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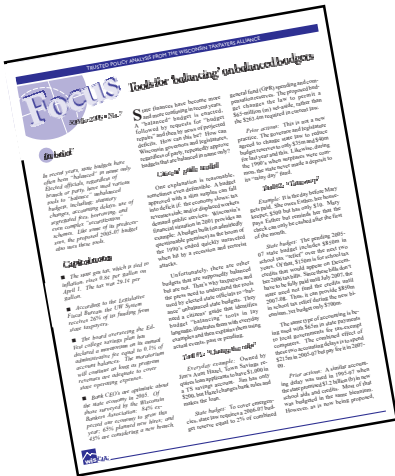
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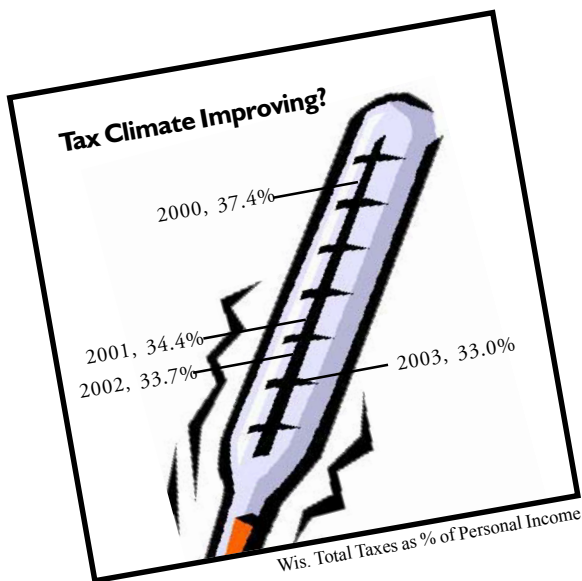
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Info Request



A monthly review of Wisconsin government, taxes and public finance

The Wisconsin Taxpayer



Also in this issue:

Homestead, EITC Claims Up

CWD Costs Exceed \$14.7 Million

State in Top Ten in "Asset Development"

Open Enrollment Numbers Climb

Wisconsin's 2003 Total Taxes

A combination of state and federal tax cuts and a slowing economy reduced Wisconsin's total tax burden to 33.0% of personal income, its lowest level since 1986. Federal taxes were up 0.1% in 2003. State tax collections rose 2.1%, while local taxes rose 4.7%.

Wisconsin's state and local governments collected \$19.36 billion in taxes and fees in fiscal 2003. The federal government collected an additional \$34.48 billion from state citizens and businesses. Total taxes paid by Wisconsinites in 2003 were \$53.84 billion, or 33.0% of personal income. That percentage was down 0.7 points from 2002, and was the lowest since 1986.

State collections were up 2.1%, after declining 7.0% in 2001 and 0.1% in 2002. Local government collections climbed 4.7% in 2003. They were up more than 7.0% in each of the previous two years. Federal tax collections rose 0.1% in 2003. They declined 1.9% in 2001 and went up 0.8% in 2002.

A combination of state and federal income tax reductions and a slowing economy have kept state

Homestead, EITC Claims Up

Low-income individuals in Wisconsin may be eligible for two refundable income tax credits, the homestead tax credit and the earned income tax credit (EITC). Claims for both credits rose in fiscal 2003.

The number of individual income tax filers claiming Wisconsin's homestead tax credit totalled 226,041, a 6.6% increase from 2002. According to the state Department of Revenue (DOR), the average credit per return (primarily tax year 2002 returns) was \$498, up from \$487 the year before. The credit is available to owners and renters with 2002 incomes below \$24,500. According to DOR, 57% of those claiming credits were renters and 43% were 65 or older.

The state's earned income tax credit (EITC) was claimed by 220,578 filers, 11.4% more than in 2002. The EITC is available for low-income, working filers. The average credit was \$328 in 2003, an increase of \$10 from the previous year. □

CWD Costs Exceed \$14.7 Million

Through the end of fiscal 2003, state agencies spent \$14.7 million combatting chronic wasting disease (CWD) in the state's deer herd. According to the Legislative Audit Bureau, nearly two-thirds of the expenditures was for salaries and benefits for an estimated 122.8 full-time equivalent employees. The state Department of Natural Resources had the largest share (\$12.6 million) of CWD-related expenditures. □

State in Top Ten in "Asset Development"

Wisconsin is among the top 10 states in "asset development," according to a recent study by the Corporation for Enterprise Development. Noting the importance of assets to mobility, opportunity and economic security, the study combined grades on "outcomes" and "policy" to compare states on how assets are accumulated and protected.

Wisconsin was ninth in "asset outcomes," a summary measure of financial, human and business capital, bank access and asset protection. The state was 16th in average wealth per household (\$129,102) and ninth in the percentage of households with zero net worth (13%).

