

DOLLARS AND SENSE

*Is it time for a new municipal financing
framework in Wisconsin?*



WISCONSIN
POLICY FORUM

ABOUT THE WISCONSIN POLICY FORUM

The Wisconsin Policy Forum was created on January 1, 2018, by the merger of the Milwaukee-based Public Policy Forum and the Madison-based Wisconsin Taxpayers Alliance. Throughout their lengthy histories, both organizations engaged in nonpartisan, independent research and civic education on fiscal and policy issues affecting state and local governments and school districts in Wisconsin. The Wisconsin Policy Forum is committed to those same activities and to that spirit of nonpartisanship.

PREFACE AND ACKNOWLEDGMENTS

We wish to acknowledge and thank the League of Wisconsin Municipalities, Wisconsin REALTORS Association, and Greater Milwaukee Committee, which together helped fund this research. We also thank those groups who shared or gathered data used in this report, including Willamette University and the Wisconsin Legislative Fiscal Bureau.



DOLLARS AND SENSE:

*Is it time for a new municipal
financing framework in Wisconsin?*

February 2019

Report authors:

Stephanie Murray, Research Analyst

Jason Stein, Research Director

Rob Henken, President

TABLE OF CONTENTS

Executive Summary	4
Introduction	7
How We Got Here	8
Other Locals Also Rely on Property Tax	9
State Aid Lags	10
Property Tax Raised, Capped	12
Other Revenue Constraints	14
Signs of Stress	14
Summary	15
How Wisconsin Compares	16
Approaches Used in Other States	17
10 Most Property Tax Reliant States	17
Other Groups of States	19
Summary	22
Wisconsin unique in Midwest	23
Minnesota	25
Kansas	26
Missouri	27
Ohio	28
Summary	28
Conclusion	29
Options for Wisconsin	29
Where Do We Go Now?	31
Appendix	33
Endnotes	34

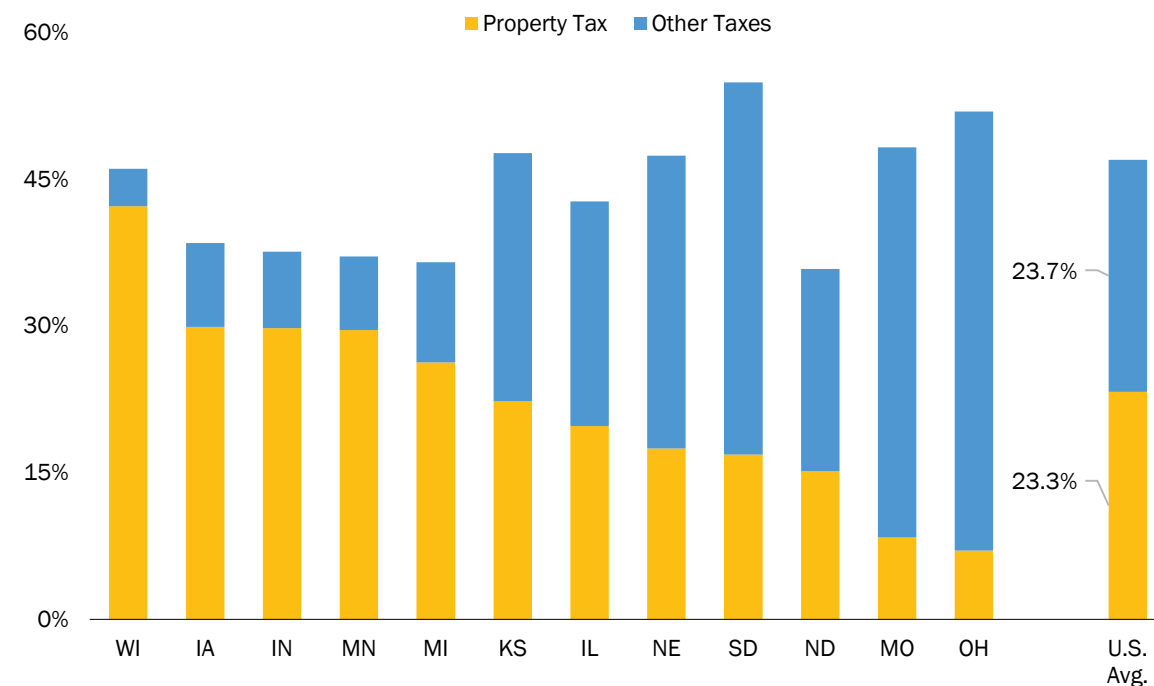
EXECUTIVE SUMMARY

More than a century ago, Wisconsin made the choice to use state income and later sales taxes to provide aid to local governments while generally not allowing municipalities to levy those same taxes. Today, cities and villages in Wisconsin rely on the property tax to a greater degree than most states nationally and any other state in the Midwest region.

In past generations, large state aid payments helped hold down property taxes in Wisconsin while also providing funding for local services. Yet, with state aid payments stagnant for years and municipalities now under tight state-imposed caps on property taxes, questions are mounting about whether local officials can sustain appropriate service levels in areas such as public safety, streets, libraries, and parks.

In 2017, the Public Policy Forum published [*On the Money?*](#), an award-winning report that looked at the city of Milwaukee's revenue sources. The study found that, in limiting Milwaukee to the property tax and not allowing its first-class city to levy sales or income taxes, Wisconsin took a unique approach when compared to those used by other states for cities of a similar size.

Figure 1: Wisconsin Relies Most on Property Tax in Midwest
Property Tax & Other Taxes as Share of Municipal Revenue, 2015



Sources: Willamette University, U.S. Census Bureau

This follow-up report looks at the finance frameworks used by the 50 states for *all* of their municipalities and again finds that Wisconsin stands out:

- According to U.S. Census data compiled by Willamette University, in 2015 Wisconsin municipalities received 42.2% of their revenues from the property tax but only 1.6% from

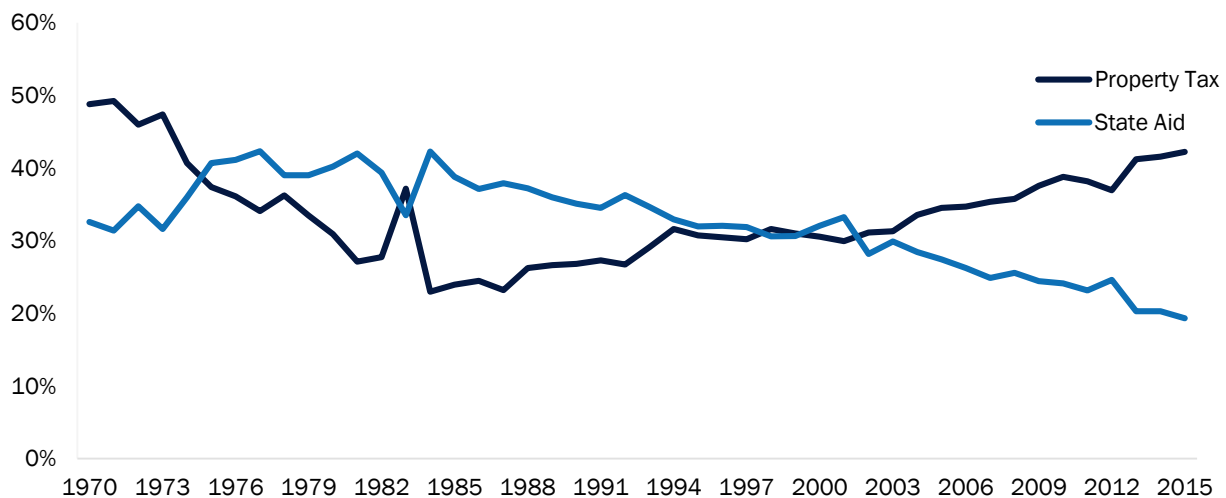
sales and income taxes combined. Nationally, municipalities got only 23.3% of their revenues from the property tax with an additional 21.3% from sales and income taxes.

- Wisconsin municipalities rank seventh nationally among states for being the most reliant on the property tax for their revenues. ***No other Midwestern state relies so heavily on the property tax and so little on other taxes to pay for municipal services.*** (See Figure 1 on page 4.)
- The state ranks much lower nationally for its reliance on municipal sales taxes (43rd) and total municipal taxes (26th). The combined state and local sales tax rate in Wisconsin (5.44% on average) is also the lowest in the Midwest.
- First implemented in 2006, state caps on property tax increases have slowed the growth in municipal levies and helped to lower Wisconsin's overall tax burden. However, among the 10 states most reliant on municipal property taxes, Wisconsin appears to have the tightest cap on increases, restricting tax growth to the rate of net new construction.
- Total expenditures for Wisconsin municipalities amounted to \$2,205 per capita in 2015, compared to the U.S. average of \$3,443, giving this state a national rank of 36th. However, these numbers are not a reliable apples to apples comparison because cities in some states are responsible for more functions than others. Wisconsin ranks 15th nationally for spending by all local governments including municipalities, counties, and schools.

Wisconsin municipalities' reliance on property taxes has resulted, in part, from the failure of state aid to keep pace with inflation. As Figure 2 shows, state aid provided a larger share of municipal revenues in Wisconsin than property taxes from 1975 to 1997. Today property taxes account for more than twice as much municipal revenue as state aid.

Figure 2: Property Tax Overtakes State Aid

% of General Revenue by Source for WI Municipalities, 1970-2015



Sources: Willamette University, U.S. Census Bureau

Several state decisions contributed to this. First, in the 1996-97 school year, the state committed to funding two-thirds of the overall state and local cost for K-12 schools. The state also has enlarged

the prison system, made a series of tax cuts, and expanded Medicaid health programs. As a result, any new state revenue generated from year to year has been largely spoken for before it reaches local governments.

Some signs of fiscal stress have appeared in recent years among the cities and villages of the state, including rising debt levels, modest declines in street quality, and a greater use of local vehicle registration fees, or wheel taxes. Moreover, in the November 2018 election, citizens in at least nine municipalities, including the city of Kenosha, voted to exceed state property tax limits.

The financial challenges facing cities and villages cannot solely be attributed to their revenues. Many face spending pressures from issues such as aging infrastructure and unfunded obligations to retirees. In addition, untapped possibilities likely exist for enhanced service sharing or consolidation among local governments.

