

EMBARGOED FOR RELEASE:

Jan. 12, 2021

**Contact:**

Jason Stein, Research Director  
608-982-0323 or [jstein@wispolicyforum.org](mailto:jstein@wispolicyforum.org)

## **Wisconsin's State and Local Tax Burden Dips Below National Average**

*Taxes as share of income was 10.2% in 2020, again reaching lowest point in a half century*

Amid a global pandemic and economic upheaval, Wisconsinites paid less of their collective income in state and local taxes in 2020, as this measure of the state's tax burden continued its steady decline to a new low in a half century of records.

Wisconsin's tax burden also has seen a steady but significant change in national rankings. The most recent data available show its state and local taxes as a share of income dipped below the U.S. average for only the second time in decades.

These are the findings of a new report from the independent, nonpartisan Wisconsin Policy Forum. It found that while state and local tax collections increased in fiscal year 2020, Wisconsinites' collective incomes grew more quickly. This meant state and local taxes last year amounted to 10.2% of personal income in the state, down from 10.3% in 2019.

This share has declined each year since 2010 and has been on a largely downward trajectory since 1994, when it was 13.1%. It now is at its lowest point in Forum records going back to 1970.

Meanwhile in 2018, the most recent year for which U.S. Census data is available, Wisconsin's state and local tax burden dropped below the national average and lowered its tax ranking to 23<sup>rd</sup> among the states, from 17<sup>th</sup> in the previous year.

"At every level of government, taxes in Wisconsin generally have been falling for decades as a share of residents' income," the report says. "Wisconsin has dropped to the middle of the pack for taxes as a share of income despite lower per capita income (than the U.S. average) and below-average levels of federal aid."

These rankings speak to the overall totals in the state but not necessarily to the experience of individual taxpayers, who may have widely diverging levels of income and taxes in any given year, particularly during the pandemic.

### **By the numbers**

Each year, the Wisconsin Policy Forum collects data on dozens of state and local taxes – from those on bingo and motor fuel to corporate profits – and our records stretch from 1970 through the fiscal year ended on June 30, 2020.

In the fiscal year ending June 30, 2020, total state and local taxes in Wisconsin rose to \$31.7 billion, up 2.3% from just under \$31 billion the previous year. But since personal income rose more rapidly, the overall tax burden dropped.

Total personal income – which includes wages, salaries and employer benefits, investment and business income, and government benefits – rose 3.4% in calendar year 2019, the most recent full

year available. Personal income continued to rise in the first half of 2020 despite the impact of the pandemic due in part to federal relief legislation.

The decrease in the tax burden was driven by a slowdown in state tax collections, which grew 1.5% to \$20.71 billion in 2020 from \$20.42 billion in 2019. Individual income tax collections fell for the first time since 2014 and sales tax collections grew at their slowest rate since 2010, even as corporate tax revenues remained surprisingly strong.

Yet since personal income rose more rapidly, the overall state tax burden fell from 6.8% of income in 2019 to 6.7% of income in 2020. That is the lowest level on record in Wisconsin Policy Forum data stretching back to 1970.

Meanwhile, total local tax collections rose by 4% to \$10.98 billion in 2020 from \$10.57 billion the year before - the largest percentage increase since 2008. However, local taxes as a share of personal income remained flat compared to 2019 at 3.5%. That remains at the lowest level in our half century of records.

## **Tax burden now below national average**

To provide national comparisons, we also reviewed Census Bureau data, which generally track the Forum's own tax data but can differ slightly. Those data show that in 2018, Wisconsin's state and local tax burden dropped to 10.2% of income from 10.3% in the prior year. Though a small decline, this left Wisconsin below the national average of 10.4%.

As recently as 2011, Wisconsin still ranked within the top 10 states nationally for state and local taxes as a share of income, as was generally the case during the 1990s and 2000s. Some may still perceive the state's taxes to be high, in part because of the relatively high property taxes for residential homeowners in particular and income tax rates for middle-class workers.

Yet the latest U.S. Census Bureau data show that is no longer the case for overall taxes in Wisconsin - a shift that may have broader implications for how the public and policymakers view taxes and spending at both the state and local level.

## **Looking ahead**

The report concludes that the next year will pose a difficult test for policymakers, with the economy unsettled and life-and-death demands being placed on state and local agencies.

In the near term, the pandemic may continue to weaken tax collections and the economy. The recently approved federal relief legislation, however, should help to bolster both as well as priorities such as K-12 schools, colleges and universities, and transportation and transit.

State and local officials will face pressure to maintain services such as public health and perhaps respond to some shifting attitudes from voters on other priorities such as education. Meanwhile, looming state budget challenges may cause officials in the state Capitol to consider measures that could affect the state's tax burden: either state tax increases or cuts in aid to local governments, which could spur property tax increases.

"At issue will be balancing the goals of maintaining both low tax burdens," the report concludes, "and sufficient resources for state and local governments to address the lingering service demands and economic after-effects of what we hope will be in time a fading global pandemic."

[Go here to read our new report, "State Tax Burden - And Ranking - Fall Again."](#)