
Wisconsin Legislative Council

INFORMATION MEMORANDUM



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STATE TAXES AND REVENUES

Wisconsin uses a variety of taxing mechanisms to collect revenue for the state and local governments. Primarily, tax revenues in Wisconsin come from property tax, income tax, and sales tax. Excise tax and occupational tax, real estate transfer fees, and other municipal taxes and fees also generate revenue for the state and local governments. This information memorandum provides an overview of major Wisconsin taxes and how the state and local governments administer those taxes.

PROPERTY TAX

Wisconsin Constitution, Article VIII, Section 1, “the Uniformity Clause”

The property tax levied by local governments constitutes Wisconsin’s largest single source of state or local revenue. The foundation for the structure of Wisconsin’s property tax is derived from the Uniformity Clause of the Wisconsin Constitution. In particular, art. VIII, s. 1, specifies:

The rule of taxation shall be uniform but the legislature may empower cities, villages or towns to collect and return taxes on real estate located therein by optional methods. Taxes shall be levied upon such property with such classifications as to forests and minerals including or separate or severed from the land, as the legislature shall prescribe. Taxation of agricultural land and undeveloped land, both as defined by law, need not be uniform with the taxation of each other nor with the taxation of other real property[.]

Courts have interpreted the Uniformity Clause and the state’s property tax statutes on numerous occasions. In doing so, a few key themes emerge, including the general requirement that property must be either fully taxed or wholly exempt from property taxation, and that property taxes must be levied on property in accordance with the market value of the property. Over the years, the Uniformity Clause has been amended, most notably to create an exception for agricultural property. Under this exception, property taxes on agricultural property are levied in accordance with the rental value of the property for agricultural use. [Wis. Const., art. VIII, s. 1; ch. 70, Stats.]

Property Tax Administration

Primary administration of the state property tax system occurs at the local level, with oversight provided by the state Department of Revenue (DOR). Using statewide assessment practices prescribed by DOR, a property’s value is determined by a local assessor, followed by aggregate review and “equalization” by DOR. Several local entities may levy property taxes, including counties, cities and villages, school districts, and technical college districts, as well as certain other special purpose districts. For an individual property subject to property tax, the total tax

due is calculated by applying the mill, or tax, rate of each taxing jurisdiction to the assessed value of the property. [ch. 74, Stats.]

Tax Incremental Financing

Many Wisconsin municipalities utilize tax incremental financing (TIF) to rehabilitate blighted areas and otherwise encourage growth, particularly industrial growth. Under TIF law, a municipality, with the permission of the other underlying taxation districts, may designate a portion of the community as a TIF district. Following this designation, the taxable value of the TIF district is frozen for a period of time for the taxes collected by the underlying taxation districts. The municipality creating the TIF district may make investments in the TIF district to encourage growth or rehabilitate blight, with the funding for these investments coming from the taxes generated on new growth (the “tax increment”) in the TIF district during its lifespan. [s. 66.1105, Stats.]

Public Utilities

In lieu of a general property tax, public utilities in Wisconsin are subject to separate taxes, which are levied based on measures of value of company property (*ad valorem*) or measures of the company’s profits (gross receipts). Examples of public utilities subject to *ad valorem* utility taxation include: airline carriers, municipal electrical companies, pipeline companies, railroad companies, and telephone companies. Examples of public utilities subject to gross receipts utility taxation include: electric cooperatives and municipal and private heat, power, and light companies. [ch. 76, Stats.]

INCOME TAX

Individual Income Tax

After the property tax, individual income and corporate income and franchise taxes are the second largest source of revenue in Wisconsin, with individual income tax collections responsible for the vast majority of income tax revenue. Generally, Wisconsin individual income taxes are computed by beginning with a taxpayer’s federal adjusted gross income and applying any applicable adjustments that are specified under state law. Marginal individual income tax rates range from 4.0 percent to 7.65 percent. Prior to determining a taxpayer’s final tax liability, certain credits may be applied. Examples of these credits include credits for property taxes or rent, credits related to certain business pursuits, Wisconsin’s earned income tax credit, and a homestead tax credit available for certain low-income households. [subch. I of ch. 71, Stats.]

