

Property Tax Level in Wisconsin

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The property tax is the largest source of combined state and local tax revenue in Wisconsin. Local governments levy 99% of the tax, and the remaining 1% is collected by the state. Prior to 1900, the property tax was the state government's largest tax. As the state's economy has diversified, state government has come to rely on other tax sources and has established various aid programs to reduce local reliance on the property tax. The only remaining state property tax is the state forestation tax, which was levied in 2007(08) at a rate of \$0.17 per \$1,000 of value. The resulting revenue (\$84.5 million in 2007-08) is segregated for use in state forestry programs.

The following sections describe seven aspects of Wisconsin's property tax system: (1) reliance of local governments on the property tax; (2) measures of property tax levels in Wisconsin and other states; (3) property tax distribution by type of taxpayer; (4) changes in state taxes, state assistance, property taxes, and inflation since 1970; (5) changes in property tax levies by taxing jurisdiction; (6) property tax rates; and (7) property taxes paid on a median-valued home.

Local Government Reliance on Property Tax Revenues

The property tax is the major source of tax revenue for local governments in Wisconsin and 47 other states. The general sales tax is the largest local government tax source in Arkansas and Louisiana. Based on the most recent data available from the U.S. Bureau of the Census, Table 1 compares the composition of local government revenue in Wisconsin to the U.S. average. As shown, Wisconsin local governments rely on the

Table 1: Composition of Local Government Revenues (Wisconsin Versus U.S. Average, 2005-06)

	Wisconsin	U.S. Average
Property Tax	35.5%	27.9%
Sales and Gross Receipts Taxes	1.5	6.3
Income Tax	N.A.	2.3
Other Taxes	1.2	2.4
Charges and Miscellaneous	<u>16.4</u>	<u>22.8</u>
Total Own Source Revenues	54.6%	61.7%
Intergovernmental Revenues	<u>45.4</u>	<u>38.3</u>
Total Local Government Revenues	100.0%	100.0%

Source: U.S. Department of Commerce, Bureau of the Census.

property tax more than the U.S. average for local governments. Wisconsin governments also have a greater reliance on intergovernmental revenues, while "own source" revenues are more significant, on average, for governments in other states.

Wisconsin local governments may not levy a property tax unless authorized by state law. Each of the types of local units with taxing authority is described below. Table 2 reports the composition of revenues for all but special purpose districts.

Towns, Villages, and Cities. There are 190 cities, 403 villages, and 1,258 towns in Wisconsin. They are sometimes called "general purpose governments" because they provide a variety of public services, including police and fire protection, sanitation, transportation, and recreation. Municipalities rely on a more diverse array of revenue sources than other local governments to fund these services. However, the property tax represents the most significant tax available to municipalities and, on average, it represents 28.1% of all municipal revenue. Other taxes that municipalities may impose include the room tax, motor vehicle "wheel" tax, mobile home fees, premier resort area tax, and special assessments.

Table 2: Revenue Sources for Local Governments (\$ in Millions)

	Gross Property Tax	Other Taxes	Intergovernmental Aids	Other Revenues	Total
Towns (2007)					
Amount	\$331.5	\$18.1	\$238.7	\$209.0	\$797.3
Percent	41.6%	2.3%	29.9%	26.2%	
Villages (2007)					
Amount	\$427.1	\$44.9	\$157.3	\$732.7	\$1,362.0
Percent	31.4%	3.3%	11.5%	53.8%	
Cities (2007)					
Amount	\$1,614.1	\$178.4	\$1,138.7	\$3,358.1	\$6,289.3
Percent	25.7%	2.8%	18.1%	53.4%	
Counties (2007)					
Amount	\$1,722.0	\$338.5	\$2,092.2	\$2,895.0	\$7,047.7
Percent	24.4%	4.8%	29.7%	41.1%	
School Districts (2006-07)					
Amount	\$3,787.8	\$0.0	\$5,802.4	\$684.1	\$10,274.3
Percent	36.9%	0.0%	56.4%	6.7%	
Technical College Districts (2006-07)					
Amount	\$651.3	\$0.0	\$300.1	\$509.6	\$1,461.0
Percent	44.6%	0.0%	20.5%	34.9%	

Counties. Like municipalities, the state's 72 counties perform a variety of services that may be characterized as "general purpose." However, 44.1% of all county expenditures are dedicated to health and human service functions. In addition to the property tax, counties may impose sales and use taxes, which represent the majority of other county taxes.

