Wisconsin

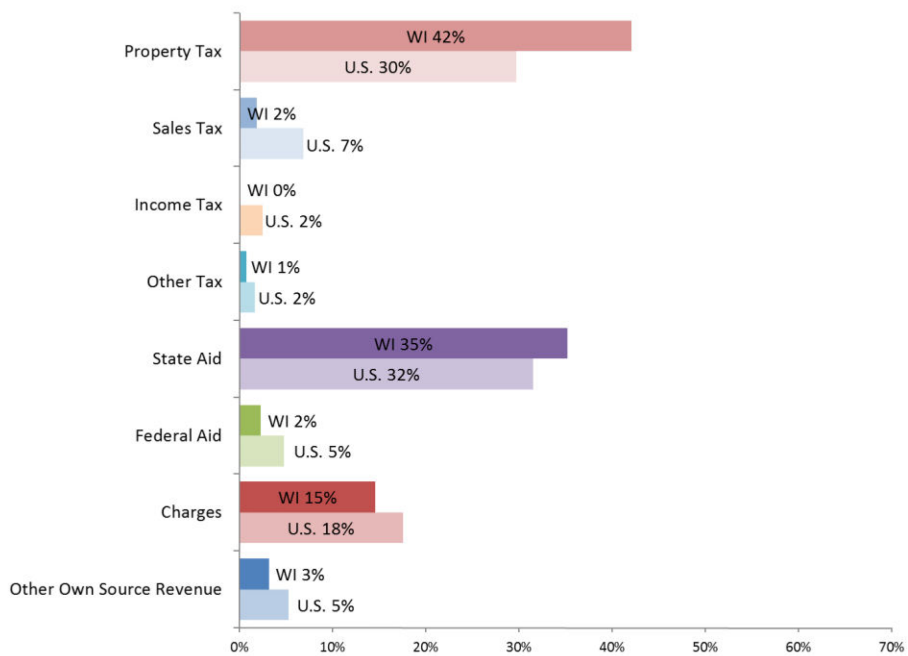
Highlights

Despite efforts to reduce property taxes that go back at least a century, the property tax remains an important source of local government revenue in Wisconsin. The state's municipal governments, county governments, independent school districts, and technical college districts all rely on property taxes, with the tax contributing 42 percent of the total revenues of these local governments in 2013 (figure WI-1).

Wisconsin's constitution includes a uniformity clause that requires that subject to certain exceptions, notably agriculture, all types of property within a community must be taxed uniformly. For example, residential property cannot be assessed or taxed at a lower rate than commercial or industrial property. The uniformity clause as interpreted by Wisconsin courts places stricter limitations on the way Wisconsin can provide property tax relief as compared with other states (Fontaine and Peacock 2007).

The state has enacted constitutional amendments that allow for preferential assessment for agricultural property so that farmland in Wisconsin is taxed on the basis of use rather than market value (Youngman 2005). One indication of farmland's preferential treatment is that in 2011 its value equaled only 0.5 percent of the total market value of all real property, although farms made up fully 41.9 percent of the land area of the state (Wisconsin Department of Revenue 2013; 2012 Census of Agriculture).

Figure WI-1
Sources of Local General Revenue, Wisconsin and U.S., 2013



Source: U.S. Census via Significant Features of the Property Tax

Wisconsin has pursued three major strategies designed to reduce property taxes. First, the state operates several programs that provide direct property tax relief to homeowners and in some cases also to renters. Second, the state provides grants to local governments with the express goal of reducing the property taxes levied by those governments. And third, the legislature has placed limits on the annual property tax levies of local governments. As long as property values rise, public policies that limit property tax revenues of local governments force these governments to lower their property tax (millage) rates.

Property Tax Reliance

By various measures property taxes in Wisconsin are high relative to the average state. In 2013, per capita property tax revenue in Wisconsin was $1,843, a level 28 percent above the national average. In part because the value of the median owner-occupied home in Wisconsin is below the U.S. average, the effective tax rate on owner-occupied housing was 1.9 percent, a rate substantially above the national average rate of 1.2 percent (table WI-1).

Table WI-1
Selected Wisconsin Property Tax Statistics, 2013[1]

	Wisconsin	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,843	$1,441	*13*
Property tax percentage of personal income	4.3%	3.2%	*9*
Total property tax as percentage of state-local revenue	22.0%	16.9%	*8*
Median owner-occupied home value[2]	$167,100	$176,700	*25*
Median real estate taxes paid for owner-occupied home[2]	$3,242	$2,107	*9*
Effective tax rate, median owner-occupied home[3]	1.9%	1.2%	*5*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2009–2013.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Most real property is assessed by local government or county assessors, who are required by state statute to assess property on an annual basis at full market value. Wisconsin's Department of Revenue is responsible for monitoring the quality of local assessments.

