



Legislative Fiscal Bureau

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September 23, 2015

TO: Representative Robin Vos
Room 211 West, State Capitol

FROM: Bob Lang, Director

SUBJECT: Individual Income and Property Taxes

At your request, the memorandum provides estimates of changes in individual income tax liabilities for hypothetical taxpayers for tax years 2011 through 2016 due to law changes enacted since 2011. In addition, this memorandum provides information on property tax levies and estimated property tax bills for the period 2010(11) through 2015(16). The amounts for 2015(16) are estimates based on current law provisions, as modified by 2015 Wisconsin Act 55 (the 2015-17 biennial budget).

Individual Income Taxes

Since 2011, the Legislature has enacted a number of tax law changes pertaining to the individual income tax. This memorandum addresses the effects of those changes affecting the majority of individual income tax filers, including the rate and bracket changes in 2011 Wisconsin Act 20 effective in tax year 2013, the rate change in 2011 Wisconsin Act 145 effective in tax year 2014, and the standard deduction changes for married filers in 2015 Wisconsin Act 55 effective in tax year 2016.

The individual income tax liabilities for three hypothetical tax filers are estimated for tax years 2011 through 2016. The examples include a married couple with a married-joint filing status and two single taxpayers, one with a single filing status and one with a head-of-household filing status. To isolate the effects of the noted tax law changes, the three tax filers' incomes are assumed to be unchanged over the six tax years, and to consist entirely of wage income. The married couple's income equals \$60,000, including \$45,000 from one spouse and \$15,000 from the other spouse, and each single taxpayer has income of \$30,000. The analysis assumes the married couple owns a home with property taxes of \$2,500, or more, and has two children. The analysis assumes the two single taxpayers are renters, with a property tax equivalent of \$2,250, and the head-of-household filer has one child.

impacts in individual municipalities could vary considerably from these figures.

The estimates for 2015(16) differ from the amounts in the July 27 memorandum from this office entitled, "Property Tax Estimates, Governor and 2015 Wisconsin Act 55." Since that memorandum was released, DOR has certified the equalized values for 2015. The increase in the statewide total value and the economic increase in residential values were both less than estimated on July 27, and the difference between the two rates of increase diminished. This results in less taxes being shifted away from existing residences to other property as compared to the earlier analysis. While the previous memorandum estimated that the taxes on a median-valued home would decrease by \$1 in 2015(16), a tax bill increase of \$9 is now estimated.

The statewide tax levies by type of taxing jurisdiction are estimates and are identical to the amounts reported in the July 27 memorandum, except for tax increment district and state forestry levies which differ due to the change in equalized values. Actual statewide tax levies will become known in the coming months, including technical college district levies on October 31, county tax levies in October or November, school district tax levies on November 1, special purpose district levies in November, and municipal purpose tax levies in December. State tax credits will be certified by November 20. Because some local governments do not file required reports with DOR on a timely basis or submit reports with errors, data for property tax year 2015(16) will not be finalized until Spring, 2016.

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Attachments

ATTACHMENT 1

Comparison of Individual Income Tax Liabilities for Three Hypothetical Taxpayers Under 2010 Tax Law and Current Law

Married Homeowners with \$60,000 Wage Income and Two Children

| <u>Tax Year</u> | <u>2010 Law</u> | <u>Current Law</u> | <u>Difference</u> | <u>Percent</u> |
|-----------------|-----------------|--------------------|-------------------|----------------|
| 2011 | \$2,088 | \$2,088 | \$0 | 0.0% |
| 2012 | 2,026 | 2,026 | 0 | 0.0 |
| 2013 | 1,996 | 1,881 | -115 | -5.8 |
| 2014 | 1,970 | 1,797 | -173 | -8.8 |
| 2015 | 1,940 | 1,767 | -173 | -8.9 |
| 2016 | <u>1,940</u> | <u>1,724</u> | <u>-216</u> | -11.1 |
| Six-Year Total | \$11,960 | \$11,283 | -\$677 | -5.7% |

Single Renter with \$30,000 Wage Income

| <u>Tax Year</u> | <u>2010 Law</u> | <u>Current Law</u> | <u>Difference</u> | <u>Percent</u> |
|-----------------|-----------------|--------------------|-------------------|----------------|
| 2011 | \$922 | \$922 | \$0 | 0.0% |
| 2012 | 887 | 887 | 0 | 0.0 |
| 2013 | 870 | 816 | -54 | -6.2 |
| 2014 | 857 | 760 | -97 | -11.3 |
| 2015 | 842 | 745 | -97 | -11.5 |
| 2016 | <u>842</u> | <u>745</u> | <u>-97</u> | -11.5 |
| Six-Year Total | \$5,220 | \$4,875 | -\$345 | -6.6% |

