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# Center on Wisconsin Strategy

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UNIVERSITY OF WISCONSIN • 1180 OBSERVATORY DRIVE • MADISON, WI 53706  
TEL. (608) 263-3889 • FAX (608) 262-9046

## TAX FACT SHEETS

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Below is a collection of Fact Sheets on the following budget and tax issues:

- Individual Income Tax
- Capital Gains Exclusion
- Sales and Use Tax
- Corporate Income Tax
- Excise Taxes
- Gas Tax and Motor Vehicle Registration Fees
- WI's Low Reliance on Fees vs. Taxes
- Tax Incidence Study
- Budget Stabilization Fund

*If you would like more information, please contact COWS Senior Policy Associate, John Keckhaver, at (608) 265-5899, or by email at [Jkeckhav@cow.s.org](mailto:Jkeckhav@cow.s.org).*

## Fact Sheet on Wisconsin's Individual Income Tax

The individual income tax is the primary source of general fund revenue in Wisconsin, as shown in the table below:

### **Individual Income Tax Collections**

Fiscal Year	Individual Income Taxes Collected	Percent of State General Fund Tax Collections
1990	\$2,624.9	46.5%
1991	3,003.4	49.5
1992	3,142.2	49.6
1993	3,445.8	50.2
1994	3,638.7	49.9
1995	3,932.9	50.4
1996	4,183.6	50.8
1997	4,558.3	51.7
1998	5,047.5	53.0
1999	5,162.2	51.9
2000	5,962.0	54.5
2001	5,156.6	51.2

Source: Legislative Fiscal Bureau

A multi-year income tax cut was recently made, lowering the rates as follows:

### **Individual Income Tax Brackets and Rates**

Married Joint Filers	1997	Married Joint Filers	2001
Under \$10,000	4.90%	Under \$10,750	4.60%
\$10,000-\$20,000	6.55%	\$10,750-\$21,500	6.15%
\$20,000 and over	6.93%	\$21,500-\$155,100	6.50%
		\$155,100 and over	6.75%

Source: Department of Revenue

While our individual income tax is a progressive one (those at lower income levels paying a lower percentage of their income to the tax), the gap between what is paid at the lowest tax bracket and what is paid at the highest tax bracket has narrowed significantly. In other words, it is becoming less progressive, as shown by the following table:

### Historical Look at Lowest and Highest Tax Rates

Year(s)	Lowest Rate	Highest Rate
1911-31	1.00%	6.00%
1932-52	1.00	7.00
1953-61	1.00	8.50
1962	2.00	10.00
1963-64	2.30	10.00
1965	2.50	10.00
1966-70	2.70	10.00
1971	2.80	10.40
1972-78	3.10	11.40
1979-85	3.4	10.0
1986	5.0	7.9
1987-97	4.90	6.93
1998	4.77	6.77
1999	4.77	6.77
2000	4.73	6.75
2001	4.60	6.75

Source: Legislative Fiscal Bureau

Only four states apply a higher tax rate to their lowest bracket (Massachusetts, Minnesota, North Carolina, and Oregon) than that applied in Wisconsin. On the other hand, 15 states apply a higher rate to their respective top income brackets than in Wisconsin.

Seven states have no individual income tax: Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming. The lack of an income tax in these states has added to the overall regressivity of their tax structures. In fact, they rank among the most regressive tax states in the nation.

Another aspect of our income tax that stands out from other states is our capital gains tax exclusion.

## Fact Sheet on Wisconsin's Capital Gains Tax Exclusion

In Wisconsin, a 60% capital gains tax exclusion is provided for long-term capital gains. This exclusion dates to a now-extinct federal exclusion for capital gains income (repealed by the federal 1986 Tax Reform Act). Several other states also allow a capital gains exclusion of some kind, but Wisconsin is the only one which retained the complete 60% exclusion amount for long-term gains.

Our current treatment of the capital gains tax offers little or no benefit to middle and low-income taxpayers. This is due to the fact that profits from selling stocks and other investment assets account for a much larger percentage of the income of the wealthiest than of the poorest in the state. In fact, over 57% of all capital gains subject to tax are realized by the wealthiest one-percent of Wisconsin taxpayers. The following chart shows the breakdown of who earns capital gains in Wisconsin.