Limits on Property Taxation

In 1993, the Wisconsin legislature imposed an annual limit on the sum of general (non-categorical) state aid and property taxes levied in each school district (Kava and Olin 2015). Each year, the legislature determines an amount by which these revenue limits are allowed to rise. School districts determine the amount of their maximum allowable property tax levy by subtracting their current-year general state aid from the current value of their revenue limit. This implies that if the revenue limit is not increased, any increase in state aid translates into a dollar-for-dollar reduction in school property taxes. Almost the only way that school districts can increase their revenues above their revenue limit is to successfully pass, by majority vote of their electorate, a referendum that allows them to override their revenue limit and raise additional property tax revenues. In most years between 2004 and 2012, fewer than half of Wisconsin's 426 school districts held override referenda, and only about 55 percent of those referenda passed (Amiel, Knowles, and Reschovsky 2016).

Starting in 2005, the Wisconsin legislature has imposed limits on the year-to-year increases in the property tax levies of Wisconsin's 1,851 municipal governments and 72 county governments. Under current law, local governments, with minor exceptions, are prohibited from increasing their previous year's nominal property tax levies by more than the percentage increase in their property value due to the net value of new construction. In 2015, the statewide average property value growth due to net new construction was 1.19 percent (Wisconsin Department of Revenue 2015).

Property Tax Relief and Incentives

The School Property Tax/Rent Credit is a nonrefundable income tax credit that provides homeowners with a 12 percent credit on up to $2,500 of their annual property tax liability. Renters are also eligible for this property tax credit, with their property tax statutorily determined to be equal to 25 percent of their actual rent.

Wisconsin also has a modest circuit breaker program that provides a refundable income tax credit to low-income homeowners and tenants (table WI-2). Credits are available only to households with income below $24,680, with a maximum allowable credit of $1,460. In 2013, the average credit was $525 (Runde 2015a).

Three additional state-funded property tax credits are available, the largest of which is the School Levy Tax Credit. The state in effect pays a portion of school property tax levies by requiring a reduction in school property tax rates and then compensating school districts for the lost revenue. Tax savings are proportional to the value of property and are available to all property owners, including those who are not Wisconsin residents. Reschovsky (2010) estimated that only 51 percent of the credit provides property tax relief to Wisconsin homeowners on their primary residences. The other state-funded credits are the First Dollar Credit, which allocates a fixed dollar credit to all owners of developed parcels, and the Lottery and Gaming Credit, which is really an exemption restricted to homeowners on their primary residence (Runde 2015b).

The second type of state policy intended to reduce local government reliance on the property tax is the allocation of state aid to school districts and municipal and county governments. Excluding federal funds, the Wisconsin state government provides just under half of the state and local revenues of public school districts, a state share somewhat below the average state share of such funding. Wisconsin is one of relatively few states that provide county and municipal governments with general purpose state aid. Although the amount of state aid has been declining in recent years, receipt of some of the state aid is conditional on local governments limiting increases in spending.

Wisconsin does not employ property tax incentives for business to the same degree as do many other states. It is one of 48 states that employ tax increment finance (TIF), but its enterprise zone program does not include property tax incentives, nor does the state have other general property tax incentive programs.

Wisconsin is characterized as having statewide classification of real property because agricultural forest land and undeveloped land is assessed at 50 percent of market value whereas all other property is assessed at 100 percent (table WI-2).

Table WI-2
Wisconsin Property Tax Features, 2013

Feature	Wisconsin	Count for 50 states plus DC
Statewide Classification of Real Property	Yes	25
Assessment of property primarily by county	No	30
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	19
Circuit breaker property tax relief program	Yes	34

Sources: Significant Features of the Property Tax

Key Property Tax History

Reducing reliance on the property tax has played a major role in many of the key developments in the financing of state and local governments in Wisconsin. In 1911, Wisconsin became the first state in the nation to adopt a state individual income tax. In the same year, the state established a mechanism to share some of its tax revenues with municipal governments. The primary objective of this financial assistance was to reduce local governments' reliance on the property tax. Large increases in state aid to public schools enacted during the 1980s and 1990s were also primarily motivated by the desire on the part of the legislature to reduce school property taxes.

Recent Developments

As part of its 2015–2017 biennial budget, Wisconsin increased funding by 11.8 percent for two of its property tax relief programs, the School Levy Credit and the First Dollar Credit. By not allowing the revenue limits imposed on school districts to rise above their 2014 levels, the budget froze the amount of money available to most school districts and, because property values are rising, forced many school districts to lower their school millage rates. In late 2015, legislation was introduced in both the state assembly and senate that would make it more difficult for school districts to hold and pass revenue limit override referenda.

Resources

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