Elementary and Secondary School Districts. The state is divided into 426 elementary and secondary school districts. Unlike municipalities and counties, these districts perform a single function--education. Prior to 1996-97, the property tax was the most significant revenue source of school districts and comprised almost half of all school district revenues. However, increases in state aid resulting from the state commitment to provide two-thirds of partial school revenues on a

statewide basis have caused intergovernmental aids to become the most significant revenue source for school districts. Even though the state discontinued the "two-thirds" requirement after 2002-03, intergovernmental revenues continue to be the largest revenue source for school districts.

Technical College Districts. There are 16 technical college districts in the state. They provide post-secondary education through courses leading to associate degrees and vocational diplomas, college parallel courses, and continuing education courses. The property tax accounts for 44.6% of their revenues and is the districts' most significant revenue source.

Special Purpose Districts. In addition to the districts described above, other special purpose districts are authorized to levy property taxes. These include seven metropolitan sewerage districts, 311 town sanitary districts, and 219 inland lake rehabilitation districts. Although they may have a tax levy, many special purpose districts raise most of their revenues through user fees.

Measures of Property Tax Level

Wisconsin local governments' heavy reliance on the property tax has contributed to above-average property tax levels. Two widely used measures of tax levels are property taxes per \$1,000 of personal income and property taxes per capita. Table 3 shows Wisconsin's ranking under these measures since 1970. Wisconsin's property tax level exceeded the U.S. average under both measures in all periods examined. This comparison is based on the most recent data provided by the U.S. Department of Commerce.

Table 3: Wisconsin State and Local Property Taxes Per \$1,000 of Personal Income and Per Capita Compared to Other States*

	Property Taxes Per \$1,000 of Personal Income			Property Taxes Per Capita		
	Amount	Rank	Percent of Average	Amount	Rank	Percent of Average
1970	\$63.35	4	138.5%	\$220.50	6	131.6%
1975	52.13	13	116.6	271.09	14	112.2
1980	35.43	19	119.7	360.45	16	119.2
1985	43.46	10	137.2	571.81	12	131.1
1990	43.01	13	126.4	736.13	16	118.1
1995	48.04	7	137.7	1,018.49	11	133.3
2000	39.32	10	123.0	1,058.60	12	119.9
2005	44.17	9	127.9	1,410.37	12	124.6
2006	44.29	9	126.4	1,439.81	12	119.8

*Including the District of Columbia.

Source: U.S. Department of Commerce.

Property Tax Distribution by Type of Taxpayer

This section provides estimates of the percent of total property taxes borne by different types of property over the last 37 years. The analysis examines taxes levied in 1970 (payable in 1971), 1975(76), 1980(81), 1985(86), 1990(91), 1995(96), 2000(01), 2005(06), and 2007(08). The Department of Revenue annually reports gross property tax levies by class of property. Two adjustments have been made to the Department's figures. First, taxes on personal property have been allocated by type of taxpayer. Second, state property tax credits have been apportioned to distinguish between the gross and net tax burdens.

Table 4 reports property tax levies net of state property tax credits by type of taxpayer between 1970(71) and 2007(08). Over this period, taxes increased more rapidly on residential and commercial property than on manufacturing and other property. As a result, residential and commercial property have borne increasing shares of the tax burden, while decreasing shares have

been borne by manufacturing and other property. Several factors explain the shift in tax shares.

First, some types of property have been exempted through state law changes. Manufacturers' machinery and equipment (M&E) was exempted in 1974. In 1977, the Legislature chose to gradually exempt farmers' livestock and commercial and manufacturing inventories by assessing them at increasingly lower percentages of full value until they became entirely exempt in 1981. The exemption for computers and related equipment took effect in 1999 and removed \$2.3 billion in tax base. At the time of their enactment, these three exemptions collectively represented 18% of the remaining statewide taxable value. Much of the reduction in agricultural taxes between 1995(96) and 2005(06) was caused by phasing-in use value assessment for agricultural land.

Second, property has been added or removed since 1970(71). The majority of new construction has been for residential and commercial uses. As that tax base has been added, residential and commercial taxpayers have borne an increasing percentage of total taxes. Other properties have been demolished or converted to other uses. This accounts for some of the reduction in the percent of taxes borne by manufacturing property. Similarly, farmland has been converted to other uses as the number of farms has declined from about 110,000 in 1970 to 76,000 in 2007.

