

A monthly review of Wisconsin government, taxes and public finance

The Wisconsin Taxpayer



Wisconsin's Total Taxes in 2002

Total taxes and related fees in Wisconsin fell from 34.3% of income in 2001 to 33.7% in 2002. State individual income tax collections declined 3.4%, while corporate income tax collections dropped 6.4%. State sales tax collections rose 2.4%.

Wisconsin citizens and businesses paid an estimated \$53.25 billion in taxes and related fees during the fiscal year ending in 2002, or 1.4% more than the previous year.

Personal income in the state grew 3.4%, significantly faster than total taxes and fees. As a result, taxes fell from 34.3% to 33.7% of personal income (see graph, page 3).

State individual income tax collections fell 3.4%, from \$5.16 billion in 2001 to \$4.98 billion in 2002. The decline in income tax collections resulted largely from a slowing economy and previously enacted income tax cuts, including lower tax rates, as well as increases in the personal exemption and the married couple credit.

Also in this issue:

Farmland Tax Shift Totals \$644 Million

Personal Property Tax Detailed

State Per Capita Income 20th in 2001

Municipal Spending Study Available

Farmland Tax Shift Totals \$644 Million

From 1996 to 2002, property taxes on agricultural land were reduced by \$767 million under the state's use-value assessment law, according to the Wisconsin Department of Revenue (DOR). An estimated \$123 million in taxes, or 16%, was shifted from agricultural land to agricultural improvements and \$644 million, or 84%, was shifted to non-agricultural taxable property.

Under use value, land values are based on the income that can be generated from renting the land for agricultural use. Use value was implemented in phases, beginning with a freeze in the assessed value of agricultural land in 1996 and 1997, and reductions in values in 1998 and 1999. In October 1999, the Farmland Advisory Council called for the full implementation of use value and the DOR implemented it in 2000. Use-value assessment was subsequently upheld by the state Supreme Court.

Net property taxes on agricultural land decreased from \$166.4 million in 1996 to an estimated \$56.2 million in 2002. On agricultural land and improvements, taxes fell from \$283.1 million to \$211.9 million. □

Agricultural Property Taxes, 1996-2002
(\$ in Millions)

Year	Ag. Land		Ag. Land & Impr.		Per Acre
	Amt.	% Chg.	Amt.	% Chg.	
1996	\$166.4	-	\$283.1	-	\$20.59
1997	162.7	-2.2%	284.1	0.4%	20.84
1998	147.8	-9.2	276.6	-2.6	21.06
1999	141.8	-4.0	277.9	0.5	21.27
2000	97.6	-31.2	243.2	-12.5	18.72
2001	96.7	-0.9	245.9	1.1	19.28
2002 ^{est.}	56.2	-41.0	211.9	-13.8	17.59
Avg.	-	-15.0	-	-4.5	\$19.91

Personal Property Tax Detailed

Net personal property taxes totalled \$221.7 million, or 3.4% of all property taxes in 2001-02, according to a recent study from the Legislative Fiscal Bureau. In 1995-96, personal property taxes represented 5.0% of all property taxes and, in 1990-91, 5.5%.

In 2001, personal property had an equalized value of \$9.69 billion. Furniture, fixtures and equipment made up nearly half that amount, while machinery, tools and patterns accounted for over one-third. □

State Per Capita Income 20th in 2001

Wisconsin's personal income per capita averaged \$29,270 in 2001, 20th highest among the states, according to revised estimates from the U.S. Bureau of Economic Analysis. In 1996, the state ranked 23rd (\$23,301). □

The Wisconsin Taxpayer

November 2002 Vol. 70 No. 11

Publication Number USPS 688-800

Periodical postage paid at Madison, Wisconsin

Subscription Price:

One Year, \$12; Three Years, \$28

Published each month by the Wisconsin Taxpayers Alliance

Postmaster:

Send address changes to *The Wisconsin Taxpayer*, 335 West Wilson Street, Madison, Wisconsin 53703-3694 phone: 608-255-4581 fax: 608-255-0642 e-mail: wistax@wistax.org website: www.wistax.org

Officers and

Board of Directors:

Mark A. Cullen, Chair, Janesville; Dennis J. Kuester, Vice Chair, Milwaukee; Jere D. McGaffey, Secretary-Treasurer, Milwaukee

M.D. Bugher, Madison; A.P. Diotte, Janesville; C.W. Knox, Jefferson; S.W. Orr, Jr., Wausau; R.J. O'Toole, Milwaukee; P.M. Platten, III, Green Bay; J.D. Pyle, Madison; J.D. Quick, Manitowoc; D.R. Schuh, Stevens Point; J.B. Torinus, Jr., West Bend; W.T. Walker, Racine; J.B. Williams, Milwaukee; R.L. Fitzsimonds (*Emeritus*), Milwaukee

Staff:

Todd A. Berry, President; Joan Bleifuhs; Benjamin Christiansen, Development Director; Sandy Denson; Sonia Dubielzig; Dale J. Knapp, Research Director; Sandra Mumm, Business Manager; Beulah M. Poulter, Operations Director; Richard G. Sheil, Research Associate

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.

www.wistax.org

Wisconsin's Total Taxes in 2002

Continued from page 1

Estimated federal individual income tax collections in Wisconsin, including capital gains, declined 4.9%, from \$16.87 billion in 2001 to \$16.04 billion in 2002. Nationally, they fell 4.5%.