### **Who earns capital gains in Wisconsin?**

Income Group	% of Capital Gains Income
Lowest 20%	0.6%
Second 20%	1.1
Third 20%	3.4
Fourth 20%	5.4
Next 15%	15.9
Next 4%	16.3
Top 1%	57.1

Source: Institute on Taxation and Economic Policy Microsimulation Tax Model, September 2001

At the federal level, capital gains tax incentives were supported as a way of generating new investment – in the country as a whole. This “economic development tool” argument, however, does not work at the state level since there is no guarantee that the investments – the development – which brought about the capital gains, took place in Wisconsin. The capital gains tax exemption does not target Wisconsin investments. Also, this tax break is somewhat offset by the fact that when a person itemizes their federal tax return, they can deduct the amount of state taxes paid.

The Legislative Fiscal Bureau has given the following fiscal estimates for possible changes to the way capital gains taxes are treated in Wisconsin. (The estimates were based on the 1999 Wisconsin tax sample.)

Option	Effect (est. for 02-03, in millions/year)
Eliminate the 60% exclusion for long-term capital gains.	\$212.4
Change the 60% exclusion for long-term capital gains from 60% to 30%.	105.1

Source: Legislative Fiscal Bureau

The Department of Revenue reports that the capital gains exclusion accounted for \$257 million in lost revenue in fiscal year 2000.

## Fact Sheet on Wisconsin's Sales and Use Tax

Wisconsin imposes a 5% general sales and use tax on gross receipts from the sale and rental of certain goods and services. Counties are allowed to levy an additional 0.5% sales and use tax. As of April 1, 2002, 56 counties in Wisconsin were taking advantage of this option. The sales tax on goods is "general" meaning that items that are not to be taxed have to specifically be listed in state statutes as exempt. Our sales tax on services, on the other hand, is "selective" meaning that if a service is to be taxed, it must be written into the law as being taxed. There is a long list of goods and services to which the sales tax does not apply.

There are two ways revenue could be increased by altering our sales tax: (1) raising the sales tax rate, and (2) applying the tax to currently exempt items. The Legislative Fiscal Bureau has estimated the following revenue gains from increasing the state-levied sales tax rate on the items currently taxed.

Option	Increase in revenues (02-03, in millions)
5.5%	\$383.0
6.0%	766.0

Source: Legislative Fiscal Bureau

The second option appears to be garnering increased support. The Wisconsin Counties Association's "Fiscal Fairness Plan" included a proposal to apply the sales tax to all but a few items – food, prescription drugs and a few others – and to simultaneously lower the overall rate from 5.0% to 3.5% the first year and then to 3.0% after that. They estimated that such a change would have increased revenues by \$745 million in fiscal year 2003.

A thorough review of the items currently exempted should be undertaken in order to determine if legitimate state goals are accomplished by each exemption. The items currently exempt from the sales tax are listed below along with the Legislative Fiscal Bureau estimate of how much revenues would be increased per year if that item were taxed (02-03 estimate).

### Exemptions for Property Sold Primarily to Households

	<u>Revenues Lost (millions)</u>
Food	\$580.00
Meals Furnished by Institutions of Higher Education	8.40
Water Sold Through Mains	16.20
Fuel and Electricity for Residential Use	81.00
Long-Term Rental Payments for Residential Real Estate	195.00
Manufactured Homes and Mobile Homes Used as Primary Housing	2.70
Motor Fuels	182.00
Newspapers, Periodicals and Shoppers Guides	12.20
Caskets and Burial Vaults	8.40
Coin-Operated Laundry and Dry Cleaning Services	2.50
Cloth Diapers and Diaper Services	0.04

### Exemptions Related to Health Care

Prescription Drugs and Medicines	83.00
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Equipment Used in the Treatment and Testing of Diabetes	1.00
Medical Equipment	10.80
Accommodations Provided by Hospitals, Nursing Homes, Nonprofit Assoc. and Rel. Org.	134.00

**Exemptions Related to Farming**

Farm Machinery	28.00
Electricity Used in Farming	5.50
Fuel Used in Farming	3.70
Veterinary Services and Medicines for Farm Livestock	4.50
Semen for Livestock Breeding	1.90
Milkhouse Supplies	3.90