Finally, economic conditions explain some of the shifts. For example, national economic conditions associated with recessionary periods caused some reductions in manufacturing, commercial, and agricultural tax base during the 1980s. As a result, taxes on that property either declined or grew at a slower rate.

Table 4: Net Property Tax by Type of Taxpayer (\$ in Millions)

	1970(71)	1975(76)	1980(81)	1985(86)	1990(91)	1995(96)	2000(01)	2005(06)	2007(08)
Residential	\$526.1	\$699.3	\$1,124.1	\$1,617.5	\$2,458.9	\$3,370.5	\$4,079.3	\$5,465.0	\$5,996.8
Commercial	202.0	279.4	361.2	573.8	971.3	1,205.9	1,321.8	1,630.9	1,783.8
Real Estate	169.0	231.4	311.6	487.8	822.6	1,023.6	1,166.5	1,478.2	1,624.8
Personal Property	33.0	48.0	49.6	86.0	148.7	182.3	155.3	152.7	159.0
Manufacturing	184.1	119.3	128.0	173.4	239.2	275.1	280.8	281.4	280.3
Real Estate	115.0	77.8	93.3	128.1	166.6	196.8	227.9	234.9	232.9
Personal Property	69.1	41.5	34.7	45.3	72.6	78.3	52.9	46.5	47.4
Other	127.2	164.9	287.8	379.7	399.5	416.1	364.8	362.6	389.8
Agricultural/Other	108.6	148.1	257.5	335.5	342.6	352.8	255.2	208.1	214.4
Swamp/Waste/ Forest	5.9	10.1	26.1	42.2	53.5	59.3	105.6	150.6	171.3
Other Personal	<u>12.7</u>	<u>6.7</u>	<u>4.2</u>	<u>2.0</u>	<u>3.4</u>	<u>4.0</u>	<u>4.0</u>	<u>3.9</u>	<u>4.1</u>
Total	\$1,039.4	\$1,262.9	\$1,901.1	\$2,744.4	\$4,068.9	\$5,267.6	\$6,046.7	\$7,739.9	\$8,450.7

Percent of Total

Residential	50.6%	55.4%	59.1%	58.9%	60.4%	64.0%	67.5%	70.6%	71.0%
Commercial	19.5	22.1	19.0	20.9	23.9	22.9	21.9	21.1	21.1
Real Estate	16.3	18.3	16.4	17.8	20.2	19.4	19.3	19.1	19.2
Personal Property	3.2	3.8	2.6	3.1	3.7	3.5	2.6	2.0	1.9
Manufacturing	17.7	9.4	6.7	6.4	5.9	5.2	4.6	3.6	3.3
Real Estate	11.1	6.1	4.9	4.7	4.1	3.7	3.7	3.0	2.8
Personal Property	6.6	3.3	1.8	1.7	1.8	1.5	0.9	0.6	0.5
Other	12.2	13.1	15.2	13.8	9.8	7.9	6.0	4.7	4.6
Agricultural/Other	10.4	11.8	13.6	12.2	8.4	6.7	4.2	2.7	2.5
Swamp/Waste/ Forest	0.6	0.8	1.4	1.5	1.3	1.1	1.7	1.9	2.0
Other Personal	<u>1.2</u>	<u>0.5</u>	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

**State Taxes, Local Assistance,
Net Property Taxes, and Inflation Since 1970**

Since its adoption of the state income tax in 1911, Wisconsin has used state tax collections to provide assistance to local governments. One of the major goals of the local assistance programs has been to reduce local reliance on the property tax and provide property tax relief. Tables 5 and 6 examine changes in state taxes, local assistance, and net property tax levies over five-year intervals from 1970-71 to 2007-08.

The tables show that state taxes and local assistance have grown at greater rates during the 37-year period than net property taxes. However, the relationship between the three factors has varied over the period. For example, state taxes grew more rapidly than net property taxes during four of the seven five-year periods displayed, and local assistance also grew more rapidly than net property taxes in each of those periods (beginning in 1970-71, 1980-81, 1990-91, and 1995-96). During the three five-year periods when net property tax increases exceeded state tax increases, local assistance grew more slowly than net property taxes (beginning in 1975-76, 1985-86, and 2000-01).