The state ranked 13th in "asset policy," a summary measure of how well a state's public policies protect the assets of low-income families, remove barriers and provide incentives for asset accumulation. Wisconsin was third in K-12 expenditures per pupil (\$8,524). However, the report noted the state's need for improvement in funding of customized job training by post-secondary institutions. □

The Wisconsin Taxpayer

November 2003 Vol. 71 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

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Wisconsin's 2003 Total Taxes

Continued from page 1

and federal collections in check over the last three years. However, over that same period, local taxes rose an average of 6.3% annually.

TOTAL TAX TRENDS

Since 1980, Wisconsin's total taxes paid to federal, state and local governments have trended up. From a low of 31.9% of personal income in 1983, a year of economic slowdown, taxes climbed to 37.4% in 2000, the peak of the most recent expansion (see chart above). However, since fiscal year 2000, total taxes have fallen, reaching 33.0% of income in 2003. The recent decline is reminiscent of the fall in tax burden during the last major recession in the early 1980's.

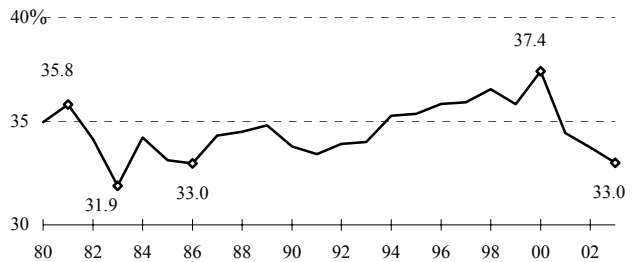
Tax Burdens and Recessions

During the early 1980's recession, total taxes fell from 35.8% of income to 31.9%. The 3.9 percentage point decline was similar to the more recent 4.3-point drop. The declining tax burden during these economic slowdowns can be attributed to two factors: slowing of tax payments, and tax cuts.

Slowing of Tax Payments. Recessions are characterized by job losses, stagnating or declining incomes, and falling corporate profits. Tax payments—particularly from individual and corporate income taxes—generally grow more slowly than incomes during these times. As a result, the overall tax burden, measured as total taxes divided by total income, falls.

Tax Cuts. One of the ways governments try to stimulate a slowing economy is through

Total Tax Burden Rises, Falls with Economy
Total Taxes As % of Personal Income, 1980 - 2003



tax cuts. The goal is to get more money into the pockets of consumers, who will spend the extra money, spurring economic activity.

In the early 1980's recession, federal tax cuts were primarily responsible for Wisconsin's declining tax burden. The Badger State's federal tax burden declined from 23.9% of income in 1981 to 22.0% in 1982 and to 19.6% in 1983.

These declines were offset only slightly by rising state and local taxes, from 11.9% in 1981 to 12.3% in 1983. Effective May 1, 1982, the state sales tax rate was increased from 4% to 5%. As a result, the state-only tax burden climbed from 7.9% in 1982 to 8.2% in 1983 despite a slowing economy.

Both federal and state tax cuts played roles in the declining tax burden during the most recent economic downturn. State income tax cuts were effective beginning in calendar year 2000 and were expanded in 2001. These helped reduce the state tax burden from 8.9% in 2000 to 7.4% of income in 2003.

Federal income tax cuts were also passed effective in 2001. These reductions helped drop the federal tax burden from 24.3% of income in 2000 to 21.1% in 2003.

The state and federal reductions were offset only slightly by an increase in local

State. State tax collections varied significantly from 1983 to 2000. An income tax surcharge in calendar year 1983 helped bump collections from 8.2% of income in fiscal 1983 to 9.7% in 1984. Collections then remained fairly constant from 1984 to 1989 at around 9.0%.

The early 1990's mini-recession reduced state tax collections to 8.1% of income, before they climbed steadily throughout the 1990's, reaching 8.9% in 2000.

A key factor in increased state collections during this time was rising individual income taxes. They rose 98.5% from 1991 to 2000, while total income climbed a more modest 61.3%. The chart on page 5 shows the increase. Income tax brackets and standard deductions were not adjusted, or indexed, for inflation during these years, which helped collections climb faster than income.

Local. Local taxes fluctuated between 4.2% and 4.4% of income from 1984 to 1989. However, over each of the ensuing five years, they increased as a share of income, reaching 5.1% in 1994. The rising local tax burden resulted from increases in property taxes and more counties imposing the 0.5% local sales tax.

Revenue limits imposed in 1993 on school districts helped reduce the local tax burden to 4.8% by 1996. Then, a \$1.2-billion increase in state aid to school districts in 1997 further reduced local taxes to 4.2% of income, where they remained through 2001.

