

Wisconsin

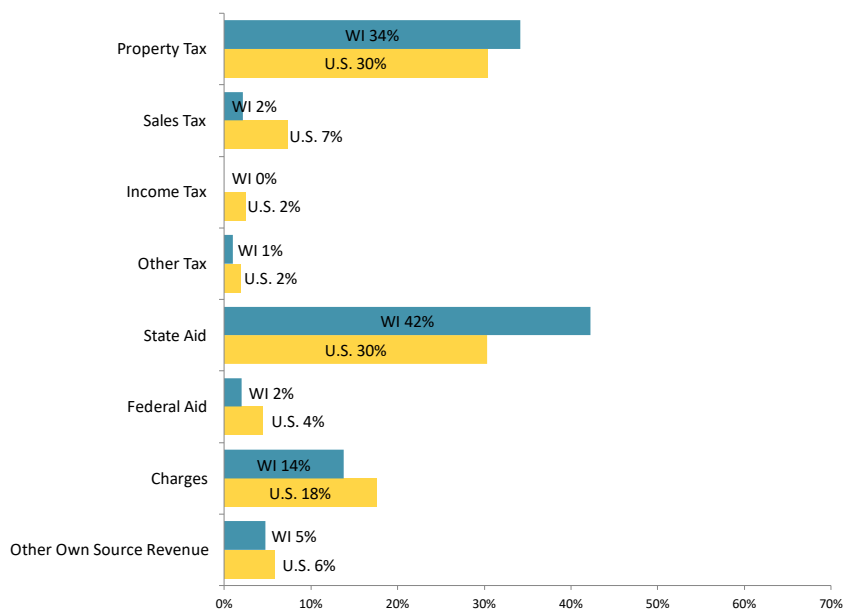
Highlights

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 34 percent of the total revenues of these local governments in 2020 (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 than are found in most states on the way Wisconsin can provide property tax relief (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 2022, its value equaled only 0.3 percent of the total market value of all real property, although farms made up 41 percent of the land area of the state in the last Census of Agriculture (U.S. Census of Agriculture 2019; Wisconsin Department of Revenue 2022a).

Figure WI-1
Sources of Local General Revenue, Wisconsin and U.S., 2020



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 that only permit an increase in the levy for new construction. 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 2019, per capita property tax revenue in Wisconsin was \$1,717, a level close to 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 1.8 percent, a rate substantially higher than the national average rate of 1.1 percent (table WI-1).

Table WI-1
Selected Wisconsin Property Tax Statistics, 2020¹

| | Wisconsin | U.S. Average | Rank (of 51) <i>1 is highest</i> |
|--|-----------|--------------|-------------------------------------|
| Per capita property tax | \$1,717 | \$1,810 | 24 |
| Property tax percentage of personal income | 3.1% | 3.1% | 17 |
| Total property tax as percentage of state-local revenue | 17.3% | 16.6% | 16 |
| Median owner-occupied home value ² | \$189,200 | \$229,800 | 30 |
| Median real estate taxes paid for owner-occupied home ² | \$3,370 | \$2,551 | 13 |
| Effective tax rate, median owner-occupied home ³ | 1.8% | 1.1% | 6 |

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 2016–2020.

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 governments 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.

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).

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 Drilias 2019). 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 (Kenyon, Paquin, and Reschovsky 2022).

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 2022, the statewide average property value growth due to net new construction was 1.71 percent (Wisconsin Department of Revenue 2022, 76).

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. The state also provides an income tax credit for property taxes paid by disabled veterans.

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 \$1,168.

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. All property owners, including those who are not Wisconsin residents, may claim this property tax credit on their state income tax return. 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 restricted to homeowners for their primary residence.

Wisconsin is one of 29 states that authorize property tax deferral. The Property Tax Loan Deferral program allows low-income seniors and veterans to defer up to \$3,525 per year, with the deferred amount becoming a lien on the property. The deferred property taxes must be paid with interest upon transfer.

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 slightly 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 49 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 business property tax incentive programs.

Table WI-2
Property Tax Features of State Governments, United States, 2021

| Feature | Wisconsin | Count for 50 states plus DC |
|--|-----------|-----------------------------|
| Statewide classification of real property | Yes | 25 |
| Assessment of property primarily by county | No | 31 |
| Limits on property tax rates or levies | Yes | 45 |
| Limits on the rate of growth of assessed value | No | 17 |
| Circuit breaker property tax relief program | Yes | 31 |

Sources: Significant Features of the Property Tax

Key Property Tax History

Property taxes were levied in Wisconsin even before it was organized as a territory in 1836. Wisconsin's first state constitution, in 1848, "included only one provision about the property tax, a 'uniformity clause' stating that taxation must be uniform" (Stark 1991–1992). The 1849 statutes creating a system for administering the property tax borrowed heavily from New York statutes. In early years, property tax controversies included the difficulties with enforcing assessment at 100 percent of market value, taxing intangibles, and properly taxing railroad property (Stark 1991–1992).

Reducing reliance on the property tax has been a major goal 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

Like many Midwestern states, Wisconsin has been affected by challenges to property tax assessments by big-box stores using the “dark stores” approach to property tax assessment under which empty stores may serve as comparable elements in the valuation of successful operating stores (Hamilton 2016). The legislature has considered but failed to pass legislation to block the use of dark stores assessment in recent years. In 2023, The Wisconsin Supreme Court ruled in favor of the city in *Lowe’s Home Centers, LLC v. City of Delavan* where the home improvement chain sought to have its store valuation lowered from \$8.9 million to \$4.6million using distressed or vacant properties as comparable sales (Muse 2023).

Wisconsin used stimulus funds from the American Rescue Plan Act (ARPA) to provide over \$1 billion in property tax rebates, about 10 percent of property taxes paid in 2020. In 2022, the Wisconsin Help for Homeowners Program was established to assist homeowners with income at or below area median income who experienced a pandemic-related hardship with assistance for mortgage payments, property taxes, utilities, and some housing related services. (Wisconsin Department of Administration 2022; Wisconsin Office of the Governor 2022).

In 2021, Wisconsin State Treasurer Sarah Goldeski announced a new pilot program in six counties under which low and moderate income homeowners can obtain low-interest financing of up to \$5,000 to pay delinquent property taxes and avoid foreclosure. The Property Tax Revolving Loan Program was not available for mortgaged properties. The program was a recommendation of the Treasurer’s Homeowners Task Force and is backed by a grant from the Foundation for Rural Housing (Wisconsin Office of the Treasurer 2021).

In 2023, the Republican-led Legislature and the Democratic governor agreed to repeal the tax on personal property as of 2024, with the state providing compensating aid to local governments, an amount estimated to be \$183 million in the next fiscal biennium (Jones 2023).

The Wisconsin levy limit was tightened in 2013 by the requirement that local governments classify as tax revenue any funds raised by new fees for specific services that were previously funded by the property tax, such as snow removal and refuse collection. In 2023, the Wisconsin Supreme Court unanimously struck down a transportation utility fee intended to fund a range of services from street lighting, traffic control, and sidewalks to highways and stormwater management. The fee was a uniform charge for residential property and a variable amount for commercial property based on size, type of business, and estimated use of municipal roads. The court found the fee to constitute an impermissible property tax that exceeded the town’s levy limit. A referendum to increase the levy limit had previously been rejected by the town’s voters. A concurring opinion considered the constitutionality of the transportation utility fee, characterizing it as a violation of the state’s uniformity clause (*Wisconsin Property Taxpayers, Inc. v. Town of Buchanan*, 2023 WI 58 (June 29, 2023)).

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