Table 5: State Taxes, Local Assistance, and Net Property Tax Levies (Total \$ in Millions)

	1970-71	1975-76	1980-81	1985-86	1990-91	1995-96	2000-01	2005-06	2007-08
State Taxes									
Total	\$1,381.3	\$2,440.1	\$3,659.0	\$5,799.0	\$7,056.8	\$9,440.5	\$11,537.2	\$13,928.1	\$14,908.3
Per Capita	313	572	773	1,211	1,434	1,836	2,136	2,479	2,627
Local Assistance									
Total	899.4	1,644.6	2,091.7	3,100.9	4,190.3	5,530.1	7,590.9	8,308.5	8,721.8
Per Capita	204	386	442	647	852	1,075	1,406	1,479	1,537
Net Property Tax Levy									
Total	1,039.4	1,262.9	1,901.1	2,744.4	4,068.9	5,267.6	6,046.7	7,739.9	8,450.7
Per Capita	235	296	402	573	827	1,024	1,120	1,378	1,489

Table 6: Annualized Percent Change in State Taxes, Local Assistance, and Net Property Tax Levies

	1970-71 to 1975-76	1975-76 to 1980-81	1980-81 to 1985-86	1985-86 to 1990-91	1990-91 to 1995-96	1995-96 to 2000-01	2000-01 to 2005-06	2005-06 to 2007-08	1970-71 to 2005-06	1970-71 to 2007-08
State Taxes										
Total	12.1%	8.4%	9.6%	4.0%	6.0%	4.1%	3.8%	3.5%	6.6%	6.6%
Per Capita	12.9	6.2	9.4	3.4	5.1	3.1	3.0	2.9	5.9	5.9
Local Assistance										
Total	12.8	4.9	8.2	6.2	5.7	6.5	1.8	2.5	6.3	6.3
Per Capita	13.6	2.8	7.9	5.6	4.8	5.5	1.0	1.9	5.6	5.6
Net Property Tax Levy										
Total	4.0	8.5	7.6	8.2	5.3	2.8	5.1	4.5	5.8	5.8
Per Capita	4.7	6.3	7.4	7.6	4.4	1.8	4.2	4.0	5.1	5.1
Consumer Price Index										
All Urban Consumers	7.0	9.8	3.9	4.4	2.9	2.6	2.7	3.8	4.7	4.7

This also occurred during the two-year period between 2005-06 and 2007-08.

As a state policy, local assistance was emphasized during the periods beginning in 1970-71, 1985-86, and 1995-96, as local assistance increases outpaced state tax growth. Below-average property tax increases occurred during the periods beginning in 1970-71 and 1995-96, but not during the period beginning in 1985-86. Conversely, local assistance received lesser emphasis during the periods beginning in 1975-76 and 2000-01, when local assistance increases were substantially below the growth rate in state taxes. During those five-year periods, net property taxes grew more rapidly than state taxes. This also characterizes the two-year period from 2005-06 to 2007-08.

In addition, the totals in the table are converted to per capita amounts and the change in the Consumer Price Index for all urban consumers (CPI-U) is reported in Table 6 to reflect whether local assistance dollars have been used to maintain or increase local service levels. Although growth in local assistance failed to keep pace with inflation and population growth combined between 1975-76 and 1980-81, growth in per capita local assistance exceeded the inflation rate in each of the other periods examined until the period between 2000-01 and 2005-06. This relationship persisted through 2007-08. Since 1980-81, per capita property tax increases have been higher than inflation in every period except the five-year period beginning in 1995-96, although the excess decreased in the most recent two-year period, beginning in 2005-06.