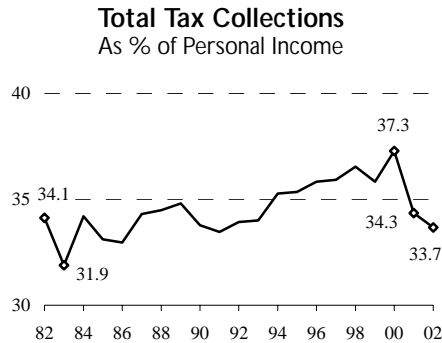
TRENDS IN TOTAL TAXES

Over the past two decades, total federal taxes paid in Wisconsin fell from 22.0% of personal income in 1982 to 21.8% in 2002. Relative to income, federal taxes were lowest in 1983 (19.6%).

State and local taxes fell from 12.1% of personal income in 1982 to 11.9% in 2002. State-local taxes as a share of income were lowest in 2002 (11.9%) and highest in 1984 (14.1%).

From 1982 to 1992

Wisconsin's total federal, state and local taxes as a percentage of personal income fell from 34.1% in 1982 to 33.9% in 1992, or two-tenths of a percentage point. Total taxes increased from \$17.75 billion to \$31.45 billion, an average of 5.89% per year. According to federal estimates, prior year personal income rose slightly faster (5.94%), reduc-



ing the tax burden two-tenths of a percentage point.

Local. Local taxes grew fastest over the 10-year period, with annual increases averaging 7.6%. Local collections, virtually all property taxes, rose 108.3% between 1982 and 1992, from \$2.19 billion to \$4.55 billion. As a result, local taxes consumed a larger portion of personal income in 1992 (4.9%) than in 1982 (4.2%).

State. State taxes grew second fastest at 6.3% per year, slightly more than the increase in income. During the period, they increased from 7.9% to 8.2% of personal income. State collections rose 83.7%, from \$4.13 billion to \$7.59 billion.

Summary of Collections by Tax Source

Amounts, Average Annual Changes and Percentage of Personal Income (\$ in Millions)

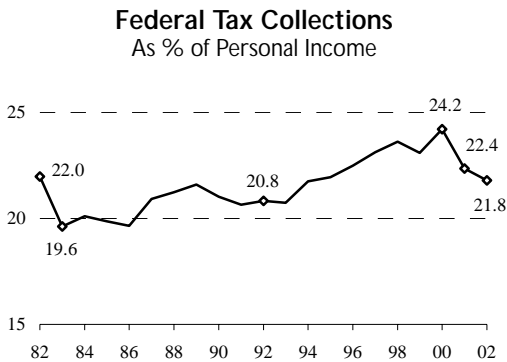
Source	1982	1992	2001	2002	Annual Avg. % Chg.			Taxes as % of Pers. Inc.		
					82-92	92-02	01-02	1982	1992	2002
Federal	\$11,432.1	\$19,303.8	\$34,194.2	\$34,461.6	5.4%	6.0%	0.8%	22.0%	20.8%	21.8%
State	4,132.6	7,590.9	11,889.7	11,881.8	6.3	4.6	-0.1	7.9	8.2	7.5
Local	2,186.0	4,552.5	6,445.2	6,902.4	7.6	4.2	7.1	4.2	4.9	4.4
Total	\$17,750.7	\$31,447.3	\$52,529.1	\$53,245.8	5.9	5.4	1.4	34.1	33.9	33.7
Pers. Inc.	\$52,018.5	\$92,669.5	\$152,952.5	\$158,116.1	5.9	5.5	3.4	-	-	-

Federal. Federal collections in Wisconsin increased 5.4% annually. Federal taxes were \$11.43 billion in 1982, or 22.0% of personal income. They were \$19.30 billion in 1992, or 20.8% of personal income.

As a percentage of income, total taxes—federal, state and local—were at their lowest point in the past two decades in 1983, when they bottomed out at 31.9%, largely because of lower federal income tax rates.

The Past Decade

From 1992 to 2002, total tax collections increased an average of 5.4% annually, from \$31.45 billion to \$53.25 billion. Personal income rose 5.5% per year over the decade. Thus, total taxes as a percentage of personal income declined from 33.9% to 33.7%, or two-tenths of a percentage point.