Wisconsin's total tax burden climbed from a low of 31.9% in 1983 to 37.4% in 2000. In 2003, it was 33.0% of income.

taxes from 4.2% of income in 2000 to 4.4% in 2003.

Economic Expansions

While taxes as a share of income fell during the last two major recessions, they rose during the economic expansion in between. With the exception of a marginal slowdown during the early 1990's, the state economy expanded from 1984 to 2000.

Wisconsin's total tax burden climbed from a low of 31.9% in 1983 to 37.4% in 2000, or 5.5 percentage points. Most of the increase in total tax burden was due to rising federal taxes.

From 1983 to 2000, the state tax burden climbed from 8.2% to 8.9% of income (see table below). Local taxes rose from 4.0% to 4.2% of income. Taken together, state-local taxes rose 0.9 percentage points. Federal tax increases accounted for the rest, rising from 19.6% to 24.3% of income.

Summary of Collections by Tax Source

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

Source	1981	1983	2000	2003	Annual Avg. % Chg.			Taxes as % of Pers. Inc.			
					81-83	83-00	00-03	1981	1983	2000	2003
Federal	\$11,443.9	\$10,750.4	\$34,839.8	\$34,480.8	-3.1	7.2	-0.3	23.9	19.6	24.3	21.1
State	3,791.0	4,513.9	12,784.2	12,129.1	9.1	6.3	-1.7	7.9	8.2	8.9	7.4
Local	1,906.4	2,214.5	6,014.6	7,226.9	7.8	6.1	6.3	4.0	4.0	4.2	4.4
Total	\$17,141.3	\$17,478.8	\$53,638.6	\$53,836.8	1.0	6.8	0.1	35.8	31.9	37.4	33.0
Pers. Inc.	\$47,881.3	\$54,819.2	\$143,589.0	\$163,216.1	7.0	5.8	4.4	-	-	-	-

Federal. From 1984 to 1993, federal taxes fluctuated between 19.7% (1986) and 21.6% (1989) of income. After 1993, federal taxes climbed steadily, reaching 24.3% of income in 2000.

Most of the increase came from rising federal income tax burdens. Individual income taxes climbed from 8.8% of income in 1984 to 11.9% of income in 2000. Corporate income taxes rose from 1.9% of income in 1984 to 2.7% in 2000.

STATE TAXES AND FEES

In fiscal 2003, state tax and fee collections totalled \$12.13 billion, an increase of 2.1% from the year prior. Of that total, 41.7% was revenue from the individual income tax.

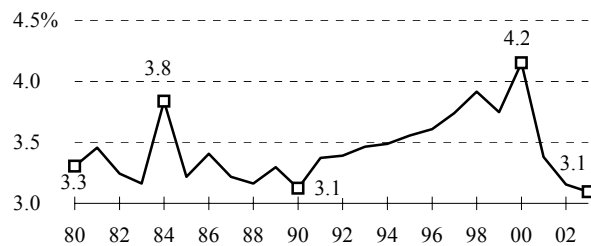
Individual Income Taxes

As shown on page 7, individual income tax collections totalled \$5.05 billion, a rise of 1.5% from 2002, the first increase in three years. In 2001, individual income tax collections dropped 13.5% due to a combination of a slowing economy and state income tax cuts. They declined an additional 3.5% in fiscal 2002 due largely to continued economic sluggishness.

The individual income tax fell to 3.1% of personal income in 2003 from a peak of 4.2% in 2000 (see chart above). Collections as a share of income in 2003 were slightly lower than in 1990 (3.10% vs. 3.12%) and were at their lowest level since 1971 (2.9%).

With the exception of the income tax surcharge in calendar year 1983 (which was collected mostly in fiscal 1983-84), income taxes were a fairly constant share of income from 1980 to 1990. However, they climbed steadily throughout the 1990's due to rising incomes and a tax system that was not adjusted for inflation. Tax cuts, which included inflation-

Tax Cuts, Slow Economy Reduce Income Tax Burden
Individual Income Tax Share of Income, 1980 - 2003



adjustments, combined with a slowing economy to reduce income taxes over the last three years.

As a share of total state collections (41.7%), the income tax was at its lowest level since 1994 (41.3%). It peaked in 2000 at 46.6% of the total.

Sales Taxes

Sales taxes were the second-largest component of state tax and fee collections, totalling \$3.74 billion in 2003. At 30.8% of total state collections, the sales tax share was down slightly from 31.1% in 2002.

From 1988 to 2000, the sales tax share fluctuated between 27.2% and 28.8% of total state collections. With the decline of individual income taxes in 2001 and 2002, the sales tax share climbed to 30.4% in 2001 and to 31.1% in 2002.

