

# The Wisconsin Taxpayer

A monthly review of Wisconsin government, taxes, and public finance



## Forgotten Taxes

When people “talk taxes,” they generally mention property, income, or sales taxes. These taxes account for the vast majority that most citizens pay.

However, there are a variety of federal, state, and local taxes and fees that are less prominent. In some cases, they are hidden because of their size; in others, the tax or fee is in the final price; and in still others, the apparent taxpayer is not the one who ultimately pays the tax. In many cases, it is some combination of the three.

Some of these forgotten charges include telecommunications taxes, utility taxes, real estate taxes, excise taxes, and other small sales taxes. While each tax or fee might appear small, together they represent a significant amount of money taxpayers must pay.

Note: Unless otherwise noted, all years are fiscal years.

### IN BRIEF

For most taxpayers, income and property taxes are all too real. People see income withheld from each paycheck, and their annual property bill clearly shows the amount due. However, some taxes go largely unnoticed, because they are either collected in small amounts or lost among other fees. Some of the key findings from this look at forgotten taxes include:

- Combined federal and state excise taxes generated \$2.7 billion from Wisconsin residents in 2006, an average of nearly \$500 per person. The largest of these taxes, the state gas tax, raised \$974 million.
- The real estate transfer fee raised \$100.7 million in 2006. Over the last decade, collections from this tax have increased an average of 9.9% per year.

### Also in this issue:

Wisconsin's Eroding Household Income • Earned Income Tax Credit • Financial Aid on the Rise

### TELEPHONE TAXES

The federal government applies a charge to telephone bills and recently eliminated a long-standing tax. The state also allows counties to charge a fee to support 911 services. Additionally, although not strictly a forgotten tax, all state and local sales taxes apply to telephone service.

#### Federal Universal Service Fee

In 1996, the Federal Communications Commission (FCC) created the Universal Service Fund (USF) to provide affordable phone service to four groups: low-income individuals, schools and libraries, rural health care providers, and phone users in high-cost areas.

To pay for these programs, the government charges phone companies. The rate that companies must pay changes quarterly; for the first quarter of 2007, it is 9.7% of their interstate end-user revenues. These costs are typically passed on to consumers on their phone bills in the form of the Federal Universal Service Fee.

In calendar year 2006, the USF disbursed an estimated \$7.3 billion through these four programs. The most recent state-by-state data are from 2005, when the USF distributed \$161.0 million to Wisconsin, the ninth-highest state total in the nation. The majority (\$130.2 million) was for high-cost customers. Smaller amounts were provided to

schools and libraries (\$21.0 million), low-income individuals (\$8.8 million), and rural health care providers (\$0.9 million).

From 1998 to 2005, Wisconsin individuals and organizations received \$810.6 million from the USF. Since the revenue for the fund comes from phone companies, many of which are interstate, the FCC does not track contributions by state.

### Federal Excise Tax

In 2006, Congress repealed the federal excise tax on telephone service. The tax was first levied in 1898 to help fund the Spanish-American War. At the time, it was considered a tax on wealthy individuals, as phone service was largely a luxury then.

In addition to repealing the 3% tax, Congress also agreed to provide a refund via the federal income tax return. Based on the number of exemptions claimed on the return, the credit is worth between \$30 and \$60. Filers can also claim the actual value of the taxes they paid if they have maintained records.

### 911 Fees

State law allows counties to levy a charge on phone bills to cover the cost of establishing and maintaining a 911 emergency telephone system. More recently, the state gave counties the right to charge a fee to establish a “sophisticated” 911 system, commonly known as Enhanced 911.

Enhanced 911 immediately shows emergency operators the phone number and location of a person making a 911 call. Funding these systems has been a joint state-county operation.

The county phone charge may not exceed 25¢ per person in counties larger than 500,000 or 40¢ per person in smaller counties. One exception: the smaller counties may charge up to \$1.00 per person for up to three years while creating an Enhanced 911 system.