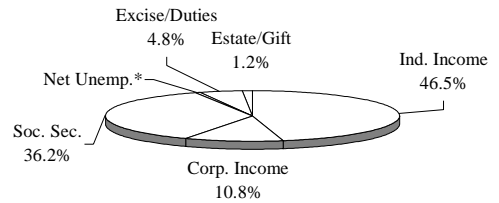
Federal. Federal taxes grew the fastest during the decade, rising from \$19.30 billion to \$34.46 billion, or 6.0% annually. Federal taxes as a percentage of income rose from 20.8% in 1992 to 21.8% in 2002 (see graph above).

State. State taxes increased 4.6% per year, from \$7.59 billion to \$11.89 billion. As a share of income, state taxes fell from 8.2% to 7.5%.

Local. Local taxes went up an average of 4.2% per year, from \$4.55 billion in 1992 to

Distribution of Federal Taxes

\$34.5 Billion in 2002



*Net unemployment insurance is less than 0.5%.

\$6.90 billion in 2002. Relative to income, local taxes fell from 4.9% to 4.4%.

FEDERAL TAXES

The federal government collected an estimated \$34.46 billion in taxes from Wisconsin in 2002, up 0.8% from 2001. This figure represents 64.7% of the \$53.25-billion total taxes and fees paid. Between 1992 and 2002, federal tax collections rose 6.0% annually, outpacing personal income, which increased 5.5% per year. Of the \$34.46-billion total, 82.7% came from individual income and social security taxes (see table on page 5).

Income Taxes

Individual. In 2002, estimated federal individual income taxes paid in Wisconsin totaled \$16.04 billion, down 4.9% from \$16.87 billion in 2001. In 2002, individual income taxes were 46.5% of total federal taxes (see chart above). The income tax accounted for 44.8% of collections in 1992 and 46.6% in 1982.

Corporate. Corporate income taxes paid to the federal government by Wisconsin firms totaled \$3.74 billion in 2002. Corporate profits increased significantly during the mid-1990's, leading collections to rise annually at double-digit rates.

In 2002, corporate income taxes accounted for 10.8% of federal taxes paid in

the state, compared to 9.5% in 1992 and 8.7% in 1982.

Employment Taxes

Social Security. Social security taxes are the primary type of employment tax, with 2002 collections of \$12.49 billion representing 36.2% of all federal taxes. From 1992 to 2002, social security taxes rose 70.7%, compared to 85.3% from 1982 to 1992.

Social security is financed by a payroll tax on employers and employees, and on the income of self-employed persons. Employees and employers each contribute a total of 7.65% of employee pay; self-employed persons pay a combined rate of 15.3%.

The social security tax has two components. Employers and employees pay 6.2% for old-age, survivors and disability insurance (OASDI), which replaces a portion of an employee's earned income lost through retirement, death or disability. Employers and employees pay an additional 1.45% each for Medicare hospital insurance.

In 2002, the OASDI tax was applied up to annual employee earnings of \$84,900. The

hospital insurance tax is applied to total annual employee earnings.

Unemployment. The other main employment tax is for unemployment insurance. Unemployment collections were \$607.2 million in 2002, or 1.8% of federal taxes. However, \$466.2 million of that consisted of state unemployment insurance collections deposited in the federal treasury. These monies were "netted out" to avoid double counting.

Other

Of the remaining 6.0% of federal taxes, most came from excise taxes, duties and customs (\$1.65 billion). These include gas, cigarette, tobacco, alcohol and miscellaneous taxes. Other taxes include estate and gift taxes (\$402.5 million).

STATE TAXES

In 2002, the state collected \$11.89 billion in taxes and related fees, a decrease of 0.1% from 2001. The state collected 22.3% of the \$53.25 billion paid in federal, state and local taxes. State tax collections are shown, by tax, on page 7.

State tax collections were 7.5% of personal income in 2002, down from 8.2% in 1992 (see graph on page 6). Between 1982 and 2002, state taxes were highest relative to income in 1984 (9.7%) and lowest in 2002 (7.5%).

Individual Income Tax

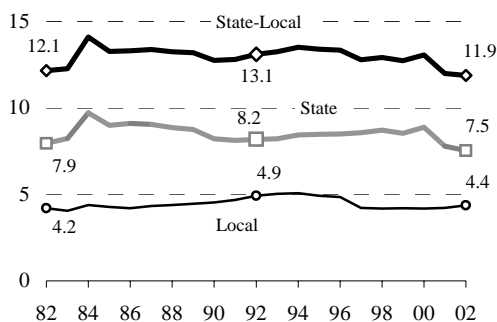
The individual income tax is the state's single largest state revenue source. Collections in 2002 were \$4.98 billion, down 3.4% from \$5.16 billion in 2001. The decline in income tax collections resulted largely from the general economic slowdown and income tax cuts, including lower rates and increases in the personal exemption and the married couple credit.