Sales tax collections continued to rise during the most recent economic slowdown, though the increases were much smaller than during the 1990's. From 1991 to 2000, sales tax collections rose at an average annual rate of 6.3%. The increases slowed to 3.1% in 2001, 2.4% in 2002 and 1.1% in 2003.

The state sales tax is a fairly constant share of personal income. Since 1984, it has claimed between 2.3% and 2.4% of income.

Corporate Income Taxes

The corporate income tax is the last of the "big three" state taxes. It, along with

the individual income and sales taxes, accounted for 76.8% of total state taxes and fees in 2003. That was down slightly from 77.3% in the previous fiscal year.

Corporate income tax collections climbed 4.7% in 2003 to \$526.5 million. Like the individual income tax, this was the first increase since 2000. Corporate taxes declined 16.7% in 2001, and another 6.4% in 2002.

Corporate income tax revenues are sensitive to the economic cycle. They rise significantly during the early years of an expansion and decline rapidly during recessions. During the early 1980's recession, corporate tax collections fell from 0.72% of income in 1980 to 0.53% in 1981. During the most recent downturn, they dropped from 0.45% to 0.32% of income.

As a percentage of income, there has been a general decline in the corporate income tax. It has fallen from an average of 0.64% of income in the early 1980's to 0.38% over the last five years. Part of this decline is due to a shift in business organization from the traditional corporate form to Subchapter S corporations and business partnerships. These latter business types file individual, rather than corporate, income tax returns.

Motor Vehicle Taxes and Fees

Motor vehicle taxes and fees include the gas tax, vehicle registration fees, driver's license fees, and limousine and rental taxes. The state gas tax is the largest of these.

Gas Tax. This tax generated \$902.5 million in fiscal 2003, a 4.3% increase from the previous year. The state's gas tax is adjusted each year on April 1. This annual adjustment has been in effect since 1983. The state gas tax is now 28.5¢ per gallon, trailing only Rhode Island's 31.0¢.

Vehicle Registration Fees. Collections from registration fees for motor vehicles de-

clined 1.0% in 2003 to \$299.7 million. They have not changed much since 2000 when they totalled \$289.7 million. Wisconsin's automobile registration fee has remained at \$45 since 1997. The 2003-05 state budget law increased the fee to \$55.

Driver's License Fees. Wisconsin charges \$24 to renew a driver's license, which generally must be renewed every eight years. In 2003, collections totalled \$30.0 million, down 10.1% from 2002. Driver's license fee collections also fell 6.3% in 2002 and were only up 0.1% in 2001.

Excise Taxes

Wisconsin levies excise taxes on several products, including cigarettes and other tobacco products, liquor, wine and beer.

Cigarette and Tobacco Taxes. The state raised its tobacco tax rates effective October 1, 2001. Wisconsin's cigarette tax is now 77¢ per pack, 21st highest in the nation. The state also imposes a 25% tax on the manufacturers' list price of other tobacco products, up from 20% in 2001.

In 2003, cigarette taxes totalled \$293.7 million, up 1.7% from 2002. In both 2002 and 2003, cigarette taxes accounted for 2.4% of state taxes and fees, the highest percentage since the 2.7% in 1983.

Taxes on other tobacco products totalled \$15.5 million, an 11.3% increase over 2002. These taxes have increased at double-digit rates over the last three years.

Alcohol Taxes. Wisconsin, like most other states, taxes beer, liquor and wine. Beer is taxed at \$2 per barrel, a rate that has not changed since it was established in 1969. Liquor is taxed at \$3.25 per gallon; wine, 25¢ to 40¢ per gallon. Neither has changed since 1981.

In 2003, these taxes totalled \$45.5 million, or 0.4% of state taxes and fees. Liquor and wine taxes were \$36.0 million, up 0.2%

State and Local Tax Collections, 1993 - 2003

(\$ in Millions)