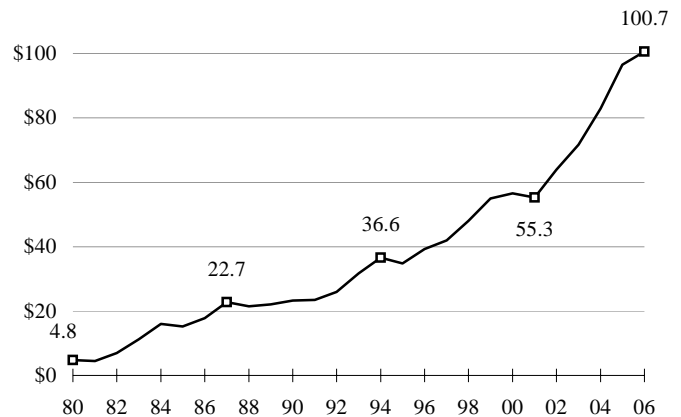
Currently, the charge for the wireless version of Enhanced 911 is 83¢ per month on cellular phone bills. The charge will last from December 2005 through November 2008.

### REAL ESTATE TRANSFER FEE

Wisconsin collects a tax, which the state calls a “fee,” on the sale or transfer of real estate. The tax is 0.30%—\$3 of every \$1,000—of the sale price of the real estate. If the land or property is given as a gift, the tax is paid based on the real estate’s market value. The only exception to this tax for individuals is real estate that is transferred between spouses or between parents and children.

Real estate tax revenues are split between the state and the county of sale. The state receives 80% of the tax, and the county the remaining 20%. Consequently, the sale of a median-value (half higher, half lower) home in Wisconsin

**Real Estate Collections Climb Quickly**  
State and County Revenues, 1980-2006 (\$ Mill.)



(\$153,525 in 2006) would require a transfer fee of \$461. Of that, \$369 would go to the state and \$92 would go to the county. Though the tax is a significant amount, it often gets lost among much larger closing costs and realtors’ commissions.

The last major change to the tax was in 1981, when the rate was increased from 0.10% to 0.30%. The revenue share was also changed that year, from a 50-50 state-county split to the current 80-20 division. A proposal in the governor’s recently released budget would double the rate to 0.60% and change the state-county split to 90-10.

In 2006, the real estate transfer tax generated \$100.7 million. The state received \$80.5 million, while the counties, who collect the tax, retained \$20.1 million.

As real estate prices have boomed in recent years, collections from the real estate tax have grown quickly. As the chart above shows, total state and county collections

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jumped from \$55.3 million in 2001 to \$100.7 million in 2006. The five-year increase was 82.1%, or an average of 12.7% per year. From 2003 to 2005 alone, revenues rose 34.6%.

Compared to other states, Wisconsin's real estate tax is typical. Of the 35 states that tax real estate transfers, about two-thirds have rates below 0.50%. Combined state-local rates range from 0.01% in Colorado up to a maximum of 4% in Pennsylvania. In many states, rates are not uniform because local governments have the right to collect the tax at varying rates.

Among Wisconsin's neighbors, Michigan has the highest state rate, 0.75%. It is followed by Minnesota (0.56%), Iowa (0.16%), and Illinois (0.10%). Both Michigan and Illinois also have local taxes; Chicago's tax rate is 0.75%, more than seven times larger than the state rate.

## UTILITY TAXES

When Wisconsin's energy markets were deregulated in the late 1990's, one of the concerns was that various public benefits that the state-directed utilities provided would cease. To prevent this, the state established the Utility Public Benefits Fund (UPBF).

The UPBF is operated by the state Department of Administration (DOA) and oversees energy conservation and low-income assistance programs that were once directed by the utilities. The UPBF is funded via two charges on utility companies.

The first is a \$67.2 million annual transfer from energy utilities to the UPBF. This figure was calculated after an audit determined how much money the utilities devoted to "the common good" in 1998. Presuming that, after deregulation, companies would no longer perform these tasks, this revenue is transferred to the UPBF. Since the program began, utilities have paid \$287.1 million to the state through this fee.

The UPBF also receives revenue from a "Non-taxable Customer Charge" on most energy bills. This fee raised \$57.7 million in 2006, an average of \$10.28 per person. For residential customers, the charge cannot exceed \$2.97 per month or 3% of the total bill, whichever is lower. For commercial and industrial customers, the limit is 3% up to \$750 per month. From 2001, the first year of these collections, to 2006, utility customers paid \$259.0 million to the UPBF via the non-taxable customer charge.