Federal Tax Collections in Wisconsin
1992 and 2002* (\$ in Millions)

Type of Tax	Amount		% Chg.
	1992	2002	
Ind. Income	\$8,650.1	\$16,036.9	85.4%
Corp. Income	1,841.8	3,738.4	103.0
Subtotal	\$10,491.9	\$19,775.3	88.5
Social Security	\$7,318.9	\$12,490.3	70.7
Unemp. Ins.	512.2	607.2	18.5
State Deposit	-385.2	-466.2	21.0
Subtotal	\$7,445.9	\$12,631.3	69.6
Excise/Duties	\$1,207.6	\$1,652.5	36.8
Estate/Gift	158.5	402.5	154.0
Total	\$19,303.8	\$34,461.6	78.5%

*Estimated.

State and Local Tax Collections As % of Personal Income



In 2002, individual income taxes accounted for 42.0% of state taxes and 26.5% of combined state-local collections.

Legislation enacted in 1999 and 2000 made substantial changes to state income tax law. These changes included: modifying the individual income tax structure by increasing the sliding-scale standard deduction; creating personal exemptions; reducing the income tax rates; creating a fourth individual income tax bracket; eliminating miscellaneous deductions from the itemized deduction credit; increasing the married couple credit; eliminating the dependent and senior citizen tax credits; making withholding table adjustments; and expanding the homestead credit.

In most cases, the above changes took effect with tax year 2000. The tax rates for 2002 range from 4.60% to 6.75%.

In addition, the property tax/rent credit was eliminated in tax year 1999, then restored for 2000 and subsequent years. The expansion of the homestead credit first applied to claims filed in 2000, based on property taxes or rent paid during tax year 1999.

Corporate Income Tax

Corporate income and franchise taxes totalled \$503.0 million in 2002, down 6.4%

from \$537.2 million in 2001. The drop can be attributed largely to declining corporate profits.

Corporate income taxes represented 4.2% of state collections and 2.7% of state-local taxes. The corporate tax rate is 7.9% of net income.

Sales and Use Tax

State sales and use tax collections totalled \$3.70 billion in 2002, up 2.4% from \$3.61 billion in 2001. The state sales tax represented 31.1% of state collections and 19.7% of the state-local total.

The 5.0% state sales tax rate has been in effect since 1982.

Motor Vehicle Taxes and Fees

State motor vehicle taxes—including the gas tax, registration and drivers' license fees, and limousine rental taxes—totalled \$1.20 billion in 2002, or 10.1% of state tax collections.

Gasoline. The state collected \$865.5 million from the tax on gasoline and other motor fuels in 2002, up 4.6% from \$827.5 million in 2001.

The current tax rate is 28.1¢ per gallon, not including environmental fees. It is adjusted each year on April 1, based on changes in the consumer price index.

Registrations. Motor vehicle registration fee collections were \$302.7 million in 2002, up 4.5% from \$289.5 million in 2001. On December 1, 1997, the fee for registering passenger vehicles rose from \$40 to \$45 per year. Fees also increased for other vehicles, including trucks, farm vehicles and mobile homes.

Drivers' Licenses. Collections from operators' and chauffeurs' licenses, and other license fees totalled \$33.4 million in 2002, down 6.3% from \$35.6 million in 2001.

State and Local Tax Collections, 1992 - 2002
(\$ in Millions)