**Exemptions Related to Nonfarm Businesses**

Machinery and Equipment Used in Manufacturing	246.00
Waste Treatment Facilities	29.00
Logging Equipment	0.50
Wood Residue Used as Fuel in a Business Activity	0.10
Long-Term Rental Payments for Real Estate Used for Business Purposes	305.00
Trucks, Tractors, Buses and Other Vehicles Sold to Common or Contract Carriers	27.00
Commercial Vessels and Barges	0.50
Rolling Stock Used in Railroad Operations	8.70
Motion Picture and TV Film	2.50

**Exemptions for Government Agencies and Nonprofit Organizations**

Sales to State and Local Governments and Schools	195.00
Religious, Charitable, Scientific and Educational Organizations	49.00
Charges for Emergency Telephone Systems	0.55
Hot Lunches and Other Personal Property Sold by Elementary and Secondary Schools	7.20
Certain Items Sold by the Department of Agriculture, Trade and Consumer Protection	0.02
Fees for Admission and Camping at State Parks	0.60
Admissions to Certain Historical Museums	0.05

**Definitional and Miscellaneous Exemptions**

Labor Input into Construction	310.00
Trade-Ins	78.00

**Personal, Recreational and Related Services**

Beauty and Barber Services	17.90
Funeral Services	7.60
Bank Account Service Charges	24.00
Dues and Fees Paid to Business Associations and Fraternal Organizations	12.40

**Personal, Recreational and Related Services**

Live Bands and Orchestras	\$0.20
Health and Reducing Clubs	7.00
Admissions to Educational Events and Places	5.60
Veterinary Services for Pets	9.50
Dance Studios	0.10
Auto and Travel Clubs	1.70

**Professional Services**

Services of Physicians, Dentists and Other Health Professionals	220.00
Legal Services	82.00
Architectural, Engineering and Surveying Services	54.00
Accounting Services	47.00

**Business Services**

Advertising	83.00
Computer Services	110.00
Management Consulting and Public Relations	43.00
Personnel Services	65.00
Addressing and Mailing	8.60
Credit Rating and Collection Services	6.30
Protective Services	12.30
Research, Development and Testing Services	13.60

**Services Related to Real Property**

Commissions to Real Estate Brokers	36.00
Repair of Real Property	25.50
Interior Design	2.80
Janitorial Services	20.00
Disinfecting and Exterminating Services	2.40
Sewerage Services	22.80

Source: Legislative Fiscal Bureau

## Fact Sheet on Wisconsin's Corporate Income Tax

Wisconsin imposes a flat 7.9% tax rate on corporate income. We use a somewhat traditional “property, payroll and sales” formula, with the sales of a corporation given double weight. The following table lists recent Wisconsin corporate income tax collections.

### **Wisconsin Corporate Tax Collections 1989-90 to 2000-01 (\$ in millions)**

Fiscal Year	Corporate Tax Collections	Corporate Tax as Percent of General Fund Collections
1989-90	\$436.6	7.7%
1990-91	440.9	7.3
1991-92	437.7	6.9
1992-93	492.0	7.2
1993-94	541.3	7.4
1994-95	631.8	8.1
1995-96	636.0	7.7
1996-97	643.8	7.3
1997-98	627.0	6.6
1998-99	635.2	6.4
1999-00	644.6	5.9
2000-01	537.2	5.3

Source: Legislative Fiscal Bureau

When local taxes are taken into account, the corporate income tax plays an even smaller role in our tax collections as shown by the following table.

### **Contribution of each tax to our total state and local tax collections.**

Tax	Share of State and Local Taxes (2000)
Individual Income Tax	36.2%
Residential Property Tax	22.2
Sales Tax	21.3
Commercial Property Tax	7.4
<b>Corporate Income Tax</b>	<b>3.9</b>
Tobacco/liquor Taxes	1.8
Agricultural Property Tax	1.7
Manufacturing Property Tax	1.6
Public Utility Taxes	1.6
Inheritance & Gift Taxes	0.8
Miscellaneous Property Tax	0.5
Insurance Premiums Tax	0.5
Miscellaneous Taxes	0.3

Source: Department of Revenue and Legislative Fiscal Bureau data.

As of the 1998-99 fiscal year, Wisconsin ranked 16<sup>th</sup> in corporate tax collections per capita (at \$127.80), and ranked 14<sup>th</sup> in collections per \$1,000 of personal income (at \$4.89). (Source: Legislative Fiscal Bureau) The following table indicates what other states are doing in this area of taxation.