Table 7: Selected Major State Aid Programs (\$ in Millions)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Direct Aid to Counties and Municipalities										
Shared Revenue & Related Programs										
General Transportation Aid	\$1,019.2	\$1,019.2	\$1,029.4	\$1,039.7	\$951.7	\$951.7	\$956.5	\$957.3	\$957.8	\$974.0
Community Aids*	348.5	348.5	359.0	373.3	373.3	373.3	380.8	388.4	400.1	412.1
TOTAL	<u>306.0</u>	<u>300.2</u>	<u>261.9</u>	<u>260.5</u>	<u>260.3</u>	<u>260.2</u>	<u>260.7</u>	<u>260.9</u>	<u>261.5</u>	<u>261.5</u>
% Change	\$1,673.7	\$1,667.9	\$1,650.3	\$1,673.5	\$1,585.3	\$1,585.2	\$1,598.0	\$1,606.6	\$1,619.4	\$1,647.6
		-0.3%	-1.1%	1.4%	-5.3%	0.0%	0.8%	0.5%	0.8%	1.7%
Tax Credits										
School Levies Credit	\$469.3	\$469.3	\$469.3	\$469.3	\$469.3	\$469.3	\$469.3	\$593.1	\$672.4	\$822.4
Lottery Credit	<u>216.2</u>	<u>90.6</u>	<u>105.0</u>	<u>105.1</u>	<u>118.2</u>	<u>131.9</u>	<u>119.9</u>	<u>144.7</u>	<u>129.6</u>	<u>120.0</u>
TOTAL	\$685.5	\$559.9	\$574.3	\$574.4	\$587.5	\$601.2	\$589.2	\$737.8	\$802.0	\$942.4
% Change		-18.3%	2.6%	0.0%	2.3%	2.3%	-2.0%	25.2%	8.7%	17.5%
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Aid to School Districts and Technical Colleges										
General School Aid**	\$3,767.9	\$3,931.9	\$4,051.6	\$4,200.9	\$4,273.1	\$4,317.5	\$4,613.9	\$4,722.7	\$4,731.7	\$4,811.5
Categorical School Aid	458.3	531.4	550.8	574.2	533.2	540.4	545.2	571.7	608.5	650.9
Technical College Aid	<u>128.7</u>	<u>137.9</u>	<u>140.8</u>	<u>139.1</u>	<u>136.8</u>	<u>138.4</u>	<u>137.2</u>	<u>136.6</u>	<u>138.4</u>	<u>140.4</u>
TOTAL	\$4,354.9	\$4,601.2	\$4,743.2	\$4,914.2	\$4,943.1	\$4,996.3	\$5,296.3	\$5,431.0	\$5,478.6	\$5,602.8
% Change		5.7%	3.1%	3.6%	0.6%	1.1%	6.0%	2.5%	0.9%	2.3%
GRAND TOTAL	\$6,714.1	\$6,829.0	\$6,967.8	\$7,162.1	\$7,115.9	\$7,182.7	\$7,483.5	\$7,775.4	\$7,900.0	\$8,192.8
% Change		1.7%	2.0%	2.8%	-0.6%	0.9%	4.2%	3.9%	1.6%	3.7%

* Beginning in 2002, amounts reflect transfers to Family Care and adjustments for Milwaukee County's contribution for child welfare services. Beginning in 2009, a portion of Community Aids is distributed by the Department of Children and Families as Children and Families Aid.

**Includes general aid to county children with disabilities education boards.

Table 7 presents funding levels since 2000 for the local assistance programs with appropriations over \$100 million in each of these years. Over that period, assistance for school districts and technical colleges has grown by 28.7%, while assistance for municipalities and counties has dropped by 1.6%.

Changes in Property Tax Levies by Taxing Jurisdiction

Changes in property tax levies have varied by type of taxing jurisdiction between 1970(71) and 2007(08). Table 8 reports that gross tax levies increased by an average, annual rate of 5.7% over that period.

Elementary and secondary school levies comprised over half of total levies between 1970 and 1995. State funding of two-thirds of partial school revenues on a statewide basis between

1996(97) and 2002(03) and school district revenue limits have caused the school percentage to decrease since 1995(96), and school taxes equaled only 44.0% of all property taxes in 2007(08). Since 1970, school levies increased at the lowest average, annualized rate (5.0%). In Table 8, the growth rates for school levies may be overstated for 1980 to 1985 and understated for 1985 to 1990 because the table reflects 1985(86) tax levies prior to the application of \$155 million in school aid tax credits. Subsequently, funding for the credits was converted to direct school aids. If the credits are subtracted from the 1985(86) levy, average annual school tax increases of 5.4% from 1980 to 1985 and 8.3% from 1985 to 1990 result.

Technical college district levies increased at the highest annual growth rate between 1970 and 2007. Above average growth rates throughout the 1970s coincided with the transformation of the vocational education system from a municipal basis to a statewide system (see the Legislative Fiscal

Table 8: Total Property Tax Levy by Taxing Jurisdiction (\$ in Millions)