Tax	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
STATE											
Income:											
Individual	\$3,142.2	\$3,445.8	\$3,638.7	\$3,932.9	\$4,183.6	\$4,558.3	\$5,047.5	\$5,162.2	\$5,962.0	\$5,156.6	\$4,979.7
Corp.	437.7	492.0	541.3	631.8	636.0	643.8	627.0	635.2	644.6	537.2	503.0
Sales	2,127.3	2,260.6	2,427.9	2,571.2	2,704.2	2,864.4	3,047.4	3,284.7	3,501.7	3,609.9	3,695.8
Motor Vehicle:											
Fuel	573.9	595.6	634.6	651.2	676.0	693.2	740.2	797.0	809.5	827.5	865.5
Vehicle Reg.	171.0	178.1	220.1	222.5	227.4	228.1	259.8	274.7	289.7	289.5	302.7
Drivers' Licenses	21.7	20.6	20.8	21.0	21.3	22.7	27.1	33.2	35.6	35.6	33.4
Limo/Car Rental							0.6	2.9	1.9	3.6	3.0
Excise:											
Cigarette	147.8	166.9	173.8	176.9	198.0	204.6	247.7	257.4	247.6	243.5	288.8
Liquor & Wine	30.3	31.3	30.3	30.6	30.8	31.4	32.7	32.9	34.6	35.5	36.0
Beer	9.3	9.0	9.1	9.0	9.2	9.2	9.3	9.2	9.4	9.4	9.6
Tobacco Products	5.7	5.8	6.3	6.9	7.4	8.8	9.4	9.4	10.3	11.4	13.9
Pub. Utility:											
Electric & Gas	98.2	96.4	104.3	104.3	107.4	109.167	111.9	118.5	122.7	138.0	144.8
Telephone	148.0	165.3	146.0	149.7	160.1	176.4	158.5	149.4	114.7	80.4	86.6
Railroad	7.8	8.0	8.6	12.8	25.2	12.3	10.0	12.1	11.5	1.3	12.0
All Others	24.6	24.4	27.4	27.5	26.5	29.4	24.3	28.3	32.2	30.7	26.9
Unemp. Comp.	356.9	371.8	406.6	427.2	416.8	413.2	415.7	426.1	448.6	438.9	431.5
Ins. Prem.	88.3	94.4	103.8	101.8	101.6	102.2	94.0	105.7	95.3	99.3	107.4
Inheritance & Estate	55.9	53.1	52.2	39.7	45.4	50.7	80.0	116.8	133.3	77.1	82.6
Gift	1.7	0.7	1.0	1.1	0.2	0.2	0.1	0.1	0.0	0.0	0.0
Real Estate Transfer	25.9	31.7	36.6	34.8	39.2	41.9	48.1	55.0	56.6	55.3	64.0
Recycling Surcharge	32.1	36.8	47.6	40.6	41.6	51.5	53.6	35.8	9.6	26.3	12.5
Petroleum Inspection	-	-	94.7	100.6	101.3	105.7	103.8	110.7	105.2	91.0	88.7
Conserv. Fees ¹	58.6	63.0	60.3	64.4	62.4	68.0	75.0	92.2	88.0	73.3	72.4
Pari-Mutuel	12.1	9.7	8.0	6.6	5.0	3.9	3.6	3.4	3.0	2.9	3.0
Miscellaneous	13.7	13.7	13.5	20.4	21.3	16.6	15.7	15.9	16.6	15.7	18.1
Total State	\$7,590.9	\$8,174.7	\$8,813.6	\$9,385.4	\$9,847.9	\$10,445.2	\$11,243.1	\$11,768.7	\$12,784.2	\$11,889.7	\$11,881.8
LOCAL											
Gen. Prop.	\$4,732.7	\$5,169.5	\$5,438.0	\$5,572.1	\$5,738.9	\$5,378.0	\$5,635.9	\$5,975.0	\$6,190.9	\$6,604.5	\$7,043.7
State Credit	-319.3	-319.3	-319.3	-319.3	-319.3	-469.3	-469.3	-469.3	-469.3	-469.3	-469.3
Net Prop. Tax Levy	\$4,413.4	\$4,850.2	\$5,118.7	\$5,252.8	\$5,419.6	\$4,908.7	\$5,166.6	\$5,505.6	\$5,721.6	\$6,135.2	\$6,574.4
Sales	\$116.6	\$129.0	\$139.9	\$146.0	\$156.3	\$165.1	\$168.7	\$194.5	\$219.2	\$226.5	\$232.2
Room	22.0	23.5	26.0	23.6	24.2	24.6	28.0	31.9	37.4	38.6	36.8
Special Dist. ²	-	-	-	-	5.5	16.5	18.3	20.7	21.9	30.3	43.0
Local Expo.	-	-	-	6.9	10.3	11.1	10.7	12.9	12.8	12.8	14.0
Premier Resort Sales	-	-	-	-	-	-	-	0.6	1.0	1.2	1.4
Motor Vehicle	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total Local	\$4,552.5	\$5,003.2	\$5,285.1	\$5,429.8	\$5,616.5	\$5,126.6	\$5,393.6	\$5,767.3	\$6,014.6	\$6,445.2	\$6,902.4
TOTAL ST. & LOCAL	\$12,143.5	\$13,177.9	\$14,098.7	\$14,815.2	\$15,464.4	\$15,571.8	\$16,636.6	\$17,536.0	\$18,798.8	\$18,334.9	\$18,784.2
Total Personal Inc.	\$92,669.5	\$99,453.9	\$104,337.4	\$110,569.7	\$115,959.7	\$121,863.7	\$128,920.5	\$137,759.0	\$143,855.2	\$152,952.5	\$158,116.1
Taxes as % Pers. Inc.	13.1%	13.3%	13.5%	13.4%	13.3%	12.8%	12.9%	12.7%	13.1%	12.0%	11.9%

Notes: Detail may not add due to rounding. Amounts shown include prior-year re-estimates.

