



# Wisconsin Taxes Hit Poor & Middle Class Far Harder than the Wealthy

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Low- and middle-income families in Wisconsin pay a higher share of their income in state and local taxes than do the richest families in Wisconsin, according to a new study by the Institute on Taxation & Economic Policy.

“State and local governments are being called upon to take on more and more responsibilities,” said Robert S. McIntyre, ITEP’s tax policy director and lead author of the study, titled *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*. “Unfortunately, when it comes to paying for services, Wisconsin has an unfair tax system.”

## Wisconsin’s Tax Code: Tax the Poor and Middle Class, Spare the Rich

When all Wisconsin taxes are totaled up, the study found that:

- The richest Wisconsin taxpayers—with average incomes of \$777,000—pay 8.1% of their income in Wisconsin state and local taxes before accounting for the tax savings from federal itemized deductions. After the federal offset, they pay only 5.9%.
- Middle-income Wisconsin taxpayers—those earning between \$30,000 and \$48,000—pay 11.9% of their income in Wisconsin state and local taxes before the federal deduction offset and 11.3% after the offset—or almost twice what the rich pay.
- Wisconsin families earning less than \$18,000—the poorest fifth of Wisconsin non-elderly taxpayers—pay 10.2% of their income in Wisconsin state and local taxes which is almost twice the share the top 1% pay.

“Wisconsin’s income tax fails to offset the regressivity of its sales and excise taxes, giving the state an unfair, regressive tax system,” McIntyre said. “Taxes ought to be based on people’s ability to pay them, which means that the share of income paid in taxes should rise as income grows, not fall as is the case in Wisconsin.”

## Tax Regressivity Has Grown Since 1989

The study also examined the impact of changes in the regressivity of Wisconsin taxes since 1989, when the last cycle of state government shortfalls began. The study’s findings include:

- Tax burdens rose significantly for low- and moderate-income families, but fell noticeably for the richest Wisconsin residents.
- Income tax modifications did not increase the progressivity of the income tax, and low- and middle-income taxpayers bore the brunt of rises in excise taxes.

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“While Wisconsin lawmakers did well to institute the Working Family Credit and lower rates for middle income taxpayers, these changes weren’t enough to prevent the overall tax system from becoming even more regressive,” said McIntyre. “As lawmakers consider budget-balancing strategies in 2003, they should remember that their past actions have served to shift a greater share of the tax burden onto low-income taxpayers.”

**Two pages of tables detailing the Wisconsin findings of the study follow**

The Institute on Taxation and Economic Policy is a nonpartisan Washington-based research group. The full *Who Pays?* report is available in PDF format at [www.itepnet.org](http://www.itepnet.org). Printed copies can be ordered by calling ITEP at 202-737-4315.

*Who Pays?* examines the tax systems of all 50 states and the District of Columbia, using the Institute on Taxation & Economic Policy Microsimulation Tax Model. The ITEP Model is similar in methodology and data sources to the elaborate computer models used by the U.S. Treasury and the congressional Joint Committee on Taxation, except that the ITEP Model adds state-by-state estimating capabilities.