Some revenue from the UPBF has been diverted to the state general fund in recent years. The first such transfer was an \$8.4 million shift in 2003. From 2003 to 2006, \$65.8 million was shifted from the UPBF.

## ROOM TAXES

Wisconsin law allows municipalities to collect taxes on rental of hotel rooms. It is one of the only local-option taxes provided to municipalities.

The state places several regulations on municipalities seeking to impose a room tax. The tax rate may not exceed 8% of the rental price, and at least 70% of the revenue must be used for "tourism promotion and development."

According to financial reports filed by municipalities with the Department of Revenue, 203 Wisconsin municipalities raised \$41.0 million via the room tax in calendar year 2004 (the last year figures were available). Five municipalities exceeded \$1 million in room taxes: Madison (\$6.5 million), Lake Delton (\$5.8), Brookfield (\$2.0), La Crosse (\$1.1), and Eau Claire (\$1.0). This does not include the Milwaukee County Expo Center tax, which raised \$10.6 million from two room taxes in 2005.

## PREMIER RESORT AREA TAX

The Premier Resort Area Tax (PRAT) is another local-option sales tax offered to municipalities with significant tourism. Communities that adopt the tax collect 0.5% on purchases from "tourism-related" retailers. Originally the tax was only for areas where such retailers accounted for at least 40% of their property tax base, but the legislature has granted several communities exemptions from the rule.

Three municipalities—Lake Delton, Wisconsin Dells, and Bayfield—generated \$2.1 million via the PRAT in calendar 2005. In October 2006, Eagle River became the fourth community to levy the tax.

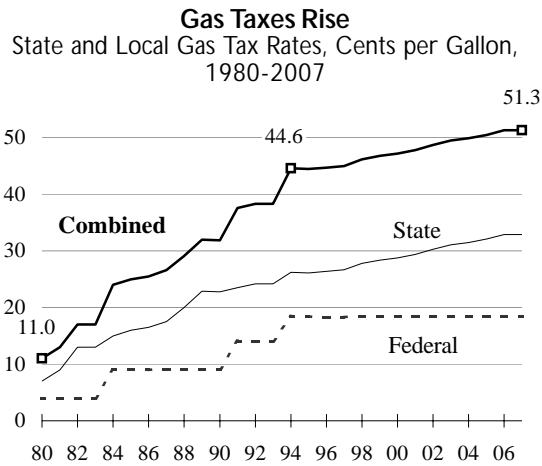
## EXCISE TAXES

Excise taxes apply to the sale of specific items and are in addition to or in lieu of sales taxes. They are frequently used to raise money for a specific purpose, as is the case with the state gas tax, which funds transportation projects. They can also be used to discourage "bad habits," as is the case with the tobacco tax. For this reason, excise taxes are frequently seen as politically "safe" ways to raise revenue.

*Wisconsin utilities paid \$124.9 million to the state for public benefits in 2006.*

*Room taxes raised more than \$40 million in more than 200 Wisconsin municipalities in 2004.*

Wisconsin's gas tax is the highest in the United States.



Excise taxes are often forgotten because they are frequently built into the final purchase price of items. Whereas the sales tax is usually listed separately from an item's cost, an excise tax is usually included in the price. For example, a gallon of gas costs about \$2.25. Included in that price is the federal gas tax of 18.4¢ and the state tax of 32.9¢. Perhaps because of the total revenue they raise, excise taxes are the most well known of these forgotten taxes.

Federal excise taxes totalled \$1.38 billion in 2006, up 167% from \$518 million in 1980. State taxes on alcohol, tobacco, and gas raised \$1.34 billion, a 314% rise over 1980's \$324 million.

### Motor Fuel

Motor fuel, or gas, is taxed substantially at both the federal and state levels. Wisconsin's state gas tax generates more revenue than all but the individual income and sales taxes.

*Federal.* The federal gas tax is 18.4¢ per gallon. The last major tax increase came in 1993, when it rose 4.3¢ from 14.1¢ per gallon. Revenues from the tax are used in three ways. The majority (83.9%) funds highway spending via the Highway Trust Fund (HTF); a smaller amount (15.5%) goes to mass transit; and a tiny share (0.5%) is placed in a trust fund to clean up underground petroleum storage tanks.