State	Tax Rate (percent)	# of Brackets
Alabama	6.5	1
Alaska	1.0-9.4	10
Arizona	6.968	1
Arkansas	1.0-6.5	6
California	8.84	1
Colorado	4.63	1
Connecticut	7.5	1
Delaware	8.7	1
Florida	5.5	1
Georgia	6.0	1
Hawaii	4.4-6.4	3
Idaho	7.6	1
Illinois	7.3	1
Indiana	7.9	1
Iowa	6.0-12.0	4
Kansas	4.0	1
Kentucky	4.0-8.25	5
Louisiana	4.0-8.0	5
Maine	3.5-8.93	4
Maryland	7.0	1
Massachusetts	9.5	1
Michigan	has a single business tax	
Minnesota	9.8	1
Mississippi	3.0-5.0	3
Missouri	6.25	1
Montana	6.75	1
Nebraska	5.58-7.81	2
Nevada	None	
New Hampshire	8.5	1
New Jersey	9.0	1
New Mexico	4.8-7.6	3
New York	8.0	1
North Carolina	6.9	1
North Dakota	3.0-10.5	6
Ohio	5.1-8.5	2
Oklahoma	6.0	1
Oregon	6.6	1
Pennsylvania	9.99	1
Rhode Island	9.0	1
South Carolina	5.0	1
South Dakota	Tax on financial institutions.	
Tennessee	6.0	1
Texas	Imposes a franchise tax	

	of 4.5 percent of earned surplus.	
Utah	5.0	\$100 minimum tax
Vermont	7.0-9.75	4
Virginia	6.0	1
Washington	None	
West Virginia	9.0	1
Wisconsin	7.9	1
Wyoming	None	

Source: Book of the States, 2002 Edition

The actual tax rate is just one factor to look at when analyzing the corporate income tax. Various deductions and exemptions exist which serve to lower the overall effective rate of taxes paid by Wisconsin corporations.

Specific accounting rules within a state also play a role in that state's corporate income tax collections. In Wisconsin, for instance, a controversial topic is the specific accounting procedure called "separate-entity reporting."

**"Separate-Entity Reporting" vs. "Combined Reporting"**

Under current Wisconsin law, each subsidiary or component of a multi-state corporation can file separate tax returns ("separate-entity reporting"). Under this taxing scheme, corporations that have units here and in other states are able to avoid Wisconsin income tax by shifting income derived in Wisconsin to its units located elsewhere. A way of combating this accounting practice that only select corporations can take advantage of is "combined reporting." This approach would require a multi-unit corporation to file one tax return for all of its subsidiaries, treating that corporation as a single entity. The Legislative Fiscal Bureau has estimated that instituting combined reporting would increase state revenues by \$70 million per year.

## Fact Sheet on Excise Taxes in Wisconsin

Excise taxes are currently imposed in Wisconsin on cigarettes, tobacco products, wine, beer, and other liquor. Our cigarette tax was raised to 77 cents per pack in the 2001-03 budget (Act 16). The Legislative Fiscal Bureau has given the following alternatives:

### **Fiscal effects of potential changes to our excise taxes.**

Option	Effect (est. for 02-03, in millions/year)
<i>Cigarettes – 77 cents per pack</i>	
Increase 5 cents/pack	\$20.3
Increase 10 cents	40.4
Increase 50 cents	191.1
Increase \$1.00	355.5
<i>Tobacco Products – 25% of Manufacturer’s List Price</i>	
Increase to 30%	3.1
Increase to 35%	6.2
<i>Beer Tax - \$2.00 per 31 gallon barrel</i>	
Increase rate \$.50 per barrel	2.4
Increase rate \$1.00 per barrel	4.7
Increase rate \$2.00 per barrel	9.4
<i>Liquor and Wine tax</i>	
10% rate increase	3.6
20% rate increase	7.2

Source: Legislative Fiscal Bureau

Because of the recent use of all of the tobacco securitization funds, there is a growing call to direct a portion of any increase in cigarette tax revenues to tobacco control efforts. One such proposal is to raise the tax by 85 cents and direct a percentage of the proceeds to such efforts.

The following table from the National Center for Tobacco-Free Kids illustrates the potential impact that an 85 cent/pack tax increase on cigarettes can have on state revenues as well as various health costs.