¹Includes fishing, hunting, camping and admission fees, and boat and snowmobile registrations.

²Includes state-imposed 0.1% sales tax (applies only within Milwaukee, Ozaukee, Racine, Washington and Waukesha counties) and 0.5% sales tax for Local Professional Football Stadium District (applies only within Brown county).

Sources: Compiled by the Wisconsin Taxpayers Alliance from information from: the Wisconsin Departments of Administration, Natural Resources, Revenue, Transportation and Workforce Development; and the U.S. Bureau of Economic Analysis.

Excise Taxes

State excise taxes—including cigarette, liquor, beer, and tobacco products taxes—totalled \$348.3 million in 2002, or 2.9% of the state total.

Cigarette tax collections rose 18.6% in 2002, reflecting an 18¢ tax increase that went into effect October 1, 2001.

Cigarette. Collections from the cigarette tax were \$288.8 million in 2002, up 18.6% from \$243.5 million in 2001. The cigarette tax increased from 59¢ to 77¢ per pack on October 1, 2001, the fifth increase since 1987.

Tobacco Products. This tax is imposed on non-cigarette tobacco products, including cigars, snuff, and smoking and chewing tobacco. On October 1, 2001, the rate increased from 20% of the manufacturer's list price to 25% of the list price.

Collections in 2002 totalled \$13.9 million, up 22.7% from \$11.4 million in 2001. In recent years, collections from tobacco products have risen steadily, reflecting increases in consumption and prices.

Liquor. Revenues from the state's occupational tax on distributors of liquor and wine were \$36.0 million in 2002, up 1.2% from the \$35.5 million collected in 2001. Over the past two decades, collections have remained relatively stable.

The present tax rate on liquor is 85.86¢ per liter. Most wine is taxed at about 6.6¢ per liter. For a 1.5-liter bottle, the tax is just under 10¢. The tax rates on liquor and wine have remained constant since 1981, but were converted from a per gallon to a per liter basis in 1985. A separate tax on hard cider was established in 1998.

Beer. Revenues from the state's occupational tax on brewers, bottlers and wholesal-

ers of beer rose 2.5%, from \$9.4 million in 2001 to \$9.6 million in 2002. Beer tax collections also have been relatively stable over the past two decades.

The tax rate on beer has been \$2 per barrel (31 gallons) since 1969. This is equivalent to 3.6¢ for a six pack.

Public Utility Taxes

In lieu of local property taxes, public utilities pay special taxes to the state. Most utilities are also subject to the corporate income tax. Total public utility taxes in 2002 were \$270.3 million, up 7.9% from \$250.3 million in 2001.

Power Companies. Electric and gas companies pay a tax based on gross revenues. Electric and gas company taxes were \$144.8 million in 2002, up 4.9% from \$138.0 million in 2001.

Telephone. In May 2000, Wisconsin completed its process of converting taxes on local telephone companies from one based on receipts to a form of property tax. In 2002, telephone company taxes were \$86.6 million, up 7.8% from \$80.4 million in 2001.

Other. Pipeline companies, railroads and airlines are the major types of utilities that pay a state property tax. The state assesses each utility's property, and the statewide average full-value property tax rate is applied.

Total property taxes paid by these three types of utilities (some of which are not individually listed in the table on page 7) in 2002 were \$27.9 million, up 32.8% from \$21.0 million in 2001. Collections from the tax on rural electric cooperatives, also not shown separately, were \$8.6 million in 2002, up 3.9% from \$8.2 million in 2001.

Collections from municipal electric companies, conservation and regulation compa-

nies, carlines, and utility tax interest and penalty payments totalled \$2.4 million in 2002.

Unemployment Compensation

The total unemployment compensation (UC) tax rate consists of a basic tax rate and a solvency tax rate. The UC tax is based on covered employee payroll up to \$10,500 per employee. In 2002, UC taxes were \$431.5 million, down 1.7% from the \$438.9 million paid in 2001.

Insurance Premiums Tax

Insurance taxes are generally based on specific percentages of premiums. In 2002, the state collected \$107.4 million in insurance premiums taxes, up 8.1% from \$99.3 million in 2001. These totals include fire insurance premiums distributed to municipalities whose fire departments provided fire protection and inspection services. In 2002, these fire dues totalled \$11.3 million, up 9.7% from \$10.3 million in 2001.

Death and Gift Taxes

State inheritance and gift taxes were repealed in 1992. However, through fiscal 2002, the state retains an estate tax equal to the state death tax credit provided under federal law. In 2002, the state collected \$82.6 million in inheritance and estate taxes from this replacement "gap" or "pickup" tax, up 7.2% from \$77.1 million in 2001. (Wisconsin revised its estate tax effective October 1, 2002.) In 2000, the state received \$133.3 million in estate taxes.