Wisconsin contributed \$718.0 million to the HTF in 2006. About half of it came from the gas tax, but smaller shares were raised from the sales of other fuels (40.6%) and of trucks (9.0%). According to Federal Highway Administration estimates, Wisconsin was projected to receive \$1.079 in federal transportation funds for every \$1.00 it sent to Washington in 2006.

*State.* The Wisconsin gas tax is 32.9¢ per gallon. Of that total, 2¢ per gallon goes to the

state's Petroleum Environmental Cleanup Fund, and the remainder goes to the state's transportation fund for road maintenance and construction. However, in the past two biennia, \$1.1 billion has been transferred from the transportation fund to balance the general fund budget.

Wisconsin has the highest state gas tax in the nation, with Pennsylvania (31.2¢), Rhode Island (31.0¢), and Washington (31.0¢) all trailing. However, the state's effective tax rate on gas—the average rate paid by citizens throughout the state—is only the eighth highest in the U.S.

Wisconsin drops from first to eighth in effective rate because there are no local gas taxes here and because the state does not apply the sales tax to gasoline purchases. Wisconsin's effective rate (51.3¢) is well above the national average (45.9¢), but below both Illinois (54.6¢) and Michigan (52.4¢). Gas in both states is subject to the sales tax, and Chicago's Cook County has a local excise tax on gas, as well.

As shown in the chart (above, left), the combined federal-state gas tax rose rapidly in the 1980's and early 1990's, increasing from 11¢ in 1980 to 44.6¢ in 1994. Since then, the federal tax rate has remained unchanged, slowing the growth of the overall tax rate.

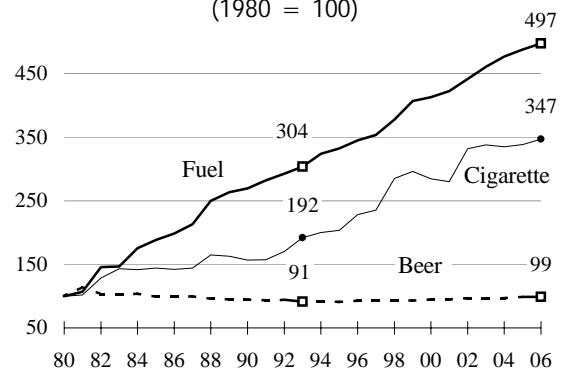
Wisconsin's gas tax has consistently grown due to indexing, an automatic process that raised the tax rate most years by a percentage equal to inflation. However, in the 2005-06 legislative session, indexing was repealed, and the final automatic increase occurred in April 2006.

As the chart below shows, indexing led to significant increases in state gas tax revenues. Of all the excise taxes studied in this report, gas tax revenues have increased the most. Cigarette taxes have also grown quickly, albeit by

The state gas tax generated nearly \$1 billion in 2006.

### Fuel, Cigarette Revenues Grow; Beer Flat

Wisconsin Excise Tax Revenues, 1980-2006  
(1980 = 100)



legislative action, while beer tax revenues have remained unchanged.

In 2006, the Wisconsin gas tax generated \$974.1 million. The gas tax is the primary source of revenue for the state transportation fund, accounting for 63.2% of the total last year. The remainder of the fund's revenues comes from vehicle registration fees and a variety of smaller fees and taxes, including levies on railroad operators and commercial airlines.

### Cigarettes & Tobacco

Like gas, cigarettes and other tobacco products are taxed at both the federal and state levels. During the past 25 years, rates and revenues for both levies have increased substantially.

*Federal.* The federal excise tax on cigarettes is 39¢ per pack (or 1.95¢ per cigarette). The rate has been raised five times since 1980, when it was 8¢ per pack.

The federal government taxes other tobacco products at varying rates. Examples include chewing tobacco (19.5¢ per pound), pipe tobacco (\$1.10 per pound), and large cigars (up to \$48.75 per 1,000).