Tax	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
STATE											
Income:											
Individual	\$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	\$5,052.0
Corp.	492.0	541.3	631.8	636.0	643.8	627.0	635.2	644.6	537.2	503.0	526.5
Sales	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	3,737.9
Motor Vehicle:											
Fuel	595.6	634.6	651.2	676.0	693.2	740.2	797.0	809.5	827.5	865.5	902.5
Vehicle Reg.	178.1	220.1	222.5	227.4	228.1	259.8	274.7	289.7	289.5	302.7	299.7
Drivers' Licenses	20.6	20.8	21.0	21.3	22.7	27.1	33.2	35.6	35.6	33.4	30.0
Limo/Car Rental	-	-	-	-	-	0.6	2.9	1.9	3.6	3.0	1.6
Excise:											
Cigarette	166.9	173.8	176.9	198.0	204.6	247.7	257.4	247.6	243.5	288.8	293.7
Liquor & Wine	31.3	30.3	30.6	30.8	31.4	32.7	32.9	34.6	35.5	36.0	36.0
Beer	9.0	9.1	9.0	9.2	9.2	9.3	9.2	9.4	9.4	9.6	9.5
Tobacco Products	5.8	6.3	6.9	7.4	8.8	9.4	9.4	10.3	11.4	13.9	15.5
Pub. Utility:											
Electric & Gas	96.4	104.3	104.3	107.4	109.2	111.9	118.5	122.7	138.0	144.8	148.7
Telephone	165.3	146.0	149.7	160.1	176.4	158.5	149.4	114.7	80.4	86.6	106.3
Railroad	8.0	8.6	12.8	25.2	12.3	10.0	12.1	11.5	1.3	12.0	10.5
All Others	24.4	27.4	27.5	26.5	29.4	24.3	28.3	32.2	30.7	26.9	28.1
Unemp. Comp.	371.8	406.6	427.2	416.8	413.2	415.7	426.1	448.6	438.9	431.5	475.7
Ins. Prem.	94.4	103.8	101.8	101.6	102.2	94.0	105.7	95.3	99.3	107.4	128.2
Inheritance & Estate	53.1	52.2	39.7	45.4	50.7	80.0	116.8	133.3	77.1	82.6	68.7
Gift	0.7	1.0	1.1	0.2	0.2	0.1	0.1	-	-	-	-
Real Estate Transfer	31.7	36.6	34.8	39.2	41.9	48.1	55.0	56.6	55.3	64.0	57.4
Recycling Surcharge	36.8	47.6	40.6	41.6	51.5	53.6	35.8	9.6	26.3	12.5	15.4
Petroleum Inspection	-	94.7	100.6	101.3	105.7	103.8	110.7	105.2	91.0	88.7	93.7
Conserv. Fees ¹	63.0	60.3	64.4	62.4	68.0	75.0	92.2	88.0	73.3	72.4	72.2
Pari-Mutuel	9.7	8.0	6.6	5.0	3.9	3.6	3.4	3.0	2.9	3.0	2.1
Miscellaneous	13.7	13.5	20.4	21.3	16.6	15.7	15.9	16.6	15.7	18.1	16.9
Total State	\$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	\$12,129.1
LOCAL											
Gen. Prop.	\$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	\$7,363.6
State Credit	-319.3	-319.3	-319.3	-319.3	-469.3	-469.3	-469.3	-469.3	-469.3	-469.3	-469.3
Net Levy	\$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	\$6,894.3
Sales	\$133.5	\$142.6	\$150.5	\$160.4	\$175.2	\$185.5	\$212.5	\$221.7	\$232.2	\$229.0	\$235.2
Room	23.5	26.0	23.6	24.2	24.6	28.0	31.9	37.4	38.6	36.8	37.8
Special Dist. ²	-	-	-	5.5	16.5	18.3	20.7	21.9	30.3	43.0	43.6
Local Expo.	-	-	6.9	10.3	11.1	10.7	12.9	12.8	12.8	14.0	14.1
Premier Resort Sales	-	-	-	-	-	-	0.6	1.0	1.2	1.4	1.7
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	\$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	\$7,227.3
TOTAL ST. & LOCAL	\$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	\$19,356.4
Total Personal Inc.	\$99,453.9	\$104,337.4	\$110,569.7	\$115,959.7	\$121,863.7	\$128,920.5	\$137,759.0	\$143,589.0	\$152,571.7	\$157,831.7	\$163,216.1
Taxes as % of Personal Income	13.3%	13.5%	13.4%	13.3%	12.8%	12.9%	12.7%	13.1%	12.0%	11.9%	11.9%

Note: Detail may not add to total because of rounding.

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

² Collections from: 0.1% special district sales tax in the counties of Milwaukee, Ozaukee, Racine, Washington and Waukesha; and 0.5% special district sales tax in Brown county.

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

from 2002. Beer taxes totalled \$9.5 million, down 0.8% from the previous year.

Excise taxes accounted for 2.9% of total state collections in 2002 and 2003, the highest level since 1985 (3.1%).

Public Utility Taxes

In lieu of property taxes, public utilities pay special taxes to the state. Total public utility taxes were \$293.7 million in 2003, an increase of 8.6% from the previous year. The majority of the increase came from rising telephone company tax collections. They were up 22.6% to \$106.3 million.