Real Estate Transfer Fee

The real estate transfer fee is levied on the value of real estate transferred by sale or land contract. The rate is \$3 per \$1,000 (0.3%) of the value of property transferred. Total collections in 2002 were \$64.0 million, up 15.7% from 2001. Counties collect the

tax, retain 20% (\$12.8 million) and remit the balance (\$51.2 million) to the state.

Recycling Surcharge

The temporary recycling surcharge expired for tax years ending by April 1, 1999. However, the 1999-2001 state budget reinstated the surcharge on a permanent basis.

For 2000 and thereafter, the rate is 3.0% of gross tax liability for corporations and insurance companies with more than \$4.0 million in gross receipts. For Subchapter S corporations and others engaged in a trade or business with more than \$4.0 million in gross receipts, the rate is 0.2% of net income. The maximum payment for all these entities is \$9,800, while the minimum is \$25.

In the 2001-03 state budget bill, the threshold for the recycling surcharge liability of persons engaged in farming was increased from \$1.0 million to \$4.0 million in gross receipts from farming. For these persons, the payment is \$25. In 2002, collections were \$12.5 million, down 52.4% from \$26.3 million.

Proceeds from the surcharge are used to help finance the state's recycling programs, which include grants to local governments for recycling and other solid-waste reduction programs.

Petroleum Inspection Fee

Suppliers and shippers of petroleum products (including gas, kerosene and fuel oil) pay a petroleum inspection fee at the wholesale level. Collections were \$88.7 million in 2002, down 2.5% from \$91.0 million in 2001.

Conservation Fees

Revenues in 2002 from conservation licenses, boat and snowmobile registrations, park admissions and other conservation fees totalled \$72.4 million, down 1.2% from \$73.3 million in 2001.

Other

Pari-Mutuel. This tax is based on percentage of amounts wagered on dog races. It varies from 2% to 8%, depending on cumulative betting during the racing season. Collections in 2002 were \$3.0 million, up

Gross Property Taxes By Type of Government, 2001-2002*

Government	Amt. (millions)	% of Total	% Inc. over Prev. Year
Education			
School Dist.	\$3,071.8	43.6%	4.9%
Tech. Colleges	511.6	7.3	9.7
Subtotal	\$3,583.4	50.9%	5.6
Municipal (city, village & town)	\$1,713.4	24.3%	6.8
County	1,420.0	20.2	7.9
Special Dist. ¹	264.3	3.8	13.5
State	62.5	0.9	9.1
Total	\$7,043.7	100.0%	7.1

*Based on 2001 levies, collected in 2002.

¹Includes: sanitary and inland lake protection and rehabilitation districts; Milwaukee Metropolitan Sewerage District; and tax incremental financing districts.

4.3% from \$2.9 million in 2001. This was the first increase since 1992.

Miscellaneous. A variety of occupational, forest-related and other taxes and fees generated \$18.1 million in 2002.

LOCAL TAXES

Local taxes totalled \$6.90 billion in 2002, or 36.8% of total state-local collections. Local taxes increased 7.0% over the \$6.45 billion collected the previous year (see "Local" portion of the table on page 7 for collections by type of tax).

Local taxes consume a smaller percentage of personal income than state or federal taxes. In 2002, they were 4.4% of personal income. This percentage has remained vir-

tually unchanged since 1997. Over the past two decades, local taxes were highest relative to income in 1994 at 5.1% and lowest in 1983 at 4.0% (see "Local" line in chart on page 6).

Total Property Taxes

Total gross property taxes levied by local governments in 2001 and collected in 2002 were \$7.04 billion. State-financed property tax credits reduced this amount by \$469.3 million, resulting in net property taxes of \$6.57 billion, or 95.3% of total local taxes. The amount of state property tax credits has remained virtually constant since 1997. From 1988 to 1996, state property tax credits were \$319.3 million.

By Type of Government

The distribution of property taxes collected by type of government is shown in the table opposite. Except for the \$62.5 million for state forestry programs, all property taxes were for local purposes.

Education. Wisconsin's 426 public school districts and 16 technical colleges levied \$3.58 billion in property taxes, up 5.6% from the previous year. Taxes for education represented 50.9% of all property taxes. Public elementary and secondary school levies totalled \$3.07 billion, up 4.9% from the previous year.

This amount was 43.6% of total property taxes. School levies increased 4.7% from 2000 to 2001.

The 16 technical colleges levied \$511.6 million, or 7.3% of the total. Collections grew 9.7% from 2001 to 2002, up from 8.4% from 2000 to 2001. State law limits property taxes levied by technical colleges for all purposes, except debt service, to no more than \$1.50 per \$1,000 of property value.