### **Estimated impact of 85 cent/pack increase in Wisconsin’s cigarette tax.**

Additional Cig. Tax Revenues Raised (millions/yr)	Change in Sales Tax Revenue (millions/yr)	Fewer Future Kid Smokers	Kids Saved From Early Smoking Death	Fewer Adult Smokers	Five-Year Heart-Stroke Health Savings (millions/yr)	5-Year Pregnancy & Birth Savings (millions/yr)	Long-Term Health Savings (in billions)
\$289.2	\$9.1	59,300	18,900	40,300	\$13.9	\$9.9	\$1.04

Source: National Center for Tobacco-Free Kids

Several questions arise when discussing a cigarette tax increase:

*Isn't this a regressive tax?*

Yes. However, a percentage of smokers will quite or will smoke less due to the tax increase. Also, it costs the rest of society approximately \$7 per pack of cigarettes to pay for the health care effects of smoking. No one is suggesting charging that much for a pack, but it is reasonable for those who smoke to bear some more of the costs. Also, specifically with the 85 cent/pack proposal mentioned above, a percentage, perhaps 10%, would be dedicated to tobacco control efforts to help the very people who smoke.

*What's next, taxing hamburgers?*

Probably not. This “slippery slope” question comes up surprisingly often. The answer is no, there has been no significant effort to expand such a “sin tax” concept to other items that some feel are harmful to one’s health. The best answer to this question, though, is simple: while fat has some redeeming value (we all need it in our diet), there is no redeeming health value to nicotine.

*Won't revenues fall because so many people will stop smoking?*

Not likely. Fortunately, we have significant existing data to analyze when looking for an answer to this question. The following table illustrates one very interesting fact, that a cigarette tax hike has always meant an increase in revenues and a decrease in smoking.

**Recent state experiences with cigarette tax increases.**

State	Date	Tax Increase Amount	New State Tax	State Consumption Decline	Revenue Increase (percent)	New Revenues (millions)
Alaska	1997	71¢/pack	\$1.00	-13.5%	+202%	\$28.7
California	1999	50¢	87¢	-18.9	+90.7	555.4
Hawaii	1998	20¢	\$1.00	-8.1	+19.9	6.4
Illinois	1997	14¢	58¢	-8.9	+19.0	77.4
Maine	1997	37¢	74¢	-15.5	+66.7	30.8
Maryland	1999	30¢	66¢	-16.3	+52.5	68.0
Massachusetts	1996	25¢	76¢	-14.3	+28.0	64.1
Michigan	1994	50¢	75¢	-20.8	+139.9	341.0
New Hampshire	1999	15¢	52¢	-10.4	+27.1	19.6
New Jersey	1998	40¢	80¢	-16.8	+68.5	166.6
New York	2000	55¢	\$1.11	-24.48	+52.42	352.1
Oregon	1997	30¢	78¢	-8.3	+77.0	79.8
Rhode Island	1997	10¢	71¢	-1.5	+16.2	8.6
South Dakota	1995	10¢	33¢	-5.6	+40.4	6.1
Utah	1997	25¢	51.5¢	-25.7	+71.0	17.6
Vermont	1995	24¢	44¢	-16.3	+84.2	11.7
Wisconsin	1997	15¢	59¢	-6.5	+25.8	52.9

Sources: Orzechowski & Walker, Tax Burden on Tobacco (2001) [a tobacco industry funded compilation of state tobacco data].

*Won't a black market form for purchasing cigarettes due to the tax hike?*

Probably not. While there's no evidence of a widespread problem with this, it's a legitimate concern. The Department of Revenue has excise tax enforcement personnel within its agency. One proposal currently being offered is to take 2 cents per pack and dedicate that money to adequately fund these and perhaps more enforcement positions to ensure that no such problem develops.

## Fact Sheet on Wisconsin's Fuel Tax and Motor Vehicle Registration Fees

### Gas Tax

Wisconsin ranks 11<sup>th</sup> in the country on its total taxes on gasoline (.2760 per gallon, see table below). While many other states have a lower state-imposed gasoline tax, most of them apply local fuel and sales taxes to their fuel sold, while Wisconsin does not. Wisconsin levies only the basic fuel tax and an environmental inspection fee, of 0.273 and .003 respectively. Our gas tax is indexed for inflation.

