North Lawn Avenue., Madison, WI 53704-5033; e-mailing wistax@wistax.org; visiting www.wistax.org; or phoning 608.241.9789.

(An electronic version of this release is available at www.wistax.org)