Other State Taxes and Fees

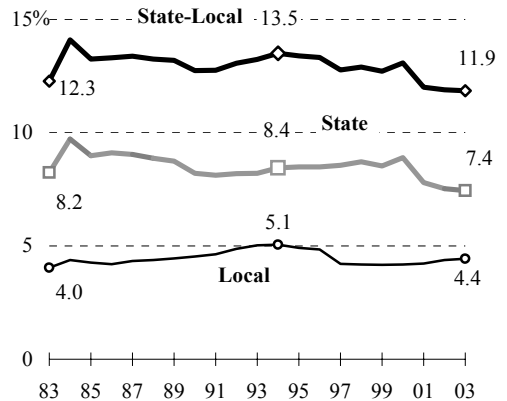
Various other state taxes and fees were 7.7% of the total in 2003. The largest of these is the unemployment tax, which totalled \$475.7 million. The amounts for the others are listed in the table on page 7.

LOCAL TAXES

The property tax is the largest of the local taxes and fees. The county sales tax is the second largest, and has grown the fastest over the last 10 years.

Local taxes have fluctuated between 4.0% and 5.1% of income since 1983 (see chart above). Because of declining state tax revenues, total state-local taxes and fees fell

State and Local Tax Collections
As % of Personal Income



from 13.1% of income in 2000 to 11.9% in 2003.

Property Taxes

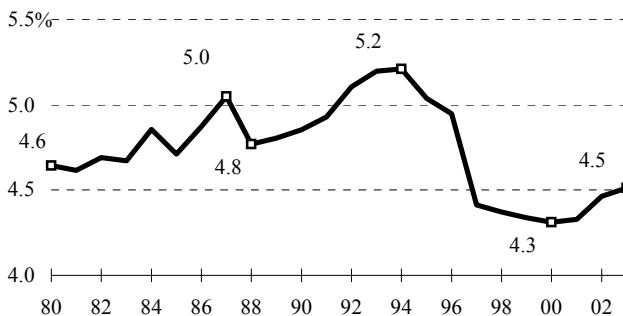
Property taxes levied by local governments totalled \$7.36 billion in fiscal 2003, an increase of 4.5% over 2002. At 4.5% of income, they were at the highest level since 1996, prior to the state's buydown of school property taxes. Local property taxes reached a recent peak of 5.2% of income in 1994.

From 1980 to 1994, gross property taxes as a share of income generally increased. In 1980, they were 4.6% of income (see chart at left). They climbed to over 5% of income in 1987 before an increase in state aids reduced the property tax burden to 4.8%.

Property taxes then resumed their climb until their recent peak in 1994. Revenue limits on schools and the 1997 buydown of school taxes reduced the property tax burden to its recent low of 4.3% of income in 2000.

However, they have begun to increase again. Over the most recent three years, while the economy slowed and state tax collections slowed along with it, property taxes climbed an average of 6.0% per year. De-

Gross Property Taxes Near Low, But Moving Back Up
Statewide Property Taxes as Share of Income, 1980 - 2003



spite the increase, they still remain below the 1980 level.

Property taxes for K-12 schools comprised more than 43% of the total levy (see table to the right). Technical colleges were another 7.4%, bringing total property taxes for education to more than half of the state-wide total. Municipal and county levies each comprised less than 25% of the total.

The state property tax rose the most in 2002-03, climbing 7.3%, but accounted for less than 1% of the total. Technical college levies climbed 5.9%. They were up 9.7% in the previous year.

School district levies rose the least, 3.9%. A combination of slowing school referenda, uncertainties about state aid, and revenue limits helped keep school levies in check. Municipal property taxes rose 4.8% in 2003, while county levies were up 5.0%.

Local Sales Taxes

While property taxes have risen significantly over the last several years, local sales taxes have climbed faster. Over the last 10 years, local sales taxes grew an average of 5.8% per year, while property taxes were up 3.6% annually.

Since 1969, Wisconsin counties have been permitted to impose a 0.5% sales tax, though they originally had to distribute the proceeds to the underlying municipalities. The 1985-87 state budget gave counties the option of keeping the revenues to use for property tax relief. In 1986, Barron and Dunn counties adopted the tax. Since then, an additional 56 counties have adopted the half-cent tax.

Collections totalled \$235.2 million in 2003—76.2% higher than in 1993.

In 1995, the legislature created the five-county 0.1% sales tax to pay for construction of the Milwaukee Brewers' stadium. In November 2000, the Local Professional Football Stadium District began imposing a 0.5%

Gross Property Taxes By Type of Government, 2002-03*

Government	Amt. (mill.)	% of Total	% Inc. over Prev. Year
Education			
School Dist.	\$3,192.0	43.3%	3.9%
Tech. Colleges	541.9	7.4	5.9
Subtotal	\$3,733.9	50.7%	4.2
Municipal (city, village & town)	\$1,796.0	24.4%	4.8
County	1,490.5	20.2	5.0
Special Dist. ¹	276.2	3.8	4.5
State	67.1	0.9	7.3
Total	\$7,363.6	100.0%	4.5%

*Based on 2002 levies, collected in 2003.