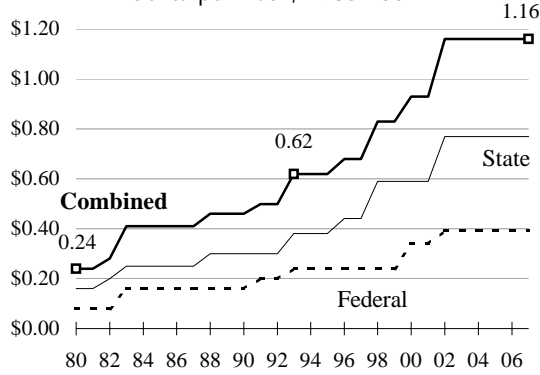
Federal tobacco taxes, mostly from cigarette sales, generated \$147.0 million in Wisconsin in 2006. Wisconsin sales accounted for 1.9% of the \$7.7 billion in total federal tobacco tax collections. Federal collections from Wisconsin were up 193% from \$50.2 million in 1980, but have been flat this decade. While the 1980-2006 revenue increase is large, it is much smaller than the rate increase of 388%. Two plausible reasons for the slower revenue increase are a drop in smoking prevalence and a rise in cigarette smuggling. Studies support the idea that both occur as responses to tax increases.

*State.* Wisconsin's state excise tax on cigarettes is 77¢ per pack (3.85¢ per cigarette), nearly twice the federal rate. In 1980, the rate was 16¢. Since 1980, the rate has risen seven times, the last being an 18¢ increase in 2001. As the chart (above, right) shows, the combined federal and state excise tax on cigarettes has grown from 24¢ per pack in 1980 to \$1.16 today.

The state cigarette tax brought in \$301.5 million in 2006. Since 1980, revenues have grown 247% from \$86.9 million, an average of 4.9% per year.

A recent proposal would increase Wisconsin's cigarette tax by \$1.25 per pack. It is part of a broader anti-tobacco initiative, which would

**Cigarette Tax Rates Rise**  
State and Federal Cigarette Excise Tax Rates,  
Cents per Pack, 1980-2007



*Since 2001, the combined federal and state cigarette tax rate has been \$1.16 per pack.*

include a statewide smoking ban in public places as well as the refinancing of state bonds to support smoking cessation programs.

All 50 states impose an excise tax on cigarettes. At 77¢, Wisconsin's rate ranks 30th in the nation. Increasing it to \$2.02 would place the state fourth, behind only New Jersey, Rhode Island, and Washington. Nationally, tax rates range from 7¢ per pack in South Carolina to \$2.58 in New Jersey. Rates are usually lower in tobacco-producing states.

Unlike most federal tobacco taxes and the state cigarette tax, which are mostly flat rates, Wisconsin taxes other tobacco products according to their value. At 25% of the manufacturer's list price, state tobacco taxes raised \$16.4 million in 2006. Rates were last changed in 2001, when they rose from 20% of the price. Since 1996, collections have risen 122% from \$7.4 million. A budget proposal would raise the tax to 65.6% of the list price.

### Alcohol

Like tobacco, alcohol products are taxed by both Washington and Madison. Unlike tobacco, alcohol tax rates have not changed frequently during the past 25 years.

*Federal.* Federal excise taxes on alcohol vary depending on the product. Beer is taxed at 56.25¢ per gallon (\$18 per 32-gallon barrel); wine ranges from \$1.07 to \$3.15 per gallon depending on alcohol content; and distilled spirits (liquor) are taxed at \$13.50 per 100-proof gallon. Consequently, a 1-liter bottle of 80-proof (40% alcohol) liquor is taxed \$2.85 by the federal government.

Federal alcohol excise taxes raised \$181.0 million in 2006. The liquor tax generated \$95.9 million, the beer tax \$72.2 million, and the wine

*Increasing the cigarette tax by \$1.25 per pack would give Wisconsin the fourth-highest rate in the U.S.*

**Wisconsin's beer tax is the second lowest in the United States.**

tax \$12.2 million. Since 1980, wine tax collections have more than tripled, beer taxes have nearly doubled, and liquor taxes have increased less than 8%. The revenue changes are due primarily to large increases in beer and wine tax rates in 1991. The beer tax was doubled from \$9 to \$18 per barrel, and the various wine taxes rose 40% to 530%.