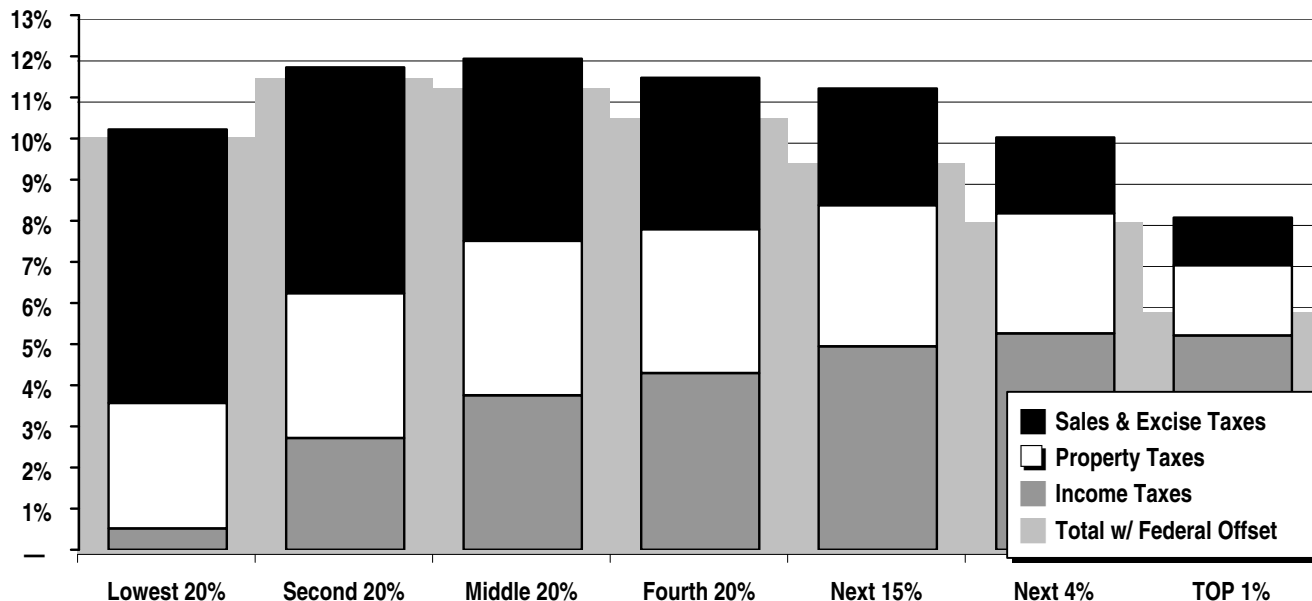
The findings published in the study detail state and local taxes paid by non-elderly couples and individuals. The study includes all major state and local taxes: personal and corporate income taxes, property taxes, and sales and excise taxes.

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# Wisconsin

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
<b>Income Range</b>	Less than \$18,000	\$18,000 – \$30,000	\$30,000 – \$48,000	\$48,000 – \$70,000	\$70,000 – \$121,000	\$121,000 – \$263,000	\$263,000 or more
<b>Average Income in Group</b>	\$11,300	\$23,600	\$38,900	\$58,000	\$88,500	\$167,000	\$776,900
<b>Sales &amp; Excise Taxes</b>	<b>6.7%</b>	<b>5.5%</b>	<b>4.4%</b>	<b>3.7%</b>	<b>2.8%</b>	<b>1.8%</b>	<b>1.2%</b>
General Sales—Individuals	2.9%	2.6%	2.3%	2.0%	1.6%	1.1%	0.7%
Other Sales & Excise—Ind.	2.2%	1.6%	1.2%	0.9%	0.6%	0.4%	0.2%
Sales & Excise on Business	1.6%	1.3%	1.0%	0.8%	0.6%	0.4%	0.3%
<b>Property Taxes</b>	<b>3.1%</b>	<b>3.5%</b>	<b>3.8%</b>	<b>3.5%</b>	<b>3.4%</b>	<b>2.9%</b>	<b>1.7%</b>
Property Taxes on Families	2.9%	3.4%	3.6%	3.4%	3.2%	2.5%	1.0%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.2%	0.5%	0.7%
<b>Income Taxes</b>	<b>0.5%</b>	<b>2.7%</b>	<b>3.8%</b>	<b>4.3%</b>	<b>4.9%</b>	<b>5.3%</b>	<b>5.2%</b>
Personal Income Tax	0.5%	2.7%	3.7%	4.2%	4.9%	5.2%	5.0%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>10.2%</b>	<b>11.7%</b>	<b>11.9%</b>	<b>11.5%</b>	<b>11.2%</b>	<b>10.0%</b>	<b>8.1%</b>
<b>Federal Deduction Offset</b>	<b>-0.1%</b>	<b>-0.2%</b>	<b>-0.6%</b>	<b>-0.9%</b>	<b>-1.7%</b>	<b>-1.9%</b>	<b>-2.2%</b>
<b>TOTAL AFTER OFFSET</b>	<b>10.2%</b>	<b>11.6%</b>	<b>11.3%</b>	<b>10.6%</b>	<b>9.5%</b>	<b>8.1%</b>	<b>5.9%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Wisconsin Tax Trends