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

sales tax in Brown county to finance renovations to the Green Bay Packers' stadium.

As shown on page 7, revenues from these two additional sales taxes totalled \$43.6 million in 2003, up 1.5% from 2002. More than \$24.8 million of the total was from the Milwaukee Brewers' stadium tax. Those revenues climbed 1.7% during the year, while revenues from the Green Bay Packers' stadium tax were up 1.3%.

Other Local Taxes

Room Tax. In 2003, over 180 municipalities imposed a room, or public accommodations, tax. Collections totalled \$37.8 million, a 2.8% increase over 2002. Room tax collections declined 4.6% from 2001 to 2002.

Premier Resort Tax. In 1997, the legislature authorized a 0.5% optional "premier resort area" sales tax for counties and municipalities that have 40% or more of their equalized value in tourism-related businesses. In 2002, only Lake Delton and Wisconsin Dells imposed this tax. Effective January 1, 2003, the city of Bayfield began imposing the tax. Revenues from the resort tax to-

talled \$1.7 million, up 19.8% from the previous year.

Wheel Tax. A local vehicle registration fee, commonly referred to as a “wheel tax,” may be imposed by any municipality or county on automobiles and trucks weighing

Federal taxes were 64.0% of Wisconsin’s total taxes in 2003. Over half the federal total was from income taxes.

8,000 pounds or less. The vehicles must be customarily kept in the municipality or county. Only the cities of Beloit and Sheboygan currently use the fee, and Sheboygan is phasing it out. In 2003, wheel tax collections were under \$600,000.

FEDERAL TAXES

The federal government collected an estimated \$34.48 billion in taxes from Wisconsin residents and businesses in 2003, an increase of 0.1% from 2002. Federal taxes accounted for 64.0% of Wisconsin’s total taxes. Over half of the federal total was income taxes (45.7% individual income taxes and 10.5% corporate income taxes).

Income Taxes

Individual. In 2003, federal individual income taxes paid by Wisconsin residents totalled \$15.75 billion. That was 1.8% lower than the previous year. Like the state in-

come tax, federal income tax collections peaked in 2000 at more than \$17.1 billion.

The 1.8% decrease was the third in a row. In 2001, federal income tax collections from Wisconsin fell 1.2%. In 2002, they were down 4.9%. Nationally, federal income tax collections were down 1.1% in 2003.

As a share of income, the federal individual income tax is the largest tax paid by state residents. In 2003, it claimed 9.7% of income, down from 11.9% in 2000, but higher than the 9.1% claimed 20 years ago.

Corporate. Corporate income taxes paid to the federal government by Wisconsin firms totalled \$3.61 billion in 2003, a decrease of 3.4% from 2002.

As a share of Wisconsin’s federal total, corporate taxes were 10.5% in 2003, down slightly from the 10.8% in 2002 (see chart below). Because corporate profits fluctuate widely with economic conditions, corporate taxes also swing from year to year. Since 1980, corporate taxes have accounted for as little as 6.7% (1983) of Wisconsin’s federal tax burden to as high as 12.3% (1996).

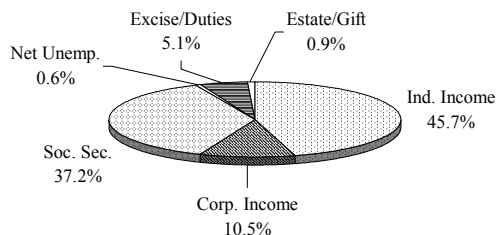
Employment Taxes

Social Security. Social security is financed by a payroll tax on employers and employees, and on the income of self-employed persons. Employers and employees each pay 6.2% for old-age, survivors and disability insurance (OASDI), which replaces a portion of an employee’s earned income lost through retirement, disability or death. Employers and employees each pay an additional 1.45% for Medicare hospital insurance.

In 2003, the OASDI tax was applied up to annual employee earnings of \$87,000. The Medicare hospital insurance tax is applied to all employee earnings.

Social security taxes are the primary type of employment tax. Collections in 2003 to-

Distribution of Federal Taxes
\$34.48 Billion in 2003



Federal Taxes in Wisconsin
1993 and 2003 (\$ in Millions)

Type of Tax	Amount		% Chg.
	1993	2003	
Ind. Income	\$9,295.1	\$15,753.2	69.5%
Corp. Income	2,183.0	3,611.6	65.4
Subtotal	\$11,478.1	\$19,364.8	68.7
Social Security	\$7,595.0	\$12,839.1	69.0
Unemp. Ins.	532.5	755.2	41.8
State Deposit	-420.4	-549.1	30.6
Subtotal	\$7,707.1	\$13,045.2	69.3
Excise/Duties	\$1,293.7	\$1,768.9	36.7
Estate/Gift	159.4	301.9	89.4
Total	\$20,638.3	\$34,480.8	67.1%

talled \$12.84 billion. Over the 10-year period ending in 2003, they rose 69.0%, slightly higher than total federal taxes (67.1%). Social security taxes accounted for 37.2% of Wisconsin's federal tax burden in 2003.