*State.* Wisconsin also has different tax rates on the three types of alcohol, as well as a fourth rate on cider (defined as wine with an alcohol content of less than 7%). Liquor, regardless of its proof, is taxed at \$3.28 per gallon, wine varies between 25¢ and 45¢ per gallon, and the beer levy is 6.5¢ per gallon (\$2 per barrel).

Compared to other states, Wisconsin's liquor tax is slightly below average. Of the 32 states where the government does not directly control liquor sales, tax rates range from \$1.50 per gallon in Maryland to \$12.80 in Alaska. The

median rate is \$3.75. Wisconsin's beer tax, meanwhile, is the second lowest in the nation; only Wyoming's 2¢-per-gallon levy is lower. Alaska's \$1.07 rate is the highest in the U.S., while the median is 18.8¢. Wisconsin's low beer tax is due in part to the state's historical status as one of the nation's top beer producers.

Revenues from Wisconsin's alcohol excise taxes are much lower than those for cigarettes. The liquor and wine taxes raised a total of \$41.0 million in 2006, while the beer tax generated \$9.8 million. The liquor and wine taxes have increased 32.7% since 1980, while beer tax collections have been essentially flat. □

**DATA SOURCE:**

American Road and Transportation Builders Association; Campaign for Tobacco-Free Kids; Federal Communications Commission; Federation of Tax Administrators; Legislative Fiscal Bureau; Tax Foundation; Wisconsin Departments of Administration and Revenue.

## Wisconsin's Eroding Household Income

No measure of state economic health is more fundamental than income. States with higher and faster-growing incomes are the nation's most prosperous. Two of the most common income indicators are per capita and household income. Though Wisconsin's per capita income has tracked closely to that of the U.S., the Badger State has performed poorly in household income in recent years.

Per capita personal income (PCPI) measures income from all sources, including wages, investments, rents, and pensions, for all residents of the state. In 2005, Wisconsin PCPI was \$33,251 (see chart below), 3.6% below the U.S. average of \$34,495.

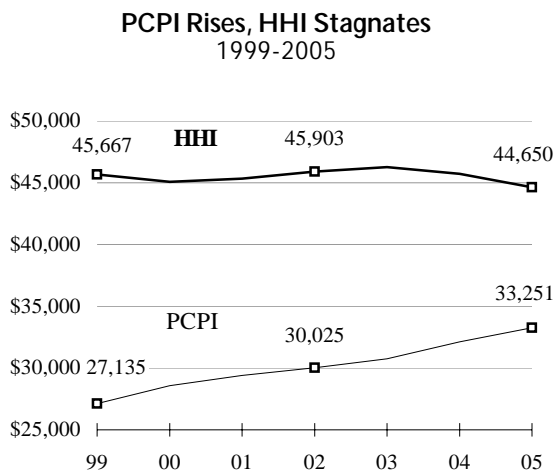
From 1999 to 2005, Wisconsin PCPI rose 22.5%, or an average of 3.4% per year. Over the same period, the national average increased 23.5%, or 3.6% annually.

Median household income (HHI) measures the income of the household in Wisconsin with half the households having a higher income and half having a lower income. The definition of income for HHI is less exhaustive than for PCPI, omitting items such as Medicare payments and incomes of nonprofit institutions. As shown in the chart (page seven, bottom), Wisconsin's 2005 median HHI was \$44,650, 3.6% below the U.S. average of \$46,326.

Unlike PCPI, Wisconsin HHI has floundered in recent years. From 1999 to 2005, HHI in the Badger State fell 2.2%, or an average of 0.4% per year. Nationally, median HHI rose 13.8%, or 2.2% annually. Wisconsin was last among the states in its change in HHI. Michigan was the only other state where HHI fell during the period. Median HHI in neighboring Minnesota, meanwhile, increased 15.3%.

Historically, Wisconsin has typically had high HHI and low PCPI relative to the nation. Average earnings per job in Wisconsin have long been below the U.S. average, which keeps PCPI relatively low. With its unusually high percentage of two-income households, Wisconsin's median HHI has long exceeded the nation's.