We collected approximately \$916 million in motor fuel taxes in 2000. The following is a rough estimate based on the number of gallons of fuel sold and the tax that would have been collected under the following scenarios based on 2000 data:

Option	Revenues Collected	Increased Revenues/Year
Increase 2 cents/gallon	\$983,106,227	\$67,106,227
Increase 5 cents/gallon	1,083,765,568	167,765,568
Increase 10 cents/gallon	1,251,531,135	335,531,135

The states ranked higher than Wisconsin and their gas taxes are:

#### State Taxes in Gasoline

State	State Fuel Tax	Total Tax on Fuel
New York	.2200	.3538
Hawaii	.1600	.3445
Nevada	.2300	.3370
California	.1800	.2967
Connecticut	.2500	.2954
Florida	.0400	.2940
Rhode Island	.2800	.2900
Illinois	.1900	.2809
Michigan	.1900	.2798
Montana	.2700	.2780
<b>Wisconsin</b>	<b>.2730</b>	<b>.2760</b>

Source: MN House Research Department, Survey of State and Local Gasoline Taxes

### Motor Vehicle Registrations

We currently charge a flat rate of \$45 for automobile registrations and determine the fee for light trucks by weight. Several other states have a multi-tiered system based on the age of the vehicle, its cost, and/or its fuel efficiency in MPG. For example, New Jersey takes both the age and the weight of the vehicle into consideration and has the following scheme in place:

**New Jersey Registration Fees Schedule (this is a portion of their schedule)**

Weight Class	Description	Fee
1	Any vehicle, model year 1970 or older, weighing under 2,700 pounds.	\$25
2	Any vehicle, model year 1970 or older, weighing from 2,700 through 3,800 pounds.	\$34
3	Any vehicle, model year 1970 or older weighing over 3,800 pounds.	\$55
4	Any vehicle, model year 1971 to 1979, weighing under 2,700 pounds.	\$28
5	Any vehicle, model year 1971 to 1979, weighing from 2,700 through 3,800 pounds.	\$39
6	Any vehicle, model year 1971 to 1979, weighing over 3,800 pounds.	\$62
7	Any vehicle, model year 1980 and newer, weighing 3,500 pounds and under.	
7a	Cars within 2 years of the model year.	\$48.50
7b	Cars older than 2 years.	\$36
8	Any vehicle, model year 1980 and newer, weighing over 3,500 pounds.	
8a	Cars within 2 years of the model year.	\$73.50
8b	Cars older than 2 years.	\$61

Source: New Jersey Dept. of Transportation, [www.state.nj.us/mvs/registra.htm](http://www.state.nj.us/mvs/registra.htm).

Another example of an alternate fee schedule is Wyoming’s system. Both a county and a state fee are paid in Wyoming. The county fee is calculated by the following formula:

$$\text{Factory Cost} \times \text{Year of Service Rate} \times .03 = \text{County Fee}$$

The Wyoming state fee depends on the type of vehicle only:

Type of Vehicle	Fee
Passenger	\$15.00
Truck, Trailers	\$2.00-\$60.00, Depending on Weight
Commercial	\$80.00-\$1,400.00, Depending on Weight

Source: Office of the County Treasurer, Converse County, Wyoming, [www.conversecounty.org/treasurer/vehfee.htm](http://www.conversecounty.org/treasurer/vehfee.htm).

It is difficult to estimate the revenue effect from a change to our motor vehicle registration fees. The only data that is currently compiled and available from the Wisconsin Department of Transportation on vehicles is the number of vehicles registered per year, not the value or the weight. Our vehicle registrations have increased as shown in the following table:

Year	Total Registrations
1990	3,907,343
1991	3,982,901
1992	4,018,786
1993	4,129,519
1994	4,172,462
1995	4,268,619
1996	4,241,260
1997	4,503,904
1998	4,449,217
1999	4,713,643
2000	4,798,056
2001	4,946,305

Source: Department of Transportation

## Fact Sheet on Wisconsin's Marginal Use of Fees as Compared to Taxes

Taxes have historically made up a higher percentage of revenues in Wisconsin than the national average (as compared to fees - non-tax general revenues primarily user fees on highways, sewers, education, and parks). The trend within the states over the past two decades has been to decrease the percentage made up of taxes and to rely increasingly on fees. Wisconsin has followed this trend, but not to the same degree as other states. Therefore, even though Wisconsin has begun to rely more heavily on non-tax revenues than it once did, we're still below the national average, and in fact fell two places between 1978 and 1998.