Unemployment Taxes. The other main employment tax is for unemployment insurance. Collections totalled \$755.2 million in 2003. However, \$549.1 million of that was state unemployment insurance collections deposited in the federal treasury. Thus, net federal unemployment taxes were a more modest \$206.1 million, or 0.6% of total federal taxes.

Other Federal Taxes

Federal excise, estate and gift taxes comprise the remaining 6.0% of federal collections. Federal excise taxes include taxes on cigarettes and other tobacco products, beer, wine, and other alcoholic beverages. In 2003, excise taxes and duties totalled \$1.77 billion. The 10-year increase of 36.7% was the lowest of the federal taxes.

Estate and gift tax collections totalled \$301.9 million. Its 10-year increase of 89.4% was the largest among the federal taxes. Estate tax collections can fluctuate

significantly because they depend on the wealth of individuals who die during the applicable year.

Federal estate tax collections should fall significantly over the next several years due to recent changes in the tax. The Economic Growth and Tax Relief Act of 2001 made several changes that will reduce collections through 2009.

LOOKING FORWARD

Wisconsin's total tax burden relative to personal income is now at its lowest level since 1986. The state-local tax burden is as low as it has been since 1981. Part of the reason is the recent recession.

However, signs of economic recovery raise questions as to where the tax burden goes from here. State and local officials have little say about federal taxes, but their decisions will set the trend for state-local taxes for the years ahead.

Why did tax burdens rise during the last expansion? Eliminating the inflation adjustments in the individual income tax on a "temporary" basis during 1983-1998 helped increase the state tax burden during the 1990's expansion. County sales taxes were used only partially to reduce property taxes. The growing use of these taxes, along with rising property taxes, increased the local burden.

Ultimately, spending and rising taxes were closely linked. In the years ahead, balancing citizens' ability to pay and their desires for public services will be required, or tax burdens will rise again as they did during the 1990's. □

DATA SOURCE

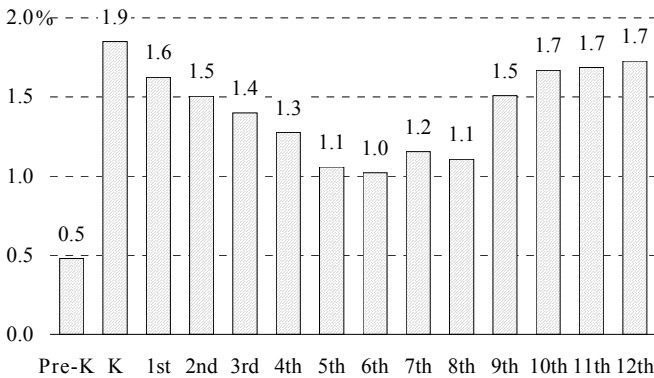
Wisconsin Departments of Administration, Natural Resources, Revenue, Transportation and Workforce Development; Tax Foundation; and U.S. Bureau of Economic Analysis.

Open Enrollment Numbers Climb

The number of students participating in Wisconsin's K-12 open enrollment (OE) program climbed 28.9% to 12,379 in 2002-03. High school students disproportionately enrolled in the program. Statewide, only 32.9% of Wisconsin public school students were in high school, while 38.4% of OE students were in grades nine through 12.

Wisconsin's OE program was first implemented in 1998-99 with 2,464 participants. It allows public school students to enroll in school districts other than their own if the receiving district has space and the transfer does not create a financial hardship for either district. A school district accepting an OE student is paid by the sending district for the cost of educating the student. In 2002-03, a student's home district was required to pay the receiving district \$5,241 per student. That amount is estimated to climb to \$5,435 in 2003-04. Higher amounts are paid for students with disabilities.

Open Enrollment Participation Varies by Grade
Percent of Students Enrolled in Wisconsin's Open Enrollment Program, by Grade, 2002-03



While the OE program continues to grow rapidly, only a small portion of public school students participate. In 2002-03, 1.4% of the state's public school students enrolled in the program. Kindergarten students were most likely to enroll, with 1.9% participating. Only 1.0% of sixth graders participated, and 1.1% of fifth and eighth graders were in the program.

Students first entering school or starting high school were twice as likely to enroll in the program as other students. In 2002-03, 15.3% of public school students enrolled in kindergarten (new students) or ninth grade (new high school students). Yet, 32.2% of the new OE enrollees were in those grades. □

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