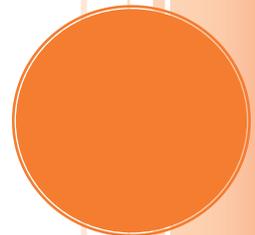


WISCONSIN LEGISLATOR  
BRIEFING BOOK  
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**CHAPTER 27 – TAXES AND  
REVENUE**

This chapter provides a brief overview of taxes and revenues collected by the state, as well as taxes and revenue sources for cities, villages, towns, and counties. These taxes and sources of revenue include the property tax, individual and corporate income taxes, sales tax, excise taxes, public utility taxes, and other state and municipal taxes and revenues.

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## PROPERTY TAX

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

The property tax 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 Wisconsin Constitution. In particular, art. VIII, s. 1, of the Uniformity Clause, 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.... Taxes may also be imposed on incomes, privileges and occupations, which taxes may be graduated and progressive, and reasonable exemptions may be provided.

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 regarding the requirement of uniformity. Under this exception, property taxes on agricultural property are levied in accordance with the rental value of the property for agricultural use.

**Except for agricultural property, the Uniformity Clause requires assessments according to market value.**

### Property Tax Administration

**For more information on property taxes in Wisconsin, see chs. 70 and 74, Stats.**

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 rate of each taxing jurisdiction to the assessed value of the property.

## 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

**Tax incremental financing is a common economic development tool for municipalities.**

portion of the community as a TIF district. Following this designation, the taxable value of the district is frozen for a period of time as it relates to the taxes collected by the underlying taxation districts. The municipality creating the district may make investments in the district to encourage growth or rehabilitate blight, with the funding for these investments

**Section 66.1105, Stats., is the primary source of statutory information on TIF.**

coming from the taxes generated on new growth (the “tax increment”) in the district during its lifespan.

## 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,

**Property tax, income tax, and sales tax are the three primary revenue sources in Wisconsin.**

**State income taxes are described in ch. 71, Stats.**

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% to 7.65%. 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 targeted at low-income households.

## Corporate Income Tax

Determination of corporate income taxes begins with computation of income, a process that may require analysis of a business' in-state and out-of-state activities, business expenses, and relationships between a business and other related business entities. The corporate income tax rate is 7.9%. As with the individual income tax, prior to determining a business's final corporate tax liability, certain credits may be applied.

## 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.]

## Recent Legislative Attention to Tax Policy

The policy topics of tax burden, tax incidence, and the effects of state income taxes on economic development and revenue and population growth have been of great interest to legislators in recent legislative sessions. In the interim of the 2011-12 Biennium, the Co-Chairs of the Joint Legislative Council convened a steering committee for a symposia series on the state income tax. The Steering Committee on Income Tax received testimony from tax policy experts, including representatives of DOR and local and national tax policy organizations. In the course of its work, the committee received numerous recommendations on state income tax policy, which may be viewed at:

<http://www.legis.wisconsin.gov/lc>.

During the interim of the 2013-14 Biennium, the co-chairs of the Joint Legislative Council continued to study tax policy, convening a steering committee for a symposia series on the personal property tax. That committee's work may be viewed at:

<http://docs.legis.wisconsin.gov/misc/lc/study/2014/1196>.

## SALES TAX

### General State Sales Tax

Wisconsin law prescribes a statewide sales tax of 5% 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 identified by statute. Sales taxes are 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

**More information on the state sales tax may be found in subch. III of ch. 77, Stats.**

income tax filing, although compliance with this procedure is known to be minimal. The issue of use tax collection most typically arises in the context of collection of Internet sales and the policy debate surrounding the effect of Internet sales on local “brick and mortar” businesses.

**The state, counties, and certain special-purpose districts all have the authority to levy sales taxes.**

### County and Special Purpose District Sales Taxes

**From November 2000 through September 2015, a sales tax of 0.5% was levied in Brown County for purposes related to the development of Lambeau Field. For more information on stadium and exposition districts, see ch. 229, Stats.**

In addition to the statewide sales tax, state law authorizes counties to impose a 0.5% general sales tax. Sixty-two counties in Wisconsin have adopted the county sales tax. Additionally, in Southeastern Wisconsin, the Southeast Wisconsin Professional Baseball Park District (Miller Park District) levies a 0.1% sales tax in five counties, to be used for assisting in the development of Miller Park. Current law specifies the sunset of the district sales tax once certain obligations of the district are satisfied.

In addition to stadium districts, 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

**Statutes relating to other taxes and revenues include ch. 70 (metalliferrous 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).**

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

metalliferrous 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% 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.

## ADDITIONAL REFERENCES

1. At the beginning of each biennial legislative session, the Legislative Fiscal Bureau publishes Informational Papers on a variety of topics related to taxes and revenue. The Informational Papers are available at: <http://www.legis.wisconsin.gov/lfb>.
2. For information on the assessment of property, see the DOR’s Wisconsin Property Assessment Manual, at: <https://www.revenue.wi.gov/slf/wpam/wpam15.pdf> and DOR’s Guide for Property Owners, at: <https://www.revenue.wi.gov/pubs/slf/pb060.pdf>.
3. For information on the appeal of property taxes, see the DOR’s Property Assessment Appeal Guide, at: <http://www.revenue.wi.gov/pubs/slf/pb055.pdf>.

4. For information on general sales taxes, as well as sales tax issues related to specific business operations, see the sales tax publications of DOR, at: <http://www.revenue.wi.gov/html/taxpubs.html#sales>.
5. For information on the fiscal effect of the state’s tax exemptions, see the DOR’s Biennial Summary of Tax Exemption Devices, at: <http://www.revenue.wi.gov/ra/13sumrpt.pdf>.
6. For information on Wisconsin’s TIF Laws, see the DOR’s “City/Village Tax Incremental Finance Manual,” at: <http://www.revenue.wi.gov/pubs/slf/tif/cvmanual.html>.
7. For information on recent changes to Wisconsin’s room tax laws, see the Legislative Council’s Information Memorandum, at <http://www.legis.wi.gov/lc>.

## GLOSSARY

**Ad valorem:** Latin for “according to value.” In Wisconsin, property taxes are generally levied in accordance with the value of the property or *ad valorem*.

**Excise tax:** A tax on the sale, consumption, or production of a particular good or service, typically levied in a different amount or measure than the ordinary sales tax.

**Levy limit:** A cap on the maximum amount of money that a taxing district may raise through property taxation.

**Tax incremental financing (TIF):** A local economic development tool that allows a municipality to allocate increases in the tax base to specific infrastructure investments.

**Use tax:** a companion to the sales tax; use taxes are levied on the consumption of goods and services for which a sales tax is due but not collected at the time of sale.

**Use value:** A term of art that relates to property taxation for agricultural property, which is subject to taxation in accordance to its value as rental property for agricultural purposes.

**Wheel tax:** A tax on vehicle registration in a particular municipality.

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