Year Levied	Gross Property Tax*	Municipal & Special District	County	Elementary & Secondary (K-12) Schools	Technical College Districts
1970(71)					
Amount	\$1,179.0	\$220.8	\$251.1	\$674.0	\$26.2
Percent	100.0%	18.7%	21.3%	57.2%	2.2%
1975(76)					
Amount	\$1,601.3	\$369.9	\$241.4	\$899.5	\$78.9
Percent	100.0%	23.1%	15.1%	56.2%	4.9%
1980(81)					
Amount	\$2,210.0	\$479.6	\$355.5	\$1,219.9	\$133.4
Percent	100.0%	21.7%	16.1%	55.2%	6.0%
1985(86)					
Amount	\$3,203.5	\$765.2	\$489.8	\$1,738.3	\$185.6
Percent	100.0%	23.9%	15.3%	54.3%	5.8%
1990(91)					
Amount	\$4,388.2	\$1,070.6	\$697.5	\$2,356.4	\$235.4
Percent	100.0%	24.4%	15.9%	53.7%	5.4%
1995(96)					
Amount	\$5,738.9	\$1,379.2	\$964.5	\$3,023.6	\$331.3
Percent	100.0%	24.0%	16.8%	52.7%	5.8%
2000(01)					
Amount	\$6,604.5	\$1,837.1	\$1,316.1	\$2,927.8	\$466.3
Percent	100.0%	27.8%	19.9%	44.3%	7.1%
2005(06)					
Amount	\$8,326.7	\$2,361.1	\$1,671.1	\$3,592.3	\$622.0
Percent	100.0%	28.4%	20.1%	43.1%	7.5%
2007(08)					
Amount	\$9,250.3	\$2,617.8	\$1,800.8	\$4,066.6	\$680.6
Percent	100.0%	28.3%	19.5%	44.0%	7.4%
Annualized Average Growth Rates					
1970-75	6.3%	10.9%	-0.8%	5.9%	24.6%
1975-80	6.7	5.3	8.0	6.3	11.1
1980-85	7.7	9.8	6.6	7.3	6.8
1985-90	6.5	6.9	7.3	6.3	4.9
1990-95	5.5	5.2	6.7	5.1	7.1
1995-00	2.8	5.9	6.4	-0.6	7.1
2000-05	4.7	5.1	4.9	4.2	5.9
2005-07	5.4	5.3	3.8	6.4	4.6
1970-2007	5.7%	6.9%	5.5%	5.0%	9.2%

*The state forestry tax is not individually reflected and accounts for the remainder of the total levy.

Bureau's informational paper entitled, "Wisconsin Technical College System"). From 1980 through 1990, growth in technical college levies was lower than that for other taxing jurisdictions, but the pattern between 1990 and 2005 was for levy increases greater than that for other taxing jurisdictions.

County levies changed at annual rates below the state average between 1970 and 1975 and

between 1980 and 1985. During those periods, the state assumed county costs for certain health and social services programs (1972 and 1973) and the Milwaukee Metropolitan Sewerage District assumed levying authority for its taxes from Milwaukee County (1982 and 1983). Until the 2005 to 2007 period, growth in county levies exceeded the rate of change for total levies, during each other period examined.

Municipal and special purpose district levies increased at rates below the growth rates for total levies for the 1975 to 1980, 1990 to 1995, and 2005 to 2007 periods. They increased at a more rapid rate than the rate of change for total levies during each other period examined.

Property Tax Rates

Table 9 shows the cyclical nature of changes in the state average property tax rate. Over the period displayed, the rate peaked in 1971(72). During the 1970s, the state average tax rate declined as growth in property values exceeded tax levy increases. However, that relationship reversed in the 1980s, causing increases in the state average tax rate. Increases continued through 1992(93), when the average rate approached the 1971(72) level. Since 1992(93), the state average rate has fallen each year until 2007(08), when the state average gross tax rate of \$18.58 per \$1,000 of value increased by \$0.02 per \$1,000 of value over the average gross tax rate for 2006(07).

Estimated Property Tax Bills

Table 10 provides estimates of tax bills for a median-valued home between 1995(96) and 2007(08). The amounts were calculated by multiplying statewide average tax rates by estimated

Table 9: Change in the State Average Property Tax Rate -- 1970(71) to 2007(08)