**Wisconsin's median household income fell 2.2% from 1999 to 2005.**



This trend held for nearly 20 years. From 1986 to 2004, Wisconsin PCPI was below the national average each year, while median HHI was consistently above the U.S. median. In 2005, Wisconsin's median HHI fell below the U.S. median for the first time since 1985.

As the chart below shows, Wisconsin HHI has fallen rapidly relative to the U.S. In 1999, the Badger State was 12.2% above the nation, but by 2005, it was 3.6% lower. By contrast, there has been little change in per capita income trends. PCPI has consistently stood between 2.3% and 4.3% below the national average.

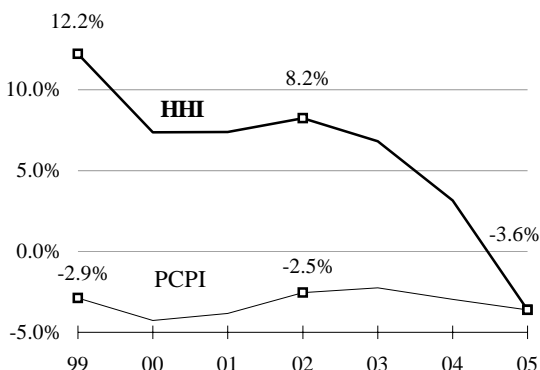
In 2005, the two income measures converged, with both 3.6% below national levels. Population trends seem to have played a significant role in lowering Wisconsin's relative HHI and bringing together the two measures of income.

One cause of the convergence may be the rise of single-person households. Throughout much of the 1980's and 1990's, Wisconsin had a lower percentage of single-person households than the U.S., but in 2005, Wisconsin's percentage (28.6%) was higher than the nation's (27.1%).

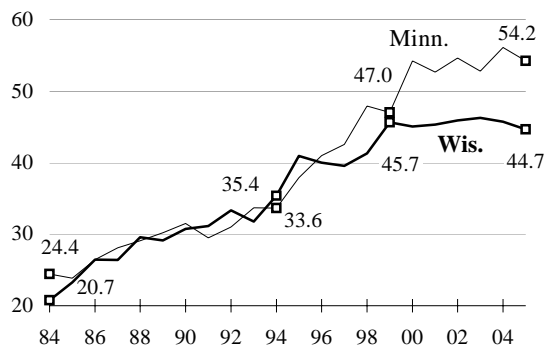
As the number of single-person households rises, the average number of workers per household falls. From 2000 to 2005, Wisconsin had the largest decline in the U.S. in workers per household, dropping 6.9% from 1.40 workers per household to 1.31; the national average fell 1.5%, from 1.30 to 1.28.

A drop in the number of workers per household naturally slows the growth of household income. Two-worker households tend to have higher incomes than single-worker homes.

**Income: Wisconsin vs. United States**  
Wisconsin Median HHI and PCPI, % Above / Below U.S., 1999-2005



**Wisconsin Falls Behind Minnesota**  
Median Household Income, Wisconsin and Minnesota, 1984-2005 (\$000)



**Wisconsin's median household income fell below that of the U.S. in 2005 for the first time since 1985.**

One way to illustrate Wisconsin's HHI problems is to compare the Badger State to one of its closest neighbors, Minnesota. As the chart above shows, HHI in Wisconsin and Minnesota moved together for most of the 1980's and 1990's. As recently as 1995, Wisconsin had higher median HHI than Minnesota, and in 1999, Minnesota was up just 3.0%.

By 2005, a large income gap had opened between the two neighbors. Minnesota's median HHI was \$54,215, 21.4% above Wisconsin's \$44,650. From 2000 to 2005, the average number of workers per household dropped in Minnesota, but at a slower rate—2.5%—than in Wisconsin. Meanwhile, while Wisconsin's HHI was stagnant or falling, median HHI in Minnesota rose 15.3% from 1999 to 2005.

HHI and PCPI are just two ways to measure economic well-being. These measures and 31 others are available in the latest edition of *Measuring Success: Benchmarks for a Competitive Wisconsin*. This annual publication tracks Wisconsin's competitive position vis-à-vis its neighbors and over time in six key areas: economic health, quality of life, workforce excellence, the public sector, business climate, and environmental quality.