Still, the fact that Wisconsin's revenue framework for municipalities is so out of line with most other states (and all Midwestern states) should be cause for re-examination. The table below summarizes the broad potential approaches that Wisconsin policymakers could consider:

Table 1: Pros and Cons of Change

Option	Pros	Cons
Do nothing	Politically safer in short run; cities and villages keep using the currently reliable property tax, which is tied to their residents	WI remains outlier in the Midwest; fees, property taxes, and funding challenges will likely rise; cities get little money from commuters or visitors
Rely more on fees	Revenues are fairly reliable and tied to services delivered; more modest shift in terms of politics and policy	More regressive and still often focused on residents rather than outsiders. Absent changes in state law, new revenues still limited
Allow local option sales taxes	Revenues would grow with economy and include commuters and visitors; communities would have more local control; could offset property taxes	Sales tax is regressive and could raise overall taxes; "tax islands" could impact compliance costs and local economies
Increase state sales taxes	Statewide tax and distribution of proceeds could avoid favoring wealthy communities and avert tax islands; could offset property taxes	Sales tax is regressive and could raise overall taxes; as in recent decades, state could end up keeping more of the money and not share it with municipalities
Allow local income taxes	Progressive tax that grows with economy; could apply to residents and commuters; could boost local control and offset property taxes	Raises state's already above average income taxes and potentially overall taxes; "tax islands" could impact compliance costs and local economies

Wisconsin voters and their leaders will need time to decide whether and how to approve an alternative revenue framework for cities and villages. However, the urgency to take up these issues is real. Signs of stress are appearing and, with unemployment low and revenues growing, the state is better placed to address them than at any time since 2000. We hope this report provides policymakers with useful information to trigger and inform this needed debate.

INTRODUCTION

In 2017, the Public Policy Forum published [*On the Money?*](#), a report that looked at the city of Milwaukee's revenue sources and how they compared to those in peer cities across the United States.ⁱ The report found that, in limiting Milwaukee to the property tax and not allowing its first-class city to levy sales or income taxes, Wisconsin takes a different approach than all other Midwestern states. Looking at 38 peers around the country, the Forum found larger cities tend to rely more heavily on the sales tax than the property tax. The study also noted Milwaukee depends more heavily than its peers on state aid to fund its operations.

The report received the Governmental Research Association's 2018 award for "Most Effective Education" and has led to this follow-up study, which expands the study of municipal revenues to other cities and villages across the state. In releasing this report, we are also continuing the work of the Wisconsin Taxpayers Alliance, the group that merged with the Public Policy Forum to form the Wisconsin Policy Forum in 2018. In researching state and local taxes, the Taxpayers Alliance identified many of the trends noted here.ⁱⁱ

This study follows many others on the state-local financial relationship, including the 2001 Kettl Commission report (known more formally as the *Wisconsin Blue Ribbon Commission on State-Local Partnerships for the 21st Century*.) In light of longstanding concerns about state-local relations and mounting evidence of problems, we offer a fresh look at city and village revenues in this state and options for change. Our primary research questions include:

- How does Wisconsin's current approach to financing city and village governments compare to other states?

Methods and Data

To compare the revenues of Wisconsin municipalities to those across the country, we analyzed 2015 data (the most recent then available) compiled by Willamette University from the Census Bureau's Annual Survey of Local Government Finances. The data cover a selection of municipalities nationally, including 137 of Wisconsin's 597 cities and villages (23%), as well as 57% of the state's population. (The Wisconsin municipalities in the data do not include towns while in most other states some towns are included. Towns in this state rely on the property tax to a greater degree than cities and villages so including them might have strengthened the conclusions here.) In general, the 2015 data set for Wisconsin appears to match up closely with older 2012 Census data that covers all local governments in the state and nation. When picking time periods for charts, we generally provided all readily available data. For more on our methodology, see the Appendix.

- What are the pros and cons of using other local taxes to reduce reliance on the property tax?
- Are there "best practices" for financing local services and how does the revenue structure used by Wisconsin municipalities fare when held up against those standards?

We do not argue in this report for higher or lower local taxes and spending. Instead, this study seeks to outline municipal revenue options and their inevitable tradeoffs. In so doing, we hope to avoid partisanship and instead give readers insight into the best ways of financing essential local services.

HOW WE GOT HERE

To understand municipal finances in the state today, it is important to look at the past:

- Wisconsin made the choice generations ago to use state income and sales taxes to provide aid to local governments while generally not allowing municipalities to levy those same taxes.
 - Instead, municipalities in Wisconsin rely heavily on the property tax and state aid to pay for services. In part for these reasons, property taxes in this state historically have been high and overall sales taxes have been below average.
 - First implemented in 2006, state caps on property tax increases have slowed the growth in municipal levies and helped to lower Wisconsin's state-local tax burden.
 - State aids to local governments have been largely stagnant in recent years, meaning that the two main revenue sources for municipalities have both been constrained.
 - At present, property taxes in the state remain above the national average but local leaders are turning to other revenue sources such as fees (also known as charges for services), borrowing, wheel taxes, and even referenda to exceed property tax limits.
-

More than a century ago, Wisconsin officials made a choice that would shape not just this state but the nation. In 1911, they created the first state income tax in the country and developed a template for financing state and local services in Wisconsin. With the enactment of the individual and corporate income taxes, the state also ended the property tax on intangible assets such as stocks, household goods, and farm equipment.

Most of the income tax collections were provided in turn to the local governments that were losing property tax revenues and the possibility of levying their own income taxes. Municipalities received 70% of the state income tax collections, counties 20%, and the state 10%, ostensibly to cover administrative costs.ⁱⁱⁱ Municipal officials could use the state aid to help fund an array of services that includes police, fire and ambulance services, streets, parks, libraries, and garbage collection. Increases in state aid are no longer distributed according to local need but the current payments in part still reflect this past practice.

If municipalities still received the same 70% share of state income taxes today, their state aid would be several times larger. Even if one includes federal aid that is merely received by the state and passed on to local governments, in 2015 total state aid to municipalities accounted for less than one-sixth of the value of state income taxes. Over the past century, the state has increased its services and retained more of the income tax and state sales tax, which was created in 1962. Wisconsin's local governments, in turn, have generally not received the authority from the state to levy either income or sales taxes.

According to U.S. Census data compiled by Willamette University, Wisconsin municipalities surveyed in 2015 received 42.2% of their **general revenues** from the property tax but only

This report focuses on municipalities' **general revenues**, which include any money not coming from municipal-run utilities, liquor stores, or social insurance.

1.6% from sales and income taxes combined.^{iv} (See Figure 1.) Nationally, municipalities got only 23.3% of their revenues from the property tax with an additional 21.3% from sales and income taxes. Wisconsin municipalities received roughly the same percentage of their revenues from taxes as their peers nationally, but the breakdown of specific taxes was strikingly different. Sales taxes, for instance, provided 12.8% of municipal revenues nationally but just 1.3% in Wisconsin.

Compared to their peers in other states, Wisconsin municipalities surveyed also received a little more of their revenue from the state and from local fees and less from the federal government. In 2015, for instance, the Wisconsin cities and villages surveyed received 22.2% of their revenues from **charges for services** such as parks and recreation, sewerage, and solid

Charges include fees for services such as parking, parks, and sewers but do not include fees from city utilities.

waste management, compared to 21.0% for municipalities nationally.

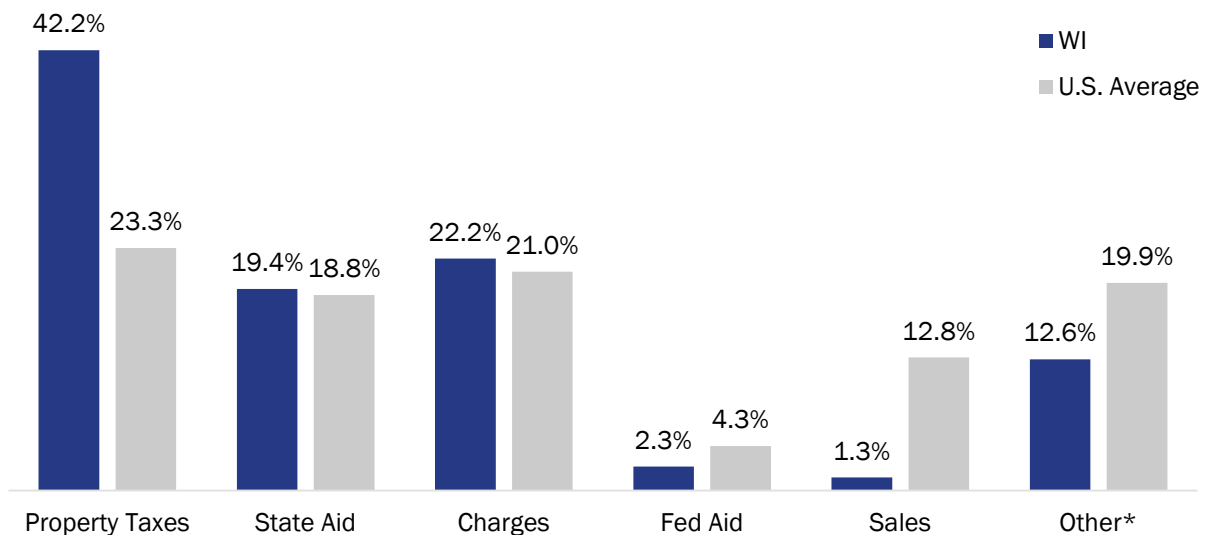
OTHER LOCALS ALSO RELY ON PROPERTY TAX

Cities and villages are not the only local governments in Wisconsin that depend heavily on property taxes and state aid. Schools, counties, and towns also get most of their money from those two sources. There are a few exceptions, such as

a 0.5% **general sales tax** levied by 66 of Wisconsin's 72 counties and a **selective sales tax** of between 0.5% and 1.25% on tourism-related retailers that is levied by seven municipalities (Bayfield, Eagle River, Lake Delton, Rhinelander, Sister Bay, Stockholm, and

General sales taxes are imposed on broad ranges of goods and services. **Selective sales taxes** are imposed on certain goods and services and may also be collected by a specific set of businesses.

