

## BOB ZIEGELBAUER

STATE REPRESENTATIVE • TWENTY FIFTH ASSEMBLY DISTRICT  
2005-06 Issue Summary #10

October 4, 2006

### “Taxes”

#### **Background Information:**

[http://www.legis.state.wi.us/lc/2\\_PUBLICATIONS/Briefing%20Book%202004/05\\_06briefing.pdf](http://www.legis.state.wi.us/lc/2_PUBLICATIONS/Briefing%20Book%202004/05_06briefing.pdf)

#### **State and Local Revenue System**

Almost 60% of state general purpose revenue (GPR) is transferred as unrestricted aid to counties, cities, villages, towns, and school districts. In addition to transfer payments from the state, local governments in Wisconsin rely heavily upon the property tax to fund their programs and services. As compared to local governments in other states, local governments in Wisconsin rely more heavily upon the property tax and intergovernmental revenues and rely less upon revenues from fees and miscellaneous charges.

2001 Wisconsin Act 109 and 2003 Wisconsin Act 33 revised the system under which shared revenue and other aid payments to counties, cities, villages, and towns are calculated. The shared revenue program (except for the public utility component of the shared revenue program), the county mandate relief program, and the small municipalities shared revenue program are replaced with a program called “county and municipal aid” beginning with payments made in 2004.

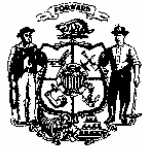
Under this program, each county and municipality will receive aid payments based on the sum of its payments in 2003 under the shared revenue program (excluding utility aid), county mandate relief, and small municipalities shared revenue program. The amount in 2004, as compared to 2003, will be reduced by \$70 million, of which the share for each municipality and county will be calculated on a per capita basis. Payments under the county and municipal aid program in 2005 for each county, city, village, and town will be the same as the payments received in 2004.

An issue that is likely to resurface in the 2007 Legislative Session is the adoption of spending and taxation restrictions on both local governments and the state. This issue was debated both in the regular 2003-05 Legislative Session and in an extraordinary session held in July 2004. Both amendments to the Constitution that would limit state and local spending and taxation and statutory changes to freeze property taxes were debated by the Legislature. Proposed constitutional changes and statutory tax freezes are likely to be debated in the upcoming session. Additional related issues that are likely to surface include a reexamination of local aid formulas, state mandates to local governments, and the consolidation of services between local governments.

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**Major Sources of Wisconsin State and Local Tax Revenue**

The major sources of 2003 state and local tax revenue in Wisconsin are shown in Table 1. The property tax, the individual income tax, and the state sales tax accounted for almost 91% of the \$16,421 million collected in 2001.

***TABLE 1 2003 Wisconsin State and Local Revenue by Major Tax Source (Dollars in Millions)***

<b>Tax</b>	<b>\$ Amount</b>	<b>Percent of Total</b>
Property (Net) <sup>1</sup>	6,894	40
Individual Income	5,053	29
State Sales	3,738	22
Corporate Income	527	3
Excise <sup>2</sup>	355	2
Public Utility	277	2
County Sales	235	1
Other <sup>3</sup>	251	1
<b>Total</b>	<b>17,330</b>	<b>100</b>

1 Levied in 2002 and collected in 2003. Net of school levy tax credit.

2 Cigarette, liquor and wine, beer, and tobacco products.

3 Includes insurance company, estate, and gift and miscellaneous taxes.

Source: Legislative Fiscal Bureau and Department of Revenue (DOR), unpublished data.

**Sources of Wisconsin Local Government Revenue Compared to U.S. Average**

Table 2 compares the sources of local government (including school districts) revenues in Wisconsin to the average for all local governments in the United States. The table is based upon the most recent data (1999-2000) from the U.S. Census Bureau.

Local governments in Wisconsin rely more upon the property tax and upon revenues received from other levels of government as revenue sources and less upon charges to pay for specific services or programs and nonproperty taxes, on average, than do other local governments in the United States.

***TABLE 2 2000 Sources of Local Government General Revenue Wisconsin Compared to U.S. Average***

<b>Source of Revenue</b>	<b>Wisconsin</b>	<b>U.S. Average</b>
Property Tax	32%	27%
General Sales Tax	1%	5
Income Tax (individual and corporate)	NA	2
Other Taxes	1%	2
Charges and Miscellaneous Revenues	18%	23
Intergovernmental Revenues	49%	39

Source: U.S. Department of Commerce, Census Bureau; State and Local Government Finances, 1999-2000.

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## BOB ZIEGELBAUER

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**Rep. Ziegelbauer's View:**

Throughout my career, I have strongly opposed every single proposal to increase taxes and will continue to do so.

Tax shifting, is the great “Trojan Horse” of our politics, the idea that government can lower your taxes if only you’ll let them raise taxes on someone else. Everyone’s favorite tax is the tax that “someone else” pays. The plain reality is that it doesn’t work that way. Remember that raising taxes on someone else almost always has the effect of increasing our costs too! The tax increasers want more money to spend, any way they can get their hands on it.

The reality of our world is simply this – if we want to remain competitive we need to lower taxes and with it the costs of doing business and investing in jobs wherever we can. Investment capital is portable in today’s world. Trying to tax it more will only push it away to other states and countries along with the jobs it can produce.

Rather than searching for clever or complicated ways to raise taxes, our focus must be on how we can be more competitive, better educated, and more efficient. We have reached the limits of the size of government that the public is willing to support. The impact on everyone of a heavy tax burden is the principal reason for this. The people of our state intuitively understand that the size of government at all levels is beyond our ability to support indefinitely. Government has been slow to learn this lesson.

Our highest priority should be to reduce the tax burden in areas of the highest incremental cost, especially those taxes that push capital investment away, induce productive citizens to move out of state, and stop expansions that will create jobs.

Tax shifting is not the answer.

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