Municipal. Property taxes for municipal purposes (city, village and town) were \$1.71

billion, or 24.3% of all property taxes. The amounts collected by type of local government are shown in the table below.

Cities levy most (68.7%) of the \$1.71 billion in property taxes for local purposes. City levies increased 6.2% over 2001, to \$1.18 billion. Village property tax collections were

Municipal-Purpose Property Taxes
By Type of Government, 2001-2002*

Local Govt.	Amount (millions)	% of Total	% Inc. over Prev. Year
Cities	\$1,176.3	68.7%	6.2%
Villages	251.6	14.7	7.6
Towns	285.5	16.7	7.4
Total	\$1,713.4	100.0%	6.6

*Based on 2001, collected in 2002.

\$251.6 million (14.7% of the total), up 7.6% from 2001. Towns collected \$285.5 million, 16.7% of the municipal total and 7.4% more than the previous year.

County. Wisconsin's 72 counties collected \$1.42 billion in property taxes in 2002, up 7.9% from 2001. County property tax levies were 20.2% of all property taxes.

Other Local Taxes

Local taxes, other than property taxes, totalled \$6.90 billion in 2002, up 7.1% from 2001.

Of Wisconsin's 72 counties, 49 had a county sales tax in 1998. Eau Claire, Green Lake, Taylor and Washington counties began collecting the tax in 1999, bringing the total to 53. Since then, three counties (Lafayette, Marinette and Grant) have begun collecting the tax, and a fourth (Green) will begin on January 1, 2003. County sales tax collections totalled \$232.2 million in fiscal 2002, up 2.6% from \$226.5 million in 2001.

The room, or public accommodations, tax is the most widely used of the local option

taxes. Room tax collections totalled \$36.8 million in 2002, down 4.6% from \$38.6 million in 2001 (see table on page 7).

In 1995, the legislature created the five-county 0.1% sales tax for construction of the Milwaukee Brewers stadium. Collections were \$24.4 million in fiscal 2002, up 8.4% from \$22.5 million in 2001.

In November 2000, the Local Professional Football Stadium District began imposing a 0.5% sales tax in Brown county to finance the Green Bay Packers stadium renovation. In 2002, collections totalled \$18.6 million.

The state legislature approved the local exposition district taxes on food (0.25%), car rentals (3%) and room accommodations (2%, plus city of Milwaukee's 7% room tax) for Milwaukee county in 1993. Collections were \$14.0 million in fiscal 2002.

In 1997, the legislature authorized the 0.5% optional "premier resort area" sales tax for counties and municipalities that have 40% or more of their property in tourism-related businesses. In fiscal 2002, Lake Delton and Wisconsin Dells imposed this tax. The two communities collected a total of \$1.4 million in 2002.

The local vehicle registration fee, also known as a "wheel tax," may be imposed by any municipality or county on automobiles and trucks weighing 8,000 pounds or less that are customarily kept in the municipality or county. Only two cities, Beloit and Sheboygan, currently use the fee. Collections totalled \$584,824 in fiscal 2002. Sheboygan is phasing out its wheel tax between 2002 and 2006. □

DATA SOURCE

Wisconsin Departments of Administration, Natural Resources, Revenue, Transportation and Workforce Development; Tax Foundation; and U.S. Bureau of Economic Analysis.

New Municipal Spending Study Available

New figures on spending levels and trends in Wisconsin's most-populous cities and villages are available in *Comparing Municipal Expenditures*, prepared by the Wisconsin Taxpayers Alliance (WISTAX).

The study provides per capita expenditures and trends in the state's 122 largest cities and villages in four spending categories: general government; street maintenance; law enforcement; and fire-ambulance service. The figures are used by local officials, state and county agencies, and private citizens to gauge municipal spending trends across the state.

From 1997 to 2001, costs of general government in the municipalities had the highest percentage increase, followed by costs of law enforcement.

Spending increases in the categories tended to be highest in smaller cities and villages, a group that includes some of the fastest-growing communities in the state. □

Clip & mail . . .
today ►

Yes! I want to know more about local expenditure patterns and trends.

 **Mail to:** WISTAX, 335 West Wilson Street, Madison, WI 53703-3694

Enclosed is \$_____ (\$3 per copy, plus sales tax) for:

_____ copies of *Comparing Municipal Expenditures*, 2002 edition

Name & Title _____

Organization _____ Phone _____

Address _____

City/State/9-Digit Zip _____

Wisconsin Taxpayers Alliance

335 W. Wilson St., Madison, WI 53703-3694
608.255.4581 • www.wistax.org

PERIODICALS
USPS 688-800

This is the format for page 11 if the back story continues from the last page.

Xxxxxxxxxx Xxxxxxxxx Xxxxxxxxxxxx

Continued from back cover