### **Taxes as a % of Own-Source Revenues**

	1978	Rank	1998	Rank
Illinois	83.2%	3	74.8%	6
Iowa	75.4%	25	65.9%	37
Indiana	76.6%	22	67.3%	31
Kentucky	77.2%	21	69.0%	21
Michigan	77.6%	20	68.6%	26
Missouri	79.3%	13	71.8%	15
<b>Wisconsin</b>	<b>79.5%</b>	<b>11</b>	<b>73.2%</b>	<b>9</b>
<b>All States</b>	<b>78.6%</b>		<b>69.6%</b>	

Source: Institute on Taxation and Economic Policy, citing Census Bureau data

There are several ways of measuring tax and non-tax burdens. The following numbers show that in 1999, our non-tax state and local revenue collections ranked 30<sup>th</sup> in the country, whether using the per capita method or the per income method.

### **Per Capita Revenue, 1999**

	Wisconsin	Ranking	National Average
State & local "non-tax own-source" revenue	\$1,221	30 <sup>th</sup>	\$1,276

Source: Wisconsin Council on Children and Families, Wisconsin Budget Project

### **Per \$1,000 of Income, 1999**

	Wisconsin	Ranking	National Average
State & Local "non-tax own-source" revenue	\$47	30 <sup>th</sup>	\$47

Source: Wisconsin Council on Children and Families, Wisconsin Budget Project

Any comparison, then, that only takes into account taxes is a misleading indicator of what we pay for our government. Because of our willingness to keep fees relatively low, focusing only on taxes will overstate the cost of our government in relation to other states.

## Fact Sheet on the Need for an Updated Wisconsin Tax Incidence Study

A comprehensive study of the tax burden in Wisconsin has not been conducted since 1979. That study, completed by the Department of Revenue, used data from 1974 tax returns. The study prior to that was made in 1959, using data from 1956 returns. There is a lack of reliable, unbiased tax information available to policy-makers and the public alike in Wisconsin, and there has been an increasing call for a new edition of the Wisconsin Tax Burden Study.

Such a study should include the following:

- an analysis of each of our state and local taxes, their contribution to our total tax collections, and any shift in the relative importance of each particular tax;
- a description of the formulas used for computing each of our various taxes and fees;
- the state tax burden, the state and local tax burden, and the fee burden as compared to other states using the most recently census bureau data;
- a list of exemptions, deductions, and exclusions for each of our taxes and the fiscal effect of such exemptions and exclusions;
- the progressivity or regressivity of our tax burden, including what occurs in this measure when taking the federal tax code into account;
- a historical analysis of the growth in our tax collections, and
- a narrative discussion of taxing trends throughout the nation and specifically in Wisconsin.

## Fact Sheet on Wisconsin's Budget Stabilization Fund

- Established in 1986.
- At first, depositing \$ into the fund was left to the legislature and governor's discretion.
- No monies have ever been deposited into the fund by legislative action.
- As of January, 2002, balance of less than \$100.
- Our lack of savings in a rainy day fund has been cited as one of the reasons for our rapidly falling credit rating, costing the state millions of dollars over time.
- In 2001-03 Budget Act 16, deposits to the fund became automatic.
- When actual revenues exceed projected revenues, half of the excess goes to the Budget Stabilization Fund (up to 5% of expenditures).
- Currently, therefore, deposits to the fund will only come at times of revenue surpluses.
- Withdrawals from the fund must be made by legislative appropriation, upon recommendation from the governor.
- As of January 2002, Wisconsin was one of 9 states to have, effectively, no savings in a rainy day fund.
- Among the 41 states that did have \$ in their funds, the average was \$425 million (the range is from \$13 million (Alabama) to \$2.4 billion (Alaska)).
- Among our neighbors:
  - Illinois – \$0
  - Iowa – \$490 million (10.1% of general fund expenditures)
  - Indiana – \$526 million (5.5% of general fund expenditures)
  - Minnesota – \$653 million (5.0% of general fund expenditures)
  - Michigan – \$739 million (7.9% of general fund expenditures)