Corporate Income Tax

Determination of corporate income taxes begins with computation of income, a process that may require analysis of a business’s in-state and out-of-state activities, business expenses, and relationships between a business and other related business entities. The base corporate income tax rate is 7.9 percent. As with the individual income tax, certain credits may be applied prior to determining a business’s final corporate tax liability. [subch. IV of ch. 71, Stats.]

Taxation of Insurance Companies

Calculation of Wisconsin taxes for domestic and foreign insurance companies requires consideration of both the corporate income tax, as well as a separate insurance premiums tax, depending on the type of insurance issued. As with other corporate income taxes, the taxation of

insurance company income, when applicable, is administered by DOR. The Office of the Commissioner of Insurance administers and collects applicable insurance premium taxes. [subch. VII of ch. 71, and subch. III of ch. 76, Stats.]

SALES TAX

General State Sales Tax

Wisconsin law prescribes a statewide sales tax of five percent on the sale of goods and services in the state. Generally, sales of goods are presumed to be subject to sales tax, except as provided by law, while services subject to sales tax are only those identified by statute. Sales tax is typically collected by retailers and remitted to DOR. In situations where a taxable sale occurs, but no sales tax is collected by a retailer, state law levies a “use” tax. State law specifies that the consumer must remit use taxes at the time of income tax filing, although compliance with this procedure is known to be minimal. In recent years, use tax on Internet sales sparked policy debates about the effect of Internet sales on local “brick and mortar” businesses. Pursuant to the recent U.S. Supreme Court case, *South Dakota v. Wayfair, Inc.*, DOR began collecting sales tax from most out-of-state retailers on October 1, 2018. [subch. II of ch. 77, Stats.; 585 U.S. ____ (2018).]

County and Special Purpose District Sales Taxes

In addition to the statewide sales tax, state law authorizes counties to impose a 0.5 percent general sales tax. Sixty-six counties in Wisconsin have adopted the county sales tax. Previously, in Southeastern Wisconsin, the Southeast Wisconsin Professional Baseball Park District (Miller Park District) levied a 0.1 percent sales tax in five counties, which was used to assist in the development of Miller Park. This additional sales tax levy expired in early 2020.

Similar to the stadium district tax, state law authorizes sales tax to be collected by certain exposition districts and premier resort areas. The taxing authority of these entities, however, is limited to sales of certain products or to sales relating to certain industries.

OTHER TAXES AND REVENUES

Excise and Occupational Taxes

State law places excise taxes on consumers who purchase certain products as well as occupational taxes on persons who engage in certain occupations. Examples of excise and occupational taxes in Wisconsin include the taxes placed on cigarettes, tobacco products, fermented malt beverages, intoxicating liquor, motor vehicle fuel, coal, oil refineries, grain storage, iron ore, and metalliferous mining.

Real Estate Transfer Fee

The state imposes a tax of \$3 per \$1,000 of real estate value on many types of transfers of real estate. Eighty percent of revenue from the transfer tax is paid to the state, while the remaining 20 percent is paid to the county where the real estate is located. The tax is administered at the local level by the register of deeds and is collected at the time a transfer of property is recorded.

Municipal Taxes and Fees

In addition to the property tax and local sales tax, certain other taxes are authorized at the local level. These taxes include “wheel” taxes, imposed on vehicles registered in a particular municipality, as well as “room” taxes, imposed on establishments that provide short-term lodging to the public.

Statutes relating to other taxes and revenues include s. 66.0615 (room taxes), ch. 70 (metalliferous mining taxes), ch. 77 (real estate transfer fee and room taxes), ch. 78 (motor vehicle fuel taxes), ch. 139 (alcohol and tobacco taxes), and s. 341.35, Stats. (wheel taxes).

This information memorandum was prepared by Parker Conover, Staff Attorney, Scott Grosz, Principal Attorney, and Dan Schmidt, Deputy Director, on January 13, 2021.