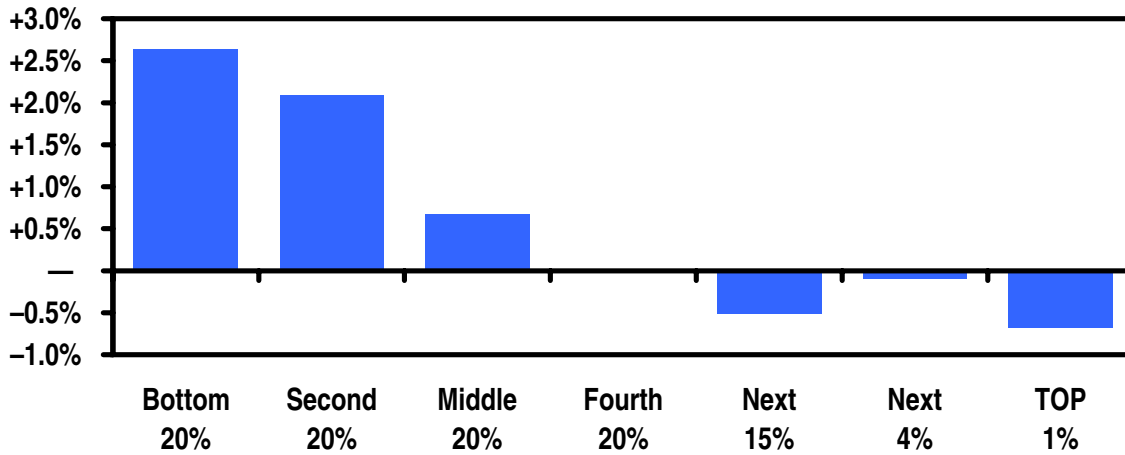
## Progressive Features

- ✓ Refundable low-income tax credits
- ✓ Property tax credit
- ✓ Tax brackets and standard deduction indexed

## Regressive Features

- ✗ 60% capital gains exclusion

## Changes in Taxes as Shares of Income, 1989 – 2002

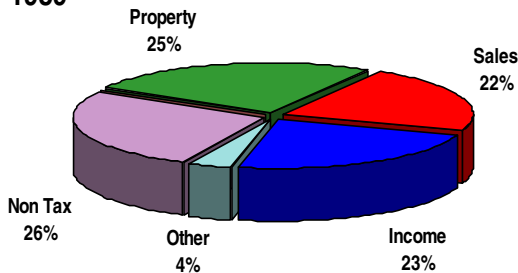


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
<b>Sales &amp; Excise</b>	+0.8%	+0.6%	+0.4%	+0.3%	+0.2%	+0.1%	+0.1%
<b>Property</b>	+2.0%	+1.2%	+0.3%	+0.0%	-0.4%	-0.3%	-0.1%
<b>Income</b>	-0.1%	+0.4%	+0.2%	-0.1%	-0.2%	-0.1%	-0.2%
<b>Federal Offset</b>	-0.1%	-0.1%	-0.3%	-0.2%	-0.2%	+0.2%	-0.4%
<b>Overall Change</b>	+2.6%	+2.1%	+0.7%	-0.0%	-0.5%	-0.1%	-0.7%

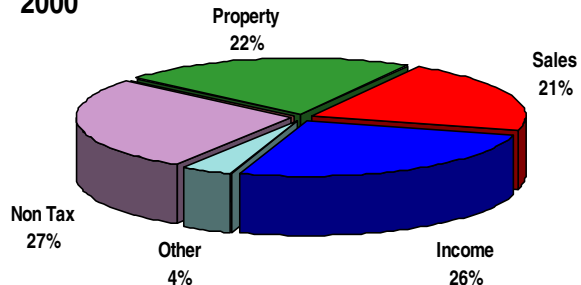
A series of income tax cuts in the late 1990s had a slightly progressive impact on the Wisconsin income tax. However, the progressive impact of low-income tax credit expansions were largely offset by a 47 cent increase in the cigarette tax and a 4 cent hike in the gasoline tax.

## Composition of Revenues

1989



2000



Source: Government Finances, US Department of Census