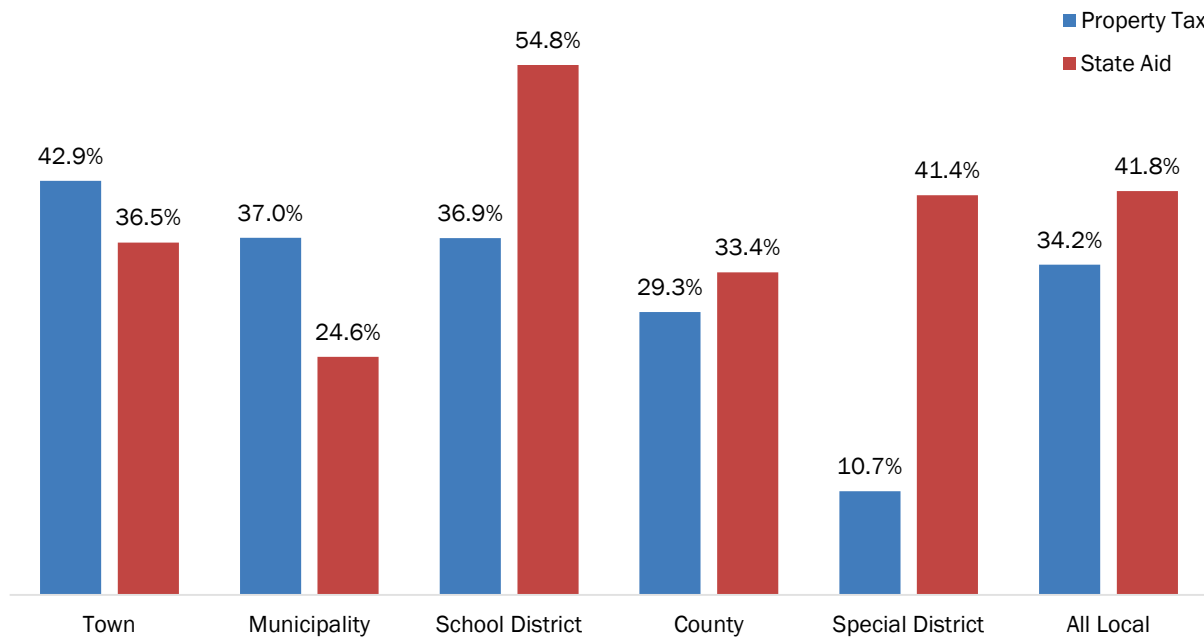
Figure 1: Wisconsin Cities, Villages Depend on Property Tax
Municipal Revenue Source as % of Total, 2015



*Includes local aid, license and income taxes, and miscellaneous revenue.

Sources: Willamette University, U.S. Census Bureau

Figure 2: Wisconsin Towns and Municipalities Most Dependent on Property Tax
Source as % of Total Revenue by Type of Local Government, 2012



Sources: Willamette University, U.S. Census Bureau

Wisconsin Dells) that are designated “premier resort areas.” However, the overall reliance on property taxes and state aid makes it challenging for local officials, the state budget, and homeowners.

The mix of property taxes and state aid varies by the type of local government, with Wisconsin school districts in 2012 getting more than half of their revenue from the state and municipalities less than a quarter. (See Figure 2.) Cities and villages made up most of the difference with service charges, which comprised 21.4% of municipal revenues and 4.5% of school district revenues.

The reliance on state aid comes with tradeoffs for local governments here. On the one hand, the state can tax citizens uniformly through the income tax and sales tax and help to smooth out disparities in property tax bases between communities. On the other hand, local officials

have less control over the revenues that come from the state.

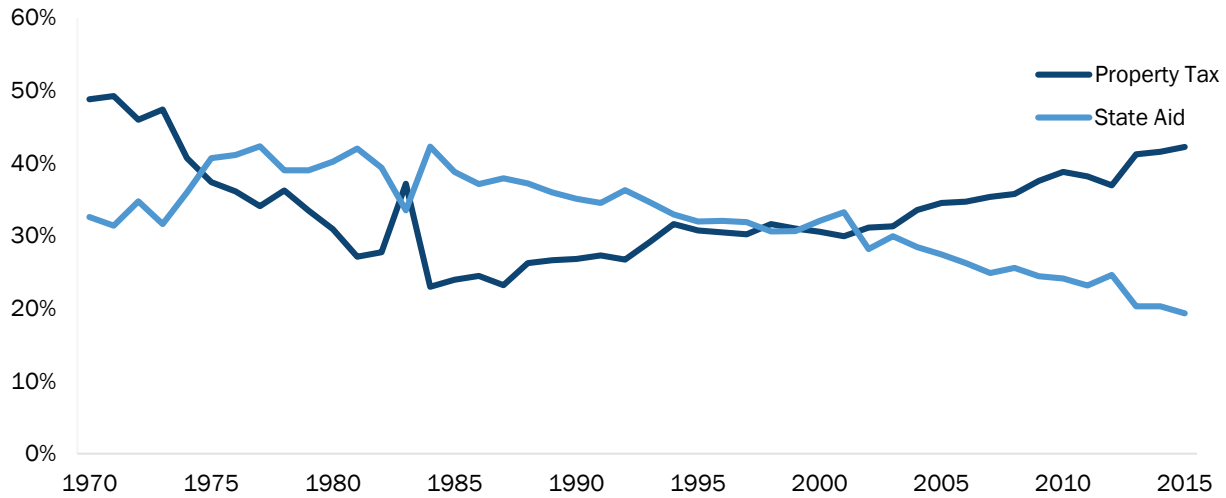
STATE AID LAGS

State aid has stagnated over time, putting pressure on property taxes. From 1975 to 1997, state aid provided a larger share of municipal revenues in Wisconsin than property taxes.^v (See Figure 3 on page 11.) Since then the situation has reversed, with property taxes accounting for 42.2% of municipal revenues in 2015 and state aid comprising 19.4%.

State aid to municipalities also has declined as a share of the state’s overall spending from its general fund, or main account. To show that, we looked at three forms of general aid to local governments: shared revenue to municipalities and counties, expenditure restraint (state aid that rewards municipalities for limiting spending increases), and payments for municipal services (state payments to defray the cost of local services for and around state properties).

Figure 3: Property Tax Overtakes State Aid

% of General Revenue by Source for Wisconsin Municipalities, 1970-2015



Sources: Willamette University, U.S. Census Bureau

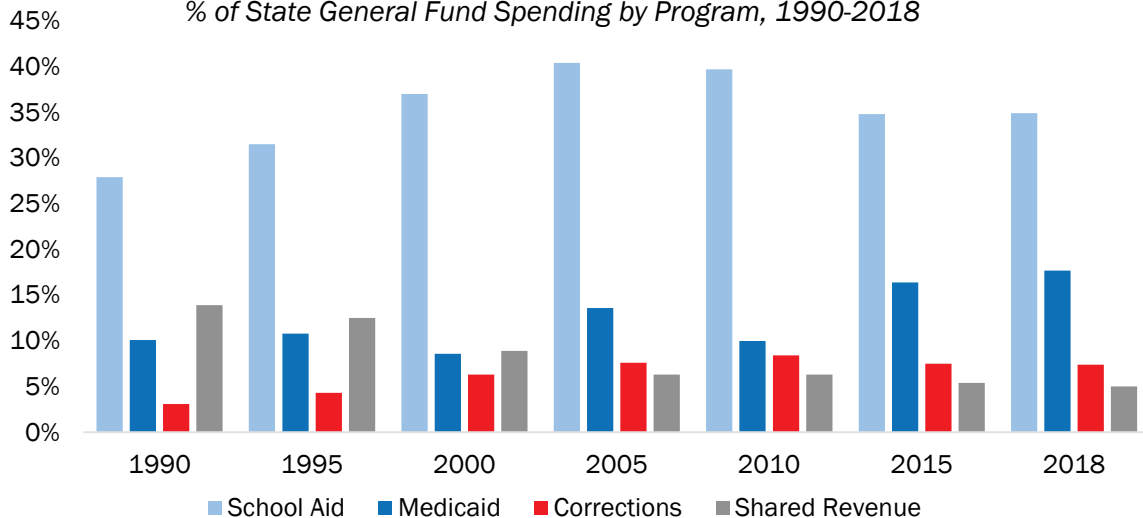
Data from the Legislative Fiscal Bureau show that after adjusting for inflation these state aids to local governments fell 40.9% between 1998 and 2018. The share of the state's general fund devoted to these local aids also dropped from 8.5% to 4.5%.

An entire report could be written on why this shift happened, but several state decisions

stand out. First, in the 1996-97 school year, the state committed to funding two-thirds of the overall state and local cost for K-12 schools. Next, the state has enlarged the prison system, made a series of tax cuts, and expanded Medicaid health programs. (See Figure 4.) As a result, any new state revenue generated from year to year has been largely spoken for before it reaches local governments.

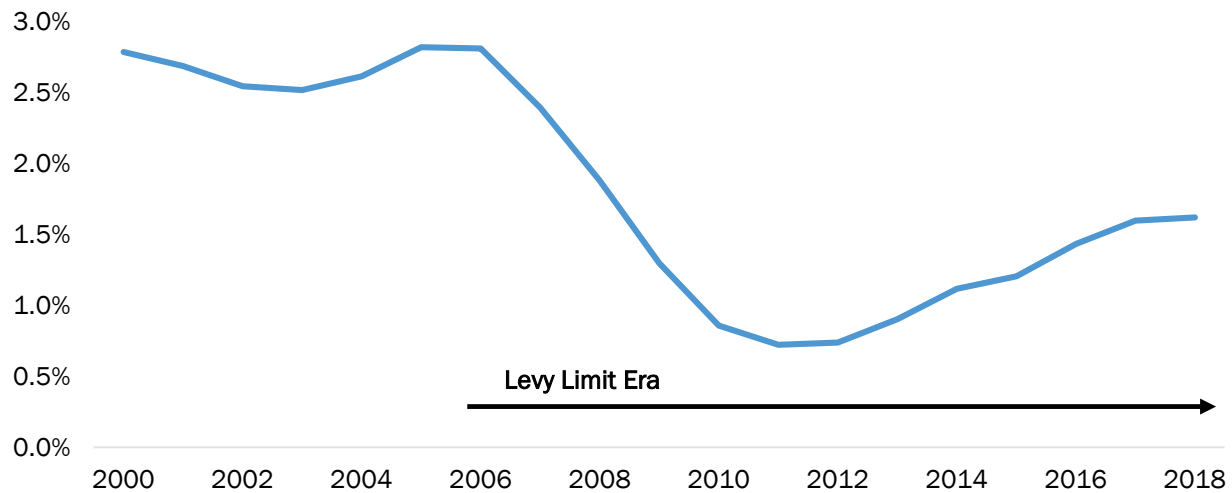
Figure 4: Spending on Local Aid Falls as Other Priorities Rise

% of State General Fund Spending by Program, 1990-2018



Source: Wisconsin Annual Fiscal Reports

Figure 5: New Construction Not Yet Recovered in Wisconsin
Annual % Growth in Property Values Due to Net New Construction, 2000-2018



Source: Wisconsin Department of Revenue

Though state aid has declined, the state did make one important change that has made it easier for local governments to balance their budgets. In 2011, lawmakers and the governor approved Wisconsin Act 10, which repealed most collective bargaining for all public workers except police and firefighters. The law also required state and local workers to contribute more toward their pension and health benefits.