Year Levied (Collected)	Full Value of All Property	Statewide Property Tax Levy		Tax Rate Per \$1,000 of Value	
		Gross	Net	Gross	Net
1970(71)	\$34,790,499,300	\$1,178,975,199	\$1,039,383,102	\$33.89	\$29.88
1975(76)	58,549,890,092	1,601,263,271	1,262,918,209	27.35	21.57
1980(81)	108,480,469,889	2,210,004,212	1,901,104,090	20.37	17.52
1985(86)	123,021,487,280	3,203,487,573	2,744,387,590	26.04	22.31
1990(91)	141,370,307,160	4,388,165,512	4,068,860,512	31.04	28.78
1995(96)	201,538,109,000	5,738,930,868	5,267,648,137	28.48	26.14
2000(01)	286,321,491,800	6,604,531,375	6,046,744,052	23.07	21.12
2005(06)	427,933,562,000	8,326,736,844	7,739,898,537	19.46	18.09
2007(08)	497,920,348,700	9,250,316,446	8,450,719,305	18.58	16.97
Annualized Average Growth Rates					
1970 - 1975	11.0%	6.3%	4.0%	-4.2%	-6.3%
1975 - 1980	13.1	6.7	8.5	-5.7	-4.1
1980 - 1985	2.5	7.7	7.6	5.0	4.9
1985 - 1990	2.8	6.5	8.2	3.6	5.2
1990 - 1995	7.3	5.5	5.3	-1.7	-1.9
1995 - 2000	7.3	2.8	2.8	-4.1	-4.2
2000 - 2005	8.4	4.7	5.1	-3.3	-3.1
2005 - 2007	7.9	5.4	4.5	-2.3	-3.1
1970 - 2007	7.5%	5.7%	5.8%	-1.6%	-1.5%

Net tax levies and rates include reductions for credits that were not extended to all property owners: personal property tax relief (PPTR) for owners of Line A personal property in 1970(71) through 1980(81) and the lottery credit for property used as the owner's principal residence in 1995(96), 2000(01), 2005(06), and 2007(08).

home values. The home values are based on the 2000 median home value for Wisconsin, which was determined in the 2000 decennial, U.S. census. The values for the other years were calculated by adjusting the 2000 value according to the change in residential property values caused by economic factors, as reported by the Department of Revenue. The Department calculates that change annually as a component of equalized values, which it certifies each August 15. Changes to the state's housing stock due to demolitions and new construction probably cause the estimated home values to differ from the actual median value for the state in all years except 2000.

During the 13-year period, the two factors having the greatest influence on year-to-year tax bill changes have been the state's funding for K-12 public education and state tax credits.

The 1993 Legislature enacted a provision that required the state to provide two-thirds of partial school revenues on a statewide basis beginning in 1996-97. In the 1992-93 school year, the level of state support was slightly below 50%. To ease the transition to the higher funding commitment, the

state increased its level of support to over 50% of partial school revenues in 1994-95 and 1995-96. At the same time, the Legislature imposed revenue limits on school districts. These limits ensured that increases in the state's share of partial school revenues served to lower school levies.

To attain the two-thirds commitment in the 1996-97 school year, the state provided over \$1 billion in additional school aid and tax credit funding relative to 1995-96, and 1996(97) tax bills decreased. In 1995(96), school taxes comprised 53.7% of the estimated gross tax bill in Table 10, but that percentage declined to 47.9% in 1996(97) and declined in each subsequent year until reaching 44.5% in 2002(03). The school portion of the gross tax bill increased to 45.0% in 2003(04) and 45.5% in 2004(05), as provisions establishing the two-thirds funding requirement were repealed effective with the 2003-04 school year and state funding for schools increased by less than 1% in 2003-04 and 2004-05. Additional state aid that increased the level of state support of partial school revenues in 2005-06 caused estimated school taxes to decrease by \$27. The \$11 increase in the 2005(06) gross tax bill was the smallest estimated increase

since 1996(97). However, the additional state school aid reversed the trend for only a single year, reducing the school share of the estimated gross tax bill to 44.4%. The school share of the estimated gross tax bill increased to 44.9% in 2006(07) and to 45.6% in 2007(08).

State tax credits account for the distinction between gross tax bills and net tax bills. For 1996(97), the addition of \$150 million in school levy tax credit funding as part of the two-thirds funding requirement caused the estimated school levy tax credit in Table 10 to increase from \$138 to \$200. However, lottery tax credits were removed from tax bills in the same year. After initially being extended exclusively to homeowners, lottery tax credits were not distributed in 1996(97) after a circuit court decision found the credit unconstitutional. The removal of the lottery credit in 1996(97) caused a smaller reduction in net tax bills (-\$131) than gross tax bills (-\$194), despite the increased school levy tax credit funding.