Single Renter with \$30,000 Wage Income and One Child

| <u>Tax Year</u> | <u>2010 Law</u> | <u>Current Law</u> | <u>Difference</u> | <u>Percent</u> |
|-----------------|-----------------|--------------------|-------------------|----------------|
| 2011 | \$773 | \$773 | \$0 | 0.0% |
| 2012 | 726 | 726 | 0 | 0.0 |
| 2013 | 701 | 653 | -48 | -6.8 |
| 2014 | 679 | 588 | -91 | -13.4 |
| 2015 | 655 | 565 | -90 | -13.7 |
| 2016 | <u>654</u> | <u>564</u> | <u>-90</u> | -13.8 |
| Six-Year Total | \$4,188 | \$3,869 | -\$319 | -7.6% |

ATTACHMENT 2

**Statewide Property Tax Levies and Estimated Tax Bills
for a Median-Valued Home Based on Statewide Average Tax Rates
2010(11) - 2015(16)**

| | <u>2010(11)</u> | <u>2011(12)</u> | <u>2012(13)</u> | <u>2013(14)</u> | <u>2014(15)</u> | <u>2015(16)*</u> |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Tax Levies (Millions) | | | | | | |
| Municipalities | \$2,422.5 | \$2,463.2 | \$2,499.1 | \$2,549.2 | \$2,611.0 | \$2,677.3 |
| Counties | 1,951.4 | 1,972.2 | 1,986.4 | 2,011.0 | 2,046.5 | 2,083.3 |
| School Districts | 4,692.9 | 4,646.7 | 4,656.1 | 4,693.4 | 4,755.4 | 4,833.0 |
| Technical College Districts | 757.2 | 771.5 | 786.7 | 796.7 | 407.1 | 415.3 |
| Special Purpose Districts | 99.2 | 99.5 | 101.9 | 104.7 | 107.5 | 110.0 |
| Tax Increment Districts | 357.2 | 349.1 | 359.7 | 371.2 | 374.9 | 401.9 |
| State Forestry | 84.2 | 82.6 | 79.9 | 79.3 | 81.3 | 83.3 |
| Gross Property Taxes | \$10,364.6 | \$10,384.8 | \$10,469.8 | \$10,605.5 | \$10,383.7 | \$10,604.1 |
| Change to Prior Year | | 20.2 | 85.0 | 135.7 | -221.8 | 220.4 |
| Net Property Taxes | \$9,342.7 | \$9,357.7 | \$9,435.1 | \$9,545.4 | \$9,324.4 | \$9,441.0 |
| Change to Prior Year | | 15.0 | 77.4 | 110.3 | -221.0 | 116.6 |
| Percent Change | | | | | | |
| Municipalities | | 1.7% | 1.5% | 2.0% | 2.4% | 2.5% |
| Counties | | 1.1 | 0.7 | 1.2 | 1.8 | 1.8 |
| School Districts | | -1.0 | 0.2 | 0.8 | 1.3 | 1.6 |
| Technical College Districts | | 1.9 | 2.0 | 1.3 | -48.9 | 2.0 |
| Special Purpose Districts | | 0.3 | 2.4 | 2.7 | 2.7 | 2.3 |
| Tax Increment Districts | | -2.3 | 3.0 | 3.2 | 1.0 | 7.2 |
| State Forestry | | -1.9 | -3.3 | -0.8 | 2.5 | 2.5 |
| Gross Property Taxes | | 0.2% | 0.8% | 1.3% | -2.1% | 2.1% |
| Net Property Taxes | | 0.2 | 0.8 | 1.2 | -2.3 | 1.3 |
| Tax Bill Estimate | | | | | | |
| Median-Valued Home** | \$161,355 | \$157,692 | \$151,148 | \$147,989 | \$150,505 | \$152,719 |
| Tax Bill Estimate | \$2,963 | \$2,953 | \$2,943 | \$2,926 | \$2,831 | \$2,840 |
| Change to Prior Year | | | | | | |
| Amount | | -\$10 | -\$10 | -\$17 | -\$95 | \$9 |
| Percent | | -0.3% | -0.3% | -0.6% | -3.2% | 0.3% |

* Estimated based on current law provisions, as modified by 2015 Wisconsin Act 55.

** Based on 2000 U.S. Census, adjusted for the annual change in residential property value due to economic factors.