PROPERTY TAX RAISED, CAPPED

Lagging state aid has made the property tax even more important to cities and villages, with mixed results. On the one hand, the property tax provides a consistent, locally accountable source of revenue. In addition, homeowners traditionally have been able to deduct their property taxes on federal income tax returns.

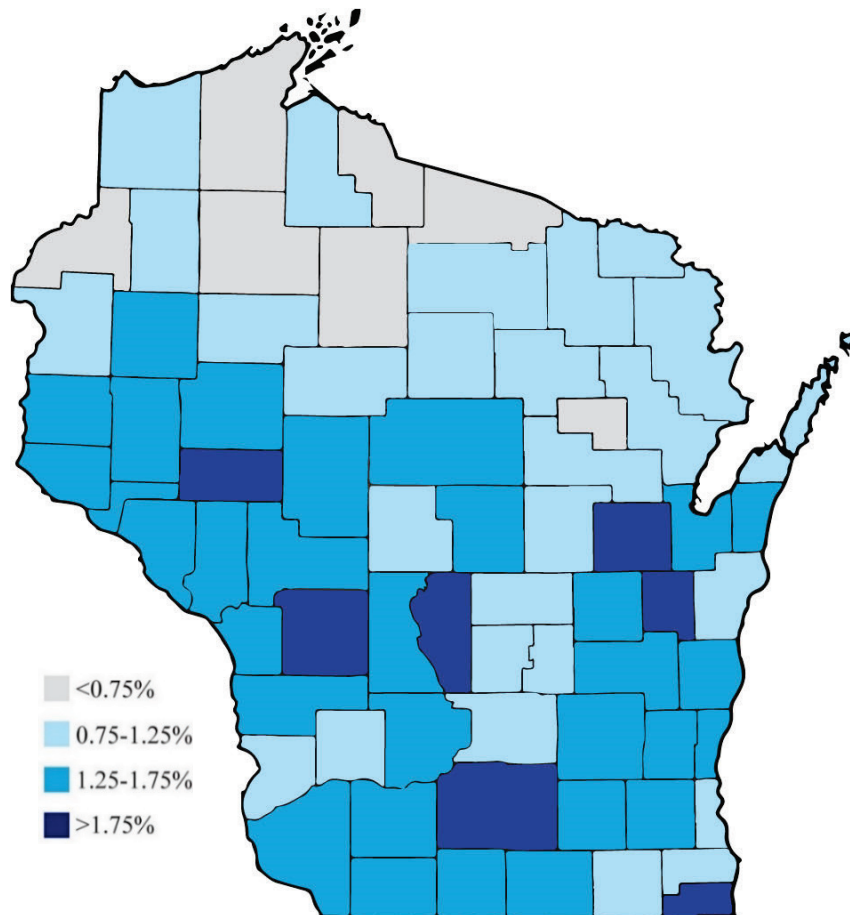
On the other hand, the federal government has now limited this state and local tax deduction. Also, the dependence on these revenues has contributed to Wisconsin's traditionally high property taxes and drawn concerns from homeowners and businesses.

It is also worth noting that officials in some states have the flexibility to limit property tax impacts on homeowners. In Wisconsin, however, officials have fewer options to help homeowners because the state constitution requires the uniform taxation of property.

As recently as 2013, Wisconsin ranked among the 10 highest states for property taxes as a share of personal income in the state.^{vi} To hold down levies, state officials capped in the 1993-94 school year the per pupil amount that districts can raise through state aid and local property taxes. Over the past decade, state officials have tightened annual increases in these revenue limits.

In 2006, the state placed limits on increases in municipal and county property tax levies. Levy limits initially were linked to the percentage growth in property values due to new construction, but a "floor" was established to allow increases of up to 2% for all communities if new construction did not reach that level. The floor varied between 2% and 3.86% between 2006 and 2010. In 2011, the minimums were removed, which in general froze municipal property taxes used for operations except for

Figure 6: Construction Lags in the North During Levy-Limit Era
Average Annual % Growth in Net New Construction by County, 2006-2018



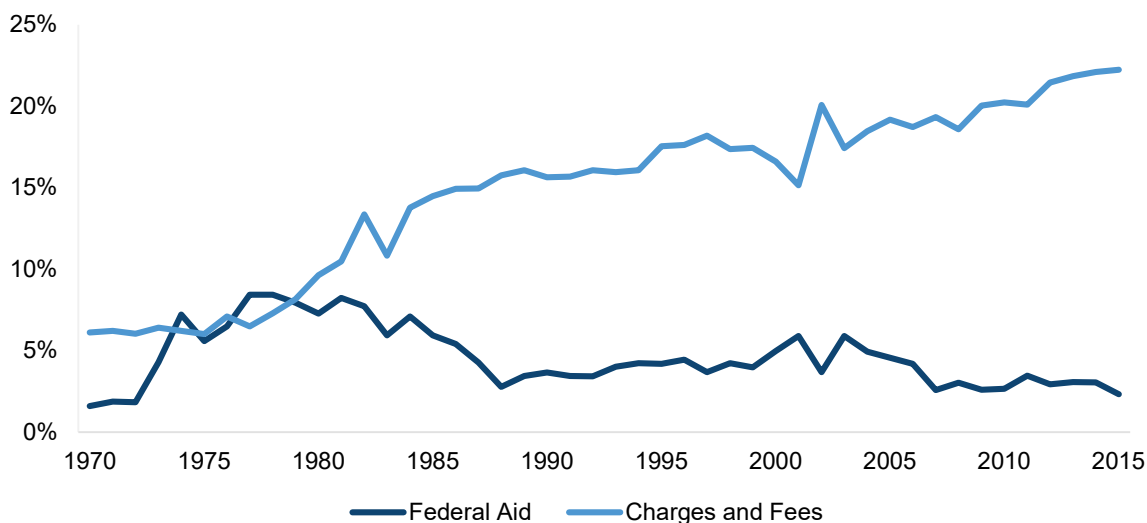
Source: Wisconsin Department of Revenue

any increases due to new construction or voter referenda. These more restrictive limits came just as Wisconsin communities, particularly those in the north, saw a slowdown in development. (See Figure 5 on page 12 and Figure 6 above.) As we will discuss, Wisconsin's limits are particularly tight for a state where municipalities depend heavily on the property tax.

These property tax and school revenue limits have accomplished the goal of holding down levy increases. For instance, between 1995 and 2005, municipal property taxes in Wisconsin increased an average of 5.7% per year, according to state Department of Revenue

(DOR) data. Between 2005 and 2015, the average increase fell to 3.4% annually. If municipal property taxes had continued to go up in that second 10-year period at the same rate as they had in the first, those property taxes would have been 24.9% higher overall in 2015.^{vii} For comparison, while gross property taxes at all levels (including cities, counties, schools, etc.) increased by an average of 2.5% a year between 2005 and 2015, state taxes averaged 2.8% increases for the period. Not surprisingly, Wisconsin's total state and local property tax burden has decreased over time, falling from 4.6% of personal income in 1993 to 3.7% in 2015, according to federal data. The

Figure 7: Federal Aid Lags as Fee Revenue Rises in Wisconsin
Federal Aid and Local Charges as % of Municipal Revenue, 1970-2015



Sources: Willamette University, U.S. Census Bureau

state's property tax ranking in turn has fallen to 15th in the nation.

This discussion of property taxes raises questions about how municipal spending in Wisconsin matches up against other states. Comparing municipal spending and tax burdens across states is difficult since cities may be charged with different responsibilities. For example, cities in some states are responsible for services like emergency dispatch and public health, while elsewhere that responsibility falls to counties. When we look at spending by all local governments in Wisconsin in 2015 (including municipalities, counties, and schools), however, we find these expenditures in the state ranked 15th highest in the country when calculated as a share of personal income.

The Census also provides spending data on just cities and villages. Total expenditures in 2015 for the Wisconsin municipalities surveyed amounted to \$2,205 per capita, compared to \$3,443 nationally, giving this state a national rank of 36th. Yet these amounts are not an

apples-to-apples comparison since municipalities in other states may have more responsibilities. The figures should be seen as broad context rather than a precise ranking.

OTHER REVENUE CONSTRAINTS

As noted previously, Wisconsin municipalities rely on two main sources of revenue – property taxes and state aid – that both face constraints. Compounding this problem, cities are seeing stagnant federal aid as well. In response, municipal leaders have turned to other revenue sources such as fees and charges for services, as shown in Figure 7. The increases have come in spite of restrictions on the use of such charges, including a state law that effectively prevents the use of fees to pay for services that were funded through the property tax as of 2013.

SIGNS OF STRESS

As state and federal aid has lagged and property taxes have been restrained, some signs of fiscal stress have appeared in recent

years among the cities and villages of the state. WPF research on municipalities has found rising debt levels, modest declines in street quality, and a greater use of local vehicle registration fees, or wheel taxes.^{viii} For instance, DOR figures show total debt among the state's 140 largest cities and villages rose 29% between 2006 and 2016, compared with a 19.5% increase in inflation.^{ix}

Moreover, in November 2018, citizens in at least nine municipalities, including the city of Kenosha, voted to exceed state levy limits and increase their property taxes to provide more money for local services. Though small in number, the votes were notable since in the past most property tax referenda have been for school districts.

The fiscal challenges for local governments in Wisconsin cannot solely be attributed to revenue constraints. This report is limited in scope to a look at municipal revenues in Wisconsin, but any attempt to address financial challenges for local governments should also take up questions of spending. The Wisconsin Policy Forum has examined some of those issues such as aging infrastructure and unfunded obligations to retirees.