The 1996(97) removal of the lottery credit caused lottery proceeds to accumulate over two years for distribution in 1997(98), when a new mechanism that allocated credits to all taxable property was enacted. The credit's reauthorization caused net tax bills to decrease (-\$15), even though gross tax bills increased (\$58). In 1998(99), when lottery proceeds from only a single year were available for distribution, the average lottery credit declined and the net tax bill increased.

After the Wisconsin Constitution was amended to permit a targeted lottery credit, the credit was again extended exclusively to homeowners, beginning in 1999(00). Also for that year, the Legislature enacted provisions to increase the credit on a one-time basis by transferring certain lottery fund expenditures to the general fund. Because this transfer occurred only in 1999(00), the credit decreased in 2000(01) when the lottery expenditures were transferred back to the lottery fund. In response, Table 10 shows a net tax bill decrease of 3.3% in 1999(00). This was followed in 2000(01) by the largest net tax bill increase (10.5%) in the 13-year period. Overall, from 1995(96) through 2007(08), estimated net tax bills have increased at a lower rate (27.7%) than the increase in the consumer price index for all urban consumers (36.1%).

Increased school levy tax credit funding reduced gross tax bill increases of \$58 in 2006(07) and \$114 in 2007(08), so that net tax bill increases of \$3 and \$103, respectively, resulted. The school levy tax credit distribution had remained at \$469 million since the 1996(97) school aid initiative, and increased funding of almost \$124 million for 2006(07) and over \$79 million for 2007(08) raised the credit's funding to \$672 million for 2007(08). The additional funding for 2007(08) was provided in lieu of additional school aids. A similar amount of school aids funding would have reduced the school tax increase on the median-valued home by approximately \$28, resulting in a school tax bill increase of \$44, instead of \$72, between 2006(07) and 2007(08).

Table 10: Estimated Property Tax Bills for a Median-Valued Home Based on Statewide Average Tax Rates

	<u>1995(96)</u>	<u>1996(97)</u>	<u>1997(98)</u>	<u>1998(99)</u>	<u>1999(00)</u>	<u>2000(01)</u>	<u>2001(02)</u>	<u>2002(03)</u>	<u>2003(04)</u>	<u>2004(05)</u>	<u>2005(06)</u>	<u>2006(07)</u>	<u>2007(08)</u>
Value	\$87,295	\$92,472	\$97,188	\$101,095	\$106,160	\$112,200	\$119,370	\$126,473	\$133,821	\$142,814	\$153,525	\$164,118	\$170,305
Type of Tax													
School	\$1,335	\$1,098	\$1,102	\$1,134	\$1,137	\$1,173	\$1,202	\$1,233	\$1,280	\$1,351	\$1,324	\$1,364	\$1,436
Municipal	518	551	575	595	605	644	671	694	704	730	748	756	777
County	426	442	464	480	495	527	556	576	587	605	616	621	636
Technical College	146	152	158	164	175	187	200	209	215	221	229	234	240
Other	<u>59</u>	<u>47</u>	<u>49</u>	<u>50</u>	<u>50</u>	<u>51</u>	<u>55</u>	<u>58</u>	<u>58</u>	<u>61</u>	<u>62</u>	<u>62</u>	<u>62</u>
Gross Tax	\$2,484	\$2,290	\$2,348	\$2,423	\$2,462	\$2,582	\$2,684	\$2,770	\$2,844	\$2,968	\$2,979	\$3,037	\$3,151
Tax Credits													
School Levy	-138	-200	-196	-191	-187	-184	-179	-177	-174	-171	-168	-208	-230
Lottery and Gaming	<u>-125</u>	<u>0</u>	<u>-77</u>	<u>-52</u>	<u>-166</u>	<u>-67</u>	<u>-77</u>	<u>-76</u>	<u>-83</u>	<u>-91</u>	<u>-81</u>	<u>-96</u>	<u>-85</u>
Net Tax Bill	\$2,221	\$2,090	\$2,075	\$2,180	\$2,109	\$2,331	\$2,428	\$2,517	\$2,587	\$2,706	\$2,730	\$2,733	\$2,836
Change from Prior Year													
Gross Tax Amount													
Percent		-7.8%	2.5%	3.2%	1.6%	4.9%	4.0%	3.2%	2.7%	4.4%	0.4%	1.9%	3.8%
Net Tax Amount													
Percent		-5.9%	-0.7%	5.1%	-3.3%	10.5%	4.2%	3.7%	2.8%	4.6%	0.9%	0.1%	3.8%