In addition to income, *Measuring Success* also tracks taxes, employment, crime, and health, among other items. The pocket-size book is available from WISTAX for \$3.00 (plus tax). For a copy, please contact WISTAX at (608) 241-9789 or via e-mail at [wistax@wistax.org](mailto:wistax@wistax.org). □

**Minnesota's median household income was 21.4% higher than Wisconsin's in 2005, compared to 3.0% in 1999.**

**DATA SOURCE:**

U.S. Bureau of Economic Analysis; U.S. Census Bureau; WISTAX calculations.

**AROUND THE STATE**

■ **Earned Income Tax Credit.** According to many economists, the earned income tax credit (EITC) is an effective way to offer financial assistance to working-poor families, especially those with children. The federal EITC is a refundable income tax credit for working filers with low incomes. The maximum income filers can have and still claim the credit depends on filing status and number of children. It ranges from \$12,150 for individuals with no children to \$38,348 for married filers with two or more.

Wisconsin is one of 21 states to offer an EITC in addition to the federal credit, according to the National Conference of State Legislatures. Wisconsin’s EITC applies only to filers with children and is calculated as a percentage of the federal credit: 4% for filers with one child, 14% for those with two children, and 43% for those with three or more.

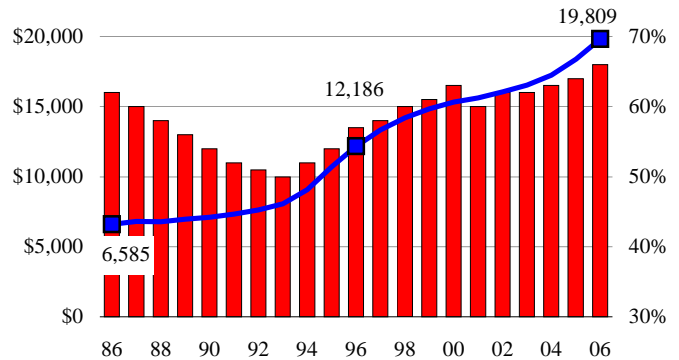
In tax year 2005, more than 220,000 Wisconsin filers claimed the earned income tax credit. They received an average credit of \$353, for a total of \$78.8 million.

■ **Financial Aid on the Rise.** Students in the University of Wisconsin System (UWS) received \$828.8 million in financial aid in 2005-06, according to a report from the system’s policy office. By category, students received \$592.7 million in loans, \$221.7 million in grants, and \$14.3 million in federal work-study funding.

Total aid rose 8.0%, though most of the increase came in the form of loans. Loan allocations, 90% of which were federal, rose 10.4% in 2005-06, compared with a 2.8% increase in grant awards and a 2.7% drop in work-study funding.

One consequence of rising loans is increased indebtedness upon graduation. The average debt load among UWS undergraduates who received loans during their academic career was \$19,809 in 2005-06, up 7.8% from \$18,379 in

**Loans and Debt Rise in Recent Years**  
% of UWS Students Receiving Loans and Average Indebtedness at Graduation, 1985-86 through 2005-06



2004-05. Nearly two-thirds of undergraduates (66%) received loans, the largest share since at least 1984-85 and up 16% from 1992-93 (see chart above).

**WISTAX FOCUS**

■ **Cigarette Tax Increase.** Increasing the cigarette tax has been one of the more controversial tax proposals in Wisconsin in recent months. “A ‘healthy’ tax hike?” (*Focus* #2-07) addresses the arguments for and against the increase, focusing on some issues that have received little attention in the press, such as increased Internet sales and interstate smuggling. The report also discusses recent economic studies analyzing the effect of increased taxes on cigarette demand.

■ **The State of State Finances.** Just as Wisconsin Gov. Jim Doyle was presenting an ambitious state of the state address, the state’s Legislative Fiscal Bureau was cautioning about the possibility of slowing economic growth. In “Executive hopes vs. fiscal realities” (*Focus* #3-07), WISTAX evaluates the governor’s spending proposals—including expanded health and education programs—in the context of chronic deficits and lower revenue increases.

The Wisconsin Taxpayers Alliance, founded in 1932, is the state’s oldest and most respected private government-research organization. Through its 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. This year, WISTAX celebrates its 75th anniversary of service to Wisconsin citizens.



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