Policymakers should also consider the potentially higher service costs associated with the large number of local governments in Wisconsin (roughly 600 cities and villages, 1,250 towns, and 72 counties in addition to other specialized entities). The Policy Forum has looked at the possibility of greater service sharing and government consolidation at the local level and will continue to do so.

SUMMARY

Our analysis shows Wisconsin municipalities depend more on property taxes than their peers in other states and have stepped up this reliance as state aids have lagged. When

combined with tight property tax limits, these circumstances have constrained municipal revenues and left local leaders with difficult financial decisions.

We are not the first research group to issue such findings. In 2015, the National League of Cities found municipalities here ranked seventh-highest in the country for their reliance on the property tax.^x A Brookings Institute report from July 2018 looked at 93 cities around the country and found Milwaukee to be one of the five most constrained fiscally.^{xi} Brookings also listed Madison as among a group of 12 cities that were the next most constrained.

We are also not the first group in Wisconsin to lay out the challenges for local governments. The *Roadmap for Government Transformation*, a 2010 study by the Local Government Institute of Wisconsin, references a dozen such reports and state commissions since the 1950s.^{xii} In 2001 – a time in which the state returned a larger share of its revenues to local officials – the Kettl Commission wrote this about state and local relations: “Fiscal pressures and deep distrust have frayed the relationship almost to the breaking point.”

Whether the breaking point has been reached is still debatable. Local governments have soldiered on since 2001 despite additional property tax restrictions and declining aid from the state. However, for decades the state has been forcing local governments down an increasingly narrow financial path. There have been consequences to this trend already and more are coming.

To better understand the current state of municipal finances – and the potential path forward – we provide an in-depth comparison of Wisconsin to other states in the following two sections and discuss whether these other states could serve as potential models.

HOW WISCONSIN COMPARES

Like other states, Wisconsin uses a combination of taxes, fees, and state and federal aid to fund local governments. A closer look, however, reveals Wisconsin's framework for funding cities and villages is unusual:

- Municipalities here rely heavily on the property tax – Wisconsin ranks seventh nationally among states for being the most reliant on this tax. This is because the state generally does not allow cities and villages to collect sales or other local taxes to help pay for municipal services. Federal aid also contributes relatively little here.
- The method for distributing state aid in Wisconsin traditionally has meant cities with high property tax values, such as those in the Milwaukee suburbs, get less state money and therefore must rely even more on the property tax.
- Among the top 10 states for reliance on municipal property taxes, Wisconsin appears to have the tightest cap on increases in the tax.

In comparing Wisconsin to other states, we start with how the state ranks on several key revenue sources for cities and villages. Then we look more closely at groups of states that use similar approaches to funding municipal government and examine whether any might provide options for Wisconsin.

Despite their greater dependence on property taxes, Wisconsin municipalities do not rely more heavily on taxes overall. Cities and villages here draw 46% of their revenues from all taxes compared to an average of 46.9% for municipalities across the country. Table 1 shows Wisconsin ranks seventh out of the 50 states for its reliance on municipal property taxes, compared to 43rd for municipal sales taxes and 26th for total taxes. The state also ranks relatively low for its use of other sources such as charges and federal aid.

Figure 8 (page 17) breaks down the 50 states by the share of revenue their municipalities receive from property taxes. Cities and villages here take in 42.2% of their revenues from the

Table 1: WI in Top 10 for Property Tax Reliance

Municipal Revenue Source	2015 State Rank
Property Tax	7
State Aid	19
Other*	24
Total Taxes	26
Charges	33
Federal Aid	38
Sales Tax	43

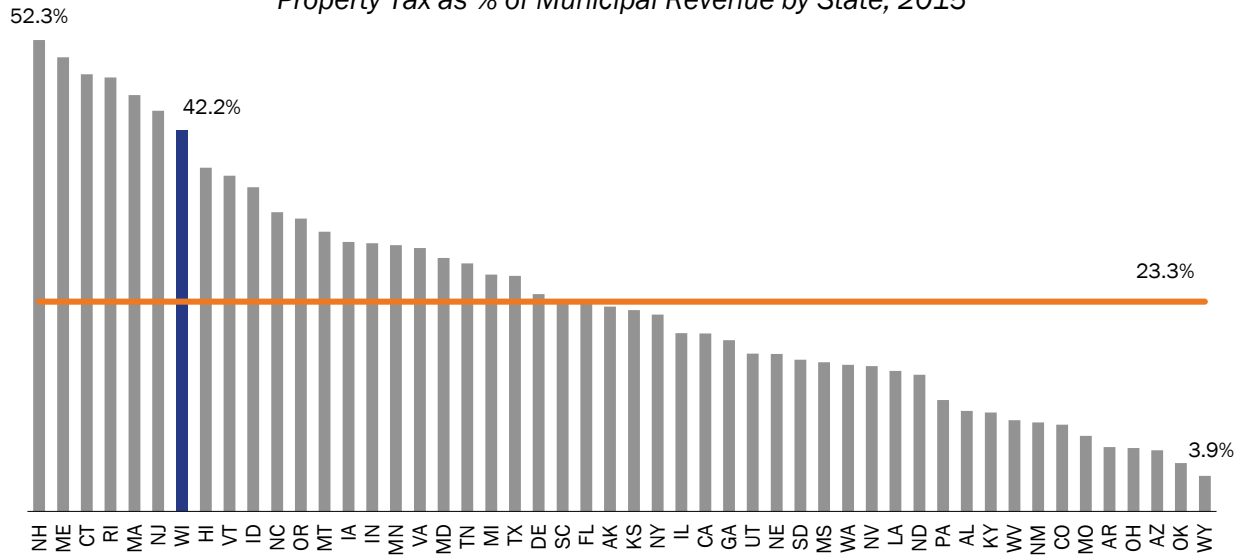
*Includes local aid & miscellaneous revenue.

Sources: Willamette University, U.S. Census Bureau

property tax, almost double the national average of 23.3%. Other taxes make up just 3.8% of municipal revenue in Wisconsin as compared to a national average of 23.7%.

These findings echo previous ones by both of WPF's predecessor organizations, the Wisconsin Taxpayers Alliance and the Public Policy Forum. The research helps explain why property taxes remain relatively high in Wisconsin even though municipal levies have been capped since 2006.

Figure 8: Wisconsin in Top Ten for Reliance on Property Tax
Property Tax as % of Municipal Revenue by State, 2015



Sources: Willamette University, U.S. Census Bureau

APPROACHES USED IN OTHER STATES

In the broadest terms, states can be divided into two categories: those that give considerable taxing authority to municipal officials; and those that keep much of that responsibility and revenue at the state level and then pass a significant share of the money to municipalities. In other words, some states such as Wisconsin provide substantial state aid but much less local taxing authority. Others provide less state money but allow a greater variety of municipal taxes.

Service charges and fees comprise the largest source of municipal funding for the greatest number of states (17), followed by property taxes (15). After that come sales taxes and state aid (each with eight states) and the income tax with two states.

10 MOST PROPERTY TAX RELIANT STATES

In Wisconsin and the other nine most property tax dependent states, municipalities in general

levy little to no sales or income taxes. (See Figure 9 on page 18.)

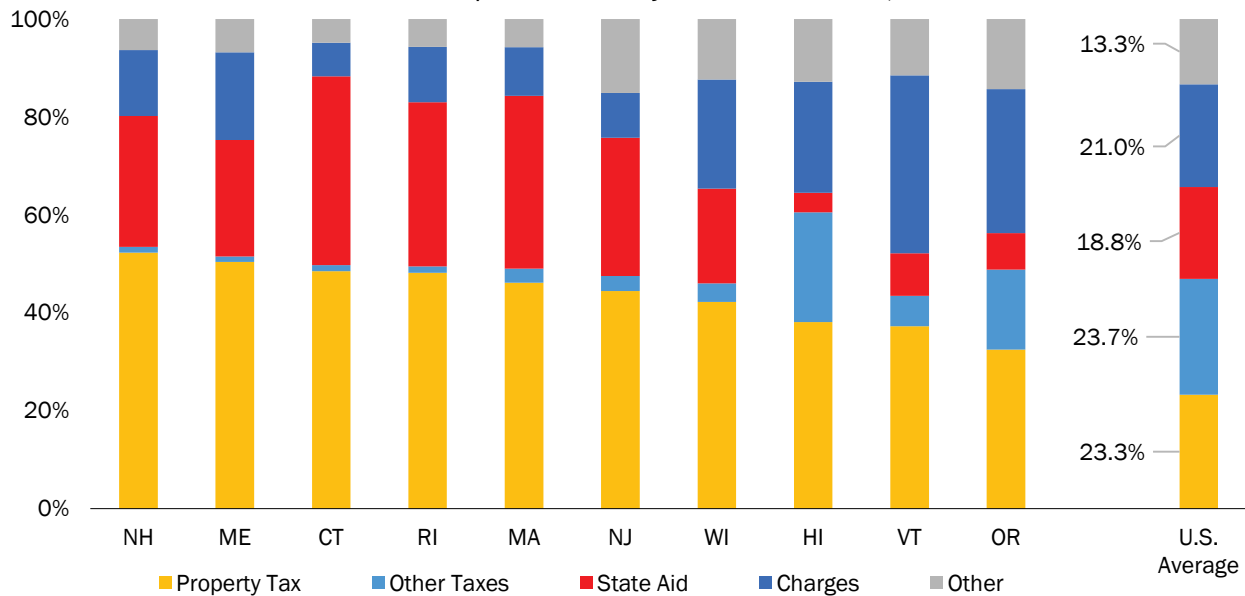
Other insights gleaned from our broad examination of this group include the following:

All but three states (Hawaii, Vermont, and Oregon) receive a larger than average share of their revenues from state aid. In the three exception states, charges contribute more than average.

Some of the 10 states do allow additional taxes for municipalities. Oregon, for example, allows municipal taxes of up to 7% on telecommunications utilities for the use of streets, alleys, and highways.

In Vermont, 10 cities can levy a 1% general sales tax and, in New Jersey, Atlantic City and Wildwoods can collect some sales taxes. Seven Wisconsin tourist destinations (see previous section) levy a special “premier resort area” tax of up to 1.25% on certain sales.

Figure 9: Property Tax Dependent States Also Rely on State Aid
Share of Municipal Revenue by Source and State, 2015



Sources: Willamette University, U.S. Census Bureau

Wisconsin has no state tax on hotel and motel rooms beyond the sales tax. Municipalities typically can charge room taxes of up to 8%, although 70% of the proceeds must be used for promoting tourism. Other states vary. Setting aside sales taxes, there are state room taxes but no local ones in New Hampshire and Maine (9% each) and Connecticut (15%). Vermont and

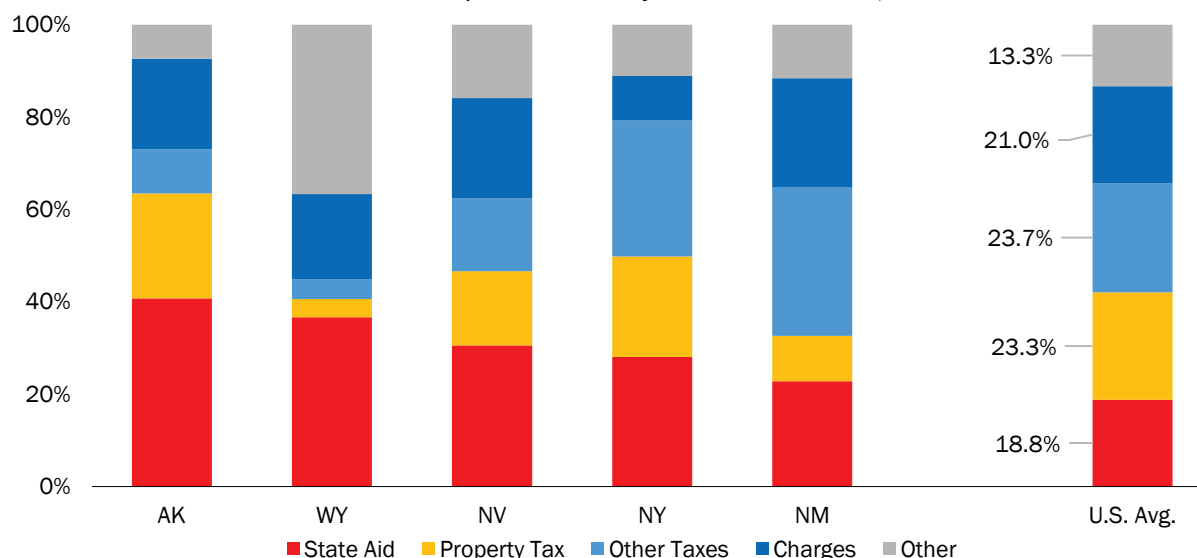
Rhode Island both allow 1% local room taxes on top of the state taxes and Massachusetts allows local room taxes of up to 6% (6.5% in Boston) with additional amounts for certain convention centers.

It is worth examining how and whether these states restrict property tax growth. As shown in Table 2, Wisconsin stands out among the 10

Table 2: Wisconsin Municipal Property Tax Caps Among Most Restrictive

State	Type of Limit	Description
HI	None	---
NH	None	---
VT	None	---
CT	None	---
OR	Rate Limit; Assessment Limit	10 mill rate limit + assessment increases limited to 3% of prior year's assessed value.
ME	Levy Limit	Increases limited to personal income growth plus property growth due to construction.
RI	Levy Limit	Increases limited to 4%; can be overridden by 80% of city governing body.
MA	Rate Limit; Levy Limit	Increases limited to 2.5% plus new growth; can be overridden by voters.
NJ	Revenue-Expenditure Limit; Levy Limit	Increases limited to 2% with potential cost waivers; can be overridden by voters.
WI	Levy Limit	Increases limited to 0% or net new construction; can be overridden by voters.

Figure 10: Municipalities Depending on State Aid But Not Property Tax
Share of Municipal Revenue by Source and State, 2015



Sources: Willamette University, U.S. Census Bureau

states for having what appears to be the most restrictive cap on municipal property tax increases. Four of the 10 most property tax dependent states (Hawaii, New Hampshire, Vermont, and Connecticut) have no limits at all on municipal property tax increases.^{xiii}

The caps in the other six states work in different ways, with some limiting the overall levy and others targeting property assessments or mill rates. On a statewide basis, they appear to be less restrictive than those in Wisconsin, which in general limits tax increases to the percentage growth in property values due to net new construction. For instance, levy increases are limited to 4% in Rhode Island; 2.5% (excluding new growth) in Massachusetts; and 2% in New Jersey with potential waivers for extraordinary costs. By comparison, new construction across Wisconsin averaged 1.62% growth in 2018 (the highest level in a decade) and was as low as 0.7% in 2011.

Over the long term, Maine's cap is also less restrictive than Wisconsin's since it is calculated by adding two factors: average

personal income growth and growth in the municipality's property assessments due to new construction and certain other factors. In Oregon, meanwhile, municipalities are subject to both property rate and assessment limits, but the annual growth limit of 3% is greater than that typically allowed for Wisconsin municipalities.

While comparisons between states are difficult, cities and villages in Wisconsin appear to face the most restrictive limits on their property taxes when compared to the other nine states in the group.

OTHER GROUPS OF STATES

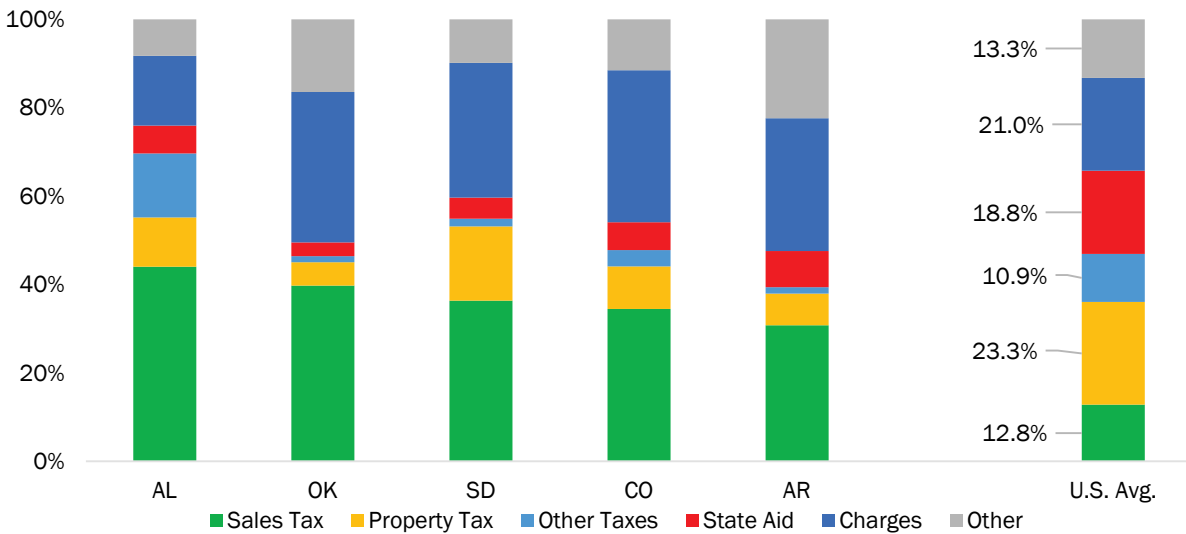
We also conducted a broad analysis of states relying heavily on other revenue sources.

States with High Reliance on State Aid

In Figure 10, we show revenue breakdowns for five states where municipalities depend heavily on state aid but less so on the property tax.

This grouping yields the following insights:

Figure 11: Sales Tax Reliant States
Share of Municipal Revenue by Source and State, 2015



Sources: Willamette University, U.S. Census Bureau

These five states have uncommon industries and sources of potential tax revenue and likely do not represent a good model for Wisconsin. Alaska and Wyoming, for instance, both have oil and natural gas industries, Nevada has gambling, and New York has Wall Street and the financial sector.

All of these states except New York have a below average reliance on local taxes; yet three of the five allow municipalities to levy both property and sales taxes.

New York relies heavily on the income tax (20.2% of municipal revenue) and New Mexico on the sales tax (30.5%) and charges (29.9%). Nevada also makes greater use of charges (29.0%).

Wyoming municipalities rely heavily on funds from other local governments (24.9%).

States with Greater Reliance on Sales Taxes

Figure 11 breaks down the revenue sources of the five states that rely most heavily on general or selective sales taxes.

This breakdown yields the following insights:

These states are all distant from Wisconsin geographically as well as culturally and are questionable models. The next section, however, will show some Midwest states also make a significant use of municipal sales taxes.

These states' heavy reliance on the sales tax is matched by a below average use of the property tax and state aid. Alabama leads the way with nearly 44% of its revenue derived from sales taxes, or two-and-a-half times as much as it gets from property taxes and state aid combined.

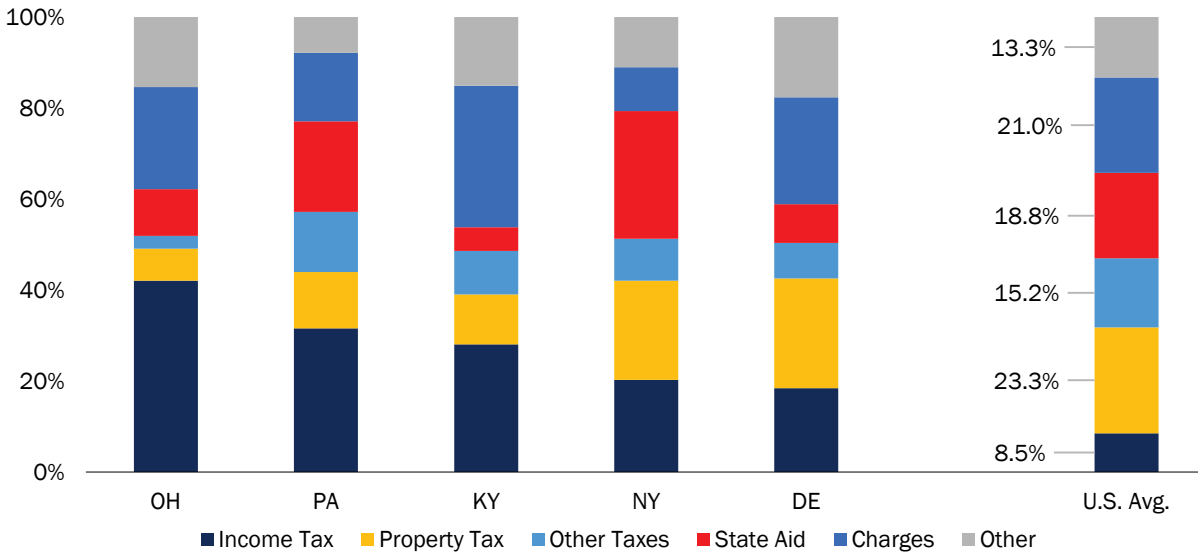
Four of the five states also get a larger than average share of their revenues from charges.

The one state that doesn't use charges heavily – Alabama – turns instead to municipal license and income taxes.

States with Municipal Income Taxes

Municipal income taxes are relatively uncommon around the country. The states that

Figure 12: Income Tax Reliant States
Share of Municipal Revenue by Source and State, 2015



Sources: Willamette University, U.S. Census Bureau

do allow municipalities to collect significant income taxes tend to rely less on other revenue sources, as shown in Figure 12.

The main takeaways from this group of states include:

In sharp contrast to most states, Ohio brings in 42% of its municipal revenue from income taxes. Both Ohio and the second largest user of municipal income taxes (Pennsylvania) are Great Lakes states like Wisconsin.

These five states collect a lesser share of their revenues from property and other taxes.

New York has the financial industry and the nation's largest city and Delaware has an unusually large number of companies that are incorporated there because of its favorable laws. As a result, neither state appears to be a good model for Wisconsin.

States with a Greater Reliance on Charges

While Wisconsin has seen municipal service charges increase substantially in recent

decades, some states still use these fees to a far greater degree. Figure 13 on page 22 shows the five states that rely most heavily on them.

The key insights from this analysis include:

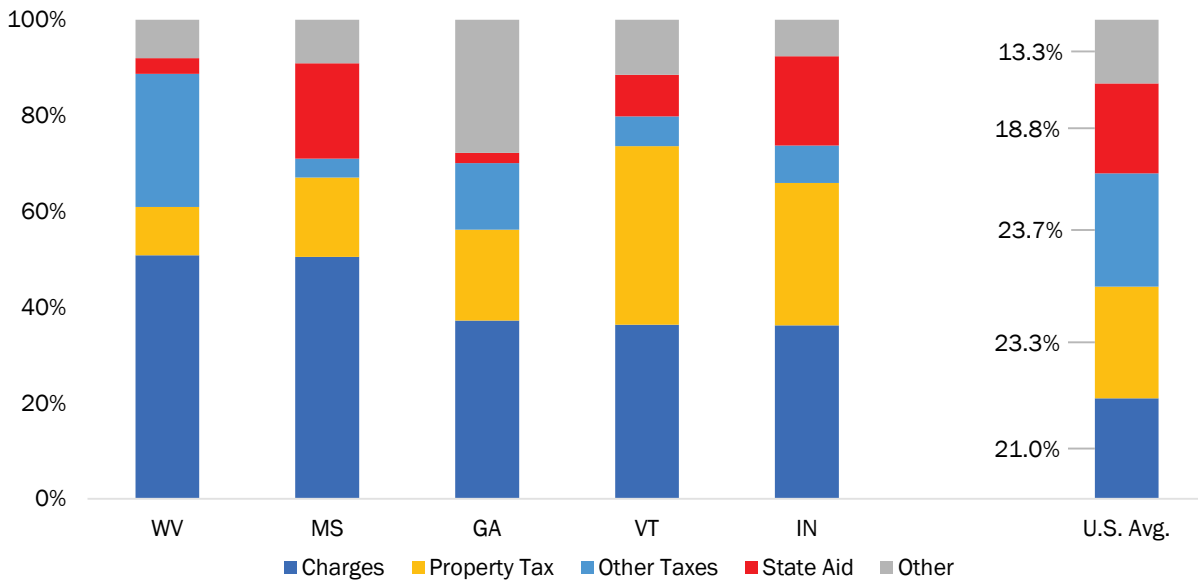
This cohort counts one Upper Midwest state, Indiana, but the other states are distant.

In first place, West Virginia pulls in a whopping 50% of its revenues from charges for services such as sewerage, parks, and public hospitals.^{xiv}

These states use a mix of other revenue sources with no one pattern prevailing.

State aid provides a roughly average share of municipal revenues in Indiana and Mississippi but plays a much smaller role in the other three states.

Figure 13: Fee Reliant States
Share of Municipal Revenue by Source and State, 2015



Sources: Willamette University, U.S. Census Bureau

SUMMARY

In funding municipalities, Wisconsin relies heavily on the property tax but also places significant restrictions on its growth. A handful of states make a similar use of the municipal property tax, but it appears none of them limit increases as tightly as Wisconsin. We also see a number of states make a lesser use of property taxes and greater use of other taxes or charges for services. States with a greater variety of municipal taxes and fees typically provide smaller amounts of state aid.

Is our state's unique approach sustainable, or is our dependence on the property tax fundamentally at odds with the goal of restraining tax increases on home and business owners? Is it good public policy to have municipal governments so reliant on state resources, or would Wisconsin municipalities be better off with less state aid and greater flexibility to raise revenues at the local level? Other states offer a variety of approaches to consider.

WISCONSIN UNIQUE IN MIDWEST

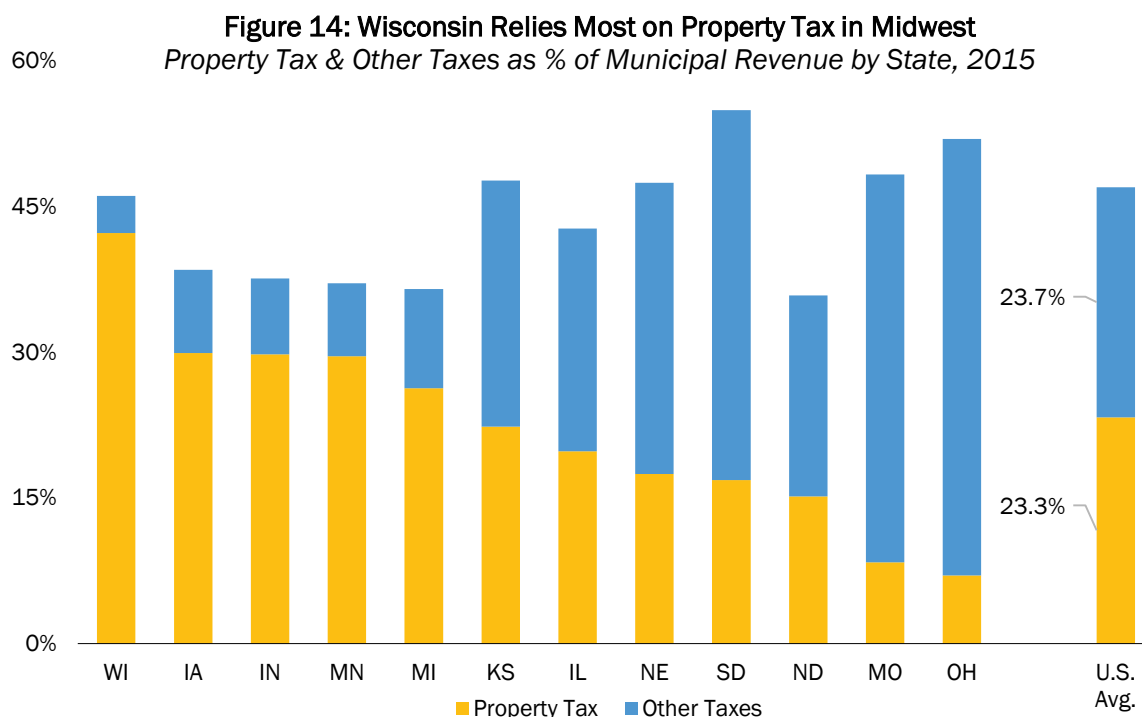
Wisconsin's approach to funding cities and villages stands out in that no other Midwestern state relies so substantially on the property tax to pay for municipal services.

- The state's heavy reliance on property taxes and state aid is similar to many New England states but has no close analogue in this region.
- Property taxes here easily represent the largest share of municipal revenue among states in the Midwest.
- Conversely, municipal taxes other than the property tax represent the smallest share of revenue in the Midwest.
- The combined state and local sales tax rate in Wisconsin is also the lowest in the region.

After examining municipal revenues across the 50 states, we now explore how municipal funding in Wisconsin compares with our neighbors in the Midwest. This section first surveys the other 11 states in the region and then provides a deeper look at four of them.

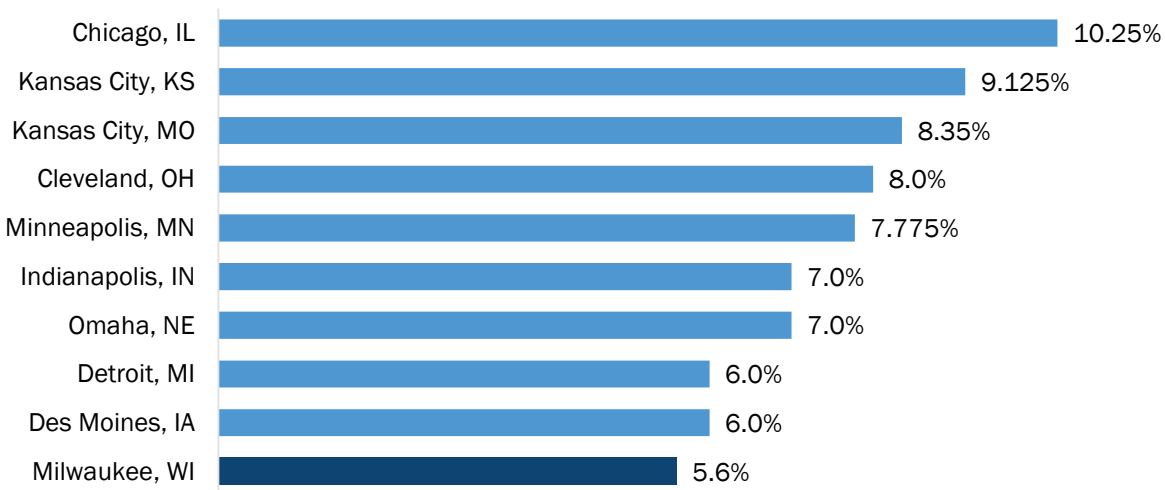
property tax and all other local taxes as a means of financing municipal government. We see Wisconsin municipalities are by far the most reliant on the property tax and by far the least reliant on other forms of local taxation when compared to other states in the Midwest.

Figure 14 shows the extent to which Wisconsin and the other 11 Midwestern states rely on the



Sources: Willamette University, U.S. Census Bureau

Figure 15: Sales Tax Rate Lowest in Milwaukee
Combined State-Local Sales Tax Rates by Midwestern City, July 2017*



Sources: Tax Foundation, WPF research (*Some rates vary within cities.)

If we look at other municipal revenues in these states, several more insights emerge:

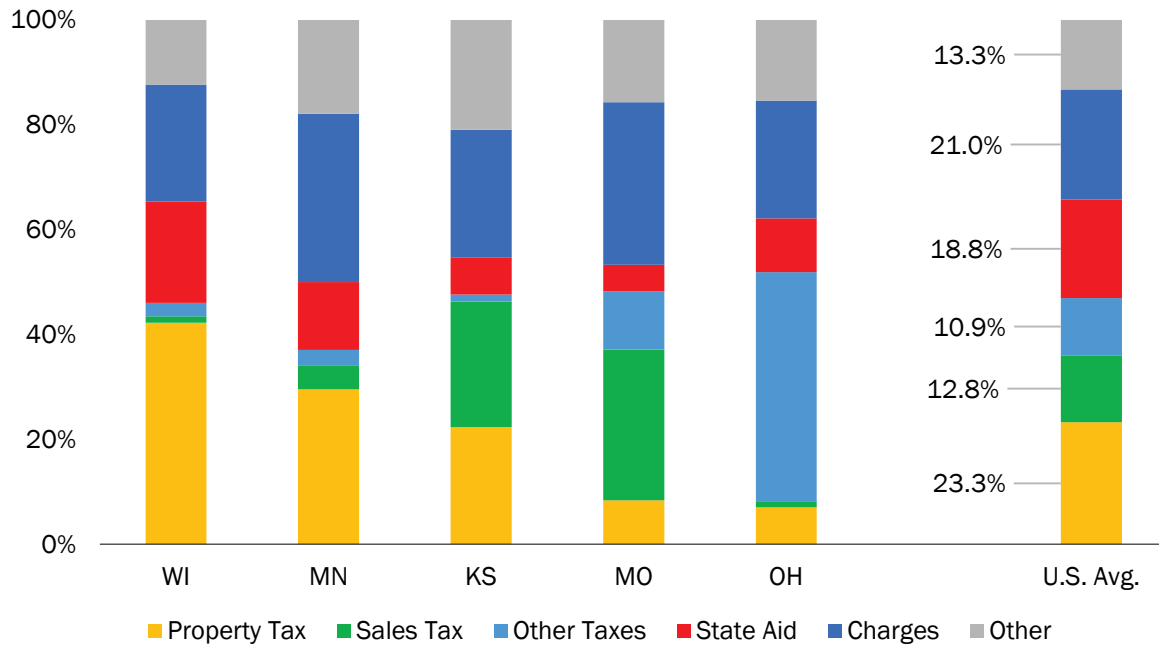
- Only two states in the region, Illinois and North Dakota, rely more on state aid and less on charges to fund municipalities than Wisconsin.
- Wisconsin is the only state among these 12 in which municipalities generally are authorized to levy only the property tax. In all other states in the region, at least some municipalities can levy one other broad tax.
- Wisconsin is the only Midwestern state in which property taxes represent the largest share of municipal revenue. In seven states, charges for services are the primary revenue source.

Given these findings, it is not surprising that Wisconsin has the lowest combined state sales

tax and average local sales tax of any Midwestern state at 5.44%, according to the Tax Foundation. The combined rate in Michigan, the next lowest in the region, is still more than a half percentage point higher at 6% and Kansas is more than three percentage points higher at 8.68%. The differences are even greater when the combined rate in Milwaukee, Wisconsin's largest city, is compared to those in other large Midwestern cities.^{xv} (See Figure 15.)

To provide a deeper comparison with Wisconsin, we next examine four states in the region with distinct approaches to funding municipal services. Figure 16 on page 25 places the states side by side and Figures 17-20 on the following pages detail the states one by one along with corresponding observations.

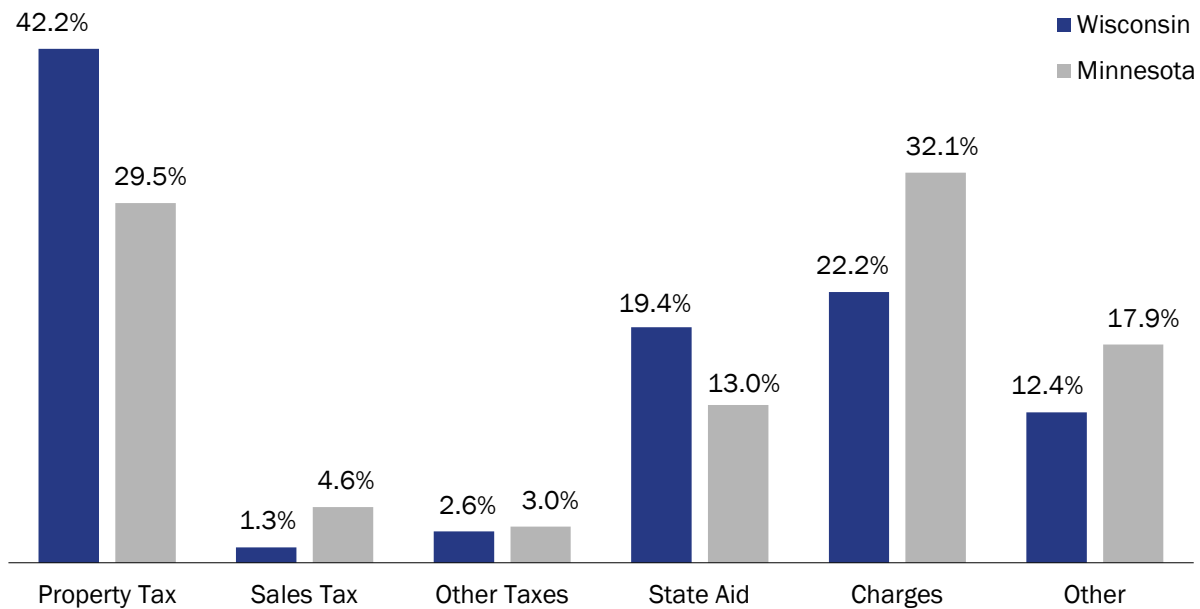
Figure 16: Midwest States Show Other Options for Wisconsin
Share of Municipal Revenue by Funding Source, 2015



Sources: Willamette University, U.S. Census Bureau

MINNESOTA

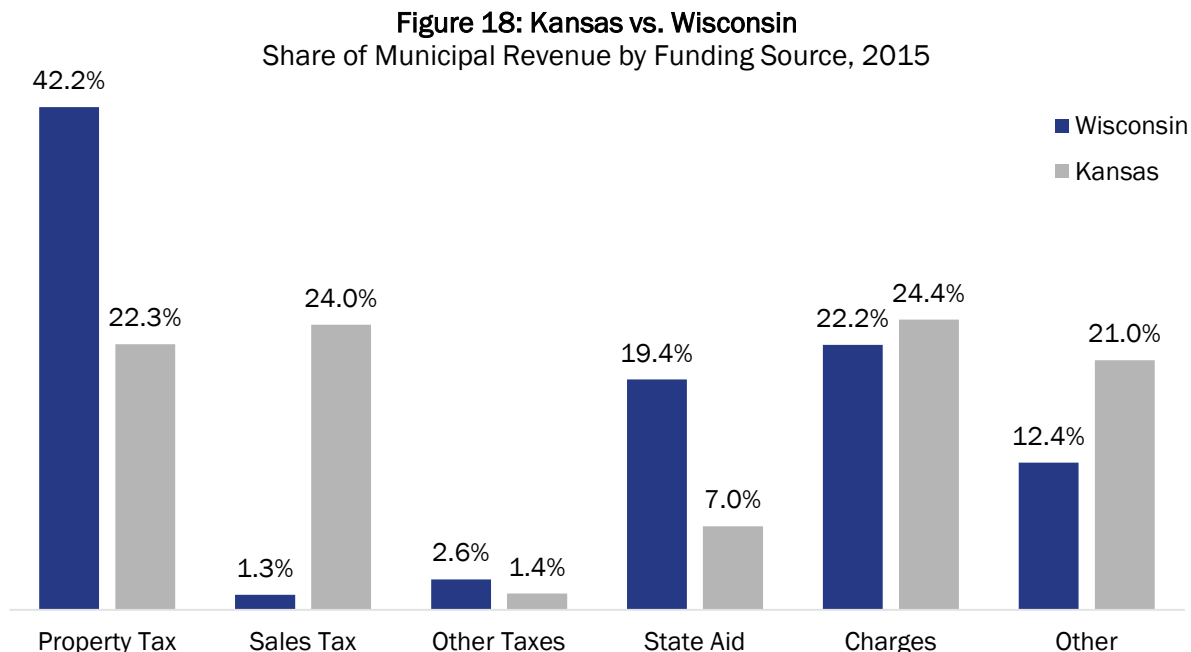
Figure 17: Minnesota vs. Wisconsin
Share of Municipal Revenue by Funding Source, 2015



Sources: Willamette University, U.S. Census Bureau

- Municipalities in Minnesota rely less heavily on property taxes and state aid than Wisconsin and more heavily on charges, sales taxes, and miscellaneous revenues. Over half of Minnesota's charge revenue comes from sewerage, hospital, and parks and recreation fees.
- Most of the sales tax revenue for Minnesota's municipalities comes from selective sales taxes (3.0% of total revenue), such as a public utility tax (1.6% of total). Also, in Minneapolis, selective sales taxes are levied on certain types of restaurant and bar purchases and entertainment.
- Minnesota also allows political subdivisions of the state, subject to approval by both voters and the state, to levy a general sales tax.^{xvi} However, the tax must be dedicated to "a specific capital improvement," and terminate upon its completion, with no additional local sales tax allowed in that political subdivision for one year. The rates have ranged from as a low as 0.15% in Hennepin County to 1.5% in the city of Walker.
- If Wisconsin keeps moving toward more reliance on charges and less on state aid, then municipal revenues here will resemble Minnesota's more closely.

KANSAS

