

# The Big Myths about Taxes and Spending in Wisconsin

**Myth:** Wisconsin is a “tax-and-spend hell.”

**Fact:** State and local spending and total revenue from taxes and fees are only slightly above average in Wisconsin — and these support a much higher quality of government services than in other states.

- Wisconsin taxpayers pay for services not only through taxes but also through fees and charges — university tuition, car registration, hunting and fishing licenses, etc. When state and local taxes and fees are combined, Wisconsin ranks **14<sup>th</sup>** among all states. When state, local, and *federal* taxes and fees are combined, Wisconsin ranks **20<sup>th</sup>**.
- Even looking simply at state and local taxes (excluding fees), on a per capita basis Wisconsin’s rank **fell from 6<sup>th</sup> to 11<sup>th</sup>** between 1999 and 2002. Furthermore, Wisconsin chose to address budget shortfalls in 2003 and 2004 by cutting spending rather than raising taxes. Thus, the state and local tax rate ranking has likely dropped below 11<sup>th</sup> since 2002.
- In 2002, Wisconsin ranked **18<sup>th</sup>** in state and local government spending relative to personal income. If measured on a per capita basis, Wisconsin ranked **16<sup>th</sup>** for spending.
- In terms of spending on government employees, Wisconsin ranked **29<sup>th</sup>** among the states in 2001 for percentage of the workforce in government, and **33<sup>rd</sup>** in public sector employment growth from 1979 to 2001.

**Myth:** Taxes are skyrocketing in Wisconsin.

**Fact:** Taxes as a share of income are actually falling in Wisconsin.

- State and local taxes as a percent of income have declined over the last decade, falling from 12.8 percent of income in the mid-1990s to 12.5 percent in 2000, and 11.6 percent in 2002.
- The real property tax burden — the amount of property tax paid on a median priced house relative to median household income — actually **fell by 17 percent** between 1994 and 2001.
- The property tax burden for Wisconsin farmers **fell by 82 percent** between 2000 and 2002, after the 2000 implementation of the “use-value” taxation method for agricultural land.

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## Sources

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**Myth: Taxes are killing business in Wisconsin.**

**Fact: Wisconsin's business taxes are far below average; moreover, business taxes are not the primary factor in business location decisions.**

- Business taxes in Wisconsin are strikingly low. Wisconsin ranks **49<sup>th</sup>** in business taxes as a share of state and local taxes (50<sup>th</sup> if we include the District of Columbia), and **36<sup>th</sup>** in business taxes relative to business profit.
- State and local business taxes account for only **0.8 percent of the cost of doing business** for most companies. Much greater costs include housing (10.9 percent) and health care (13.7 percent).
- A number of studies show that taxes rank low on the list of factors considered in business location decisions. Much more important are a well-trained labor force and high-quality public services (including infrastructure).

**Myth: High taxes are the most important policy issue for residents of Wisconsin.**

**Fact: A new study indicates that public services and jobs are more important to Wisconsin residents than taxes.**

- According to a recent poll by the Feldman Group, Wisconsin voters are far more concerned about health care, education, and job security than about tax rates.
- In fact, **60 percent** of voters polled would support a combination of tax increases and spending cuts to avoid deep cuts in public services.

## HERE ARE THE FACTS:

**You get what you pay for, and Wisconsin is a great place to live.**

- Given its relatively modest spending rankings, Wisconsin's quality of life is strikingly high: we are tied with Minnesota for the best ACT scores, and ranked **7<sup>th</sup>** in terms of health care coverage, **13<sup>th</sup>** on the Morgan Quitno scale of "most livable state," and **5<sup>th</sup>** on the Morgan Quitno scale of "smartest state."
- Wisconsin residents and businesses benefit every day from high-quality public services, from garbage and recycling pickup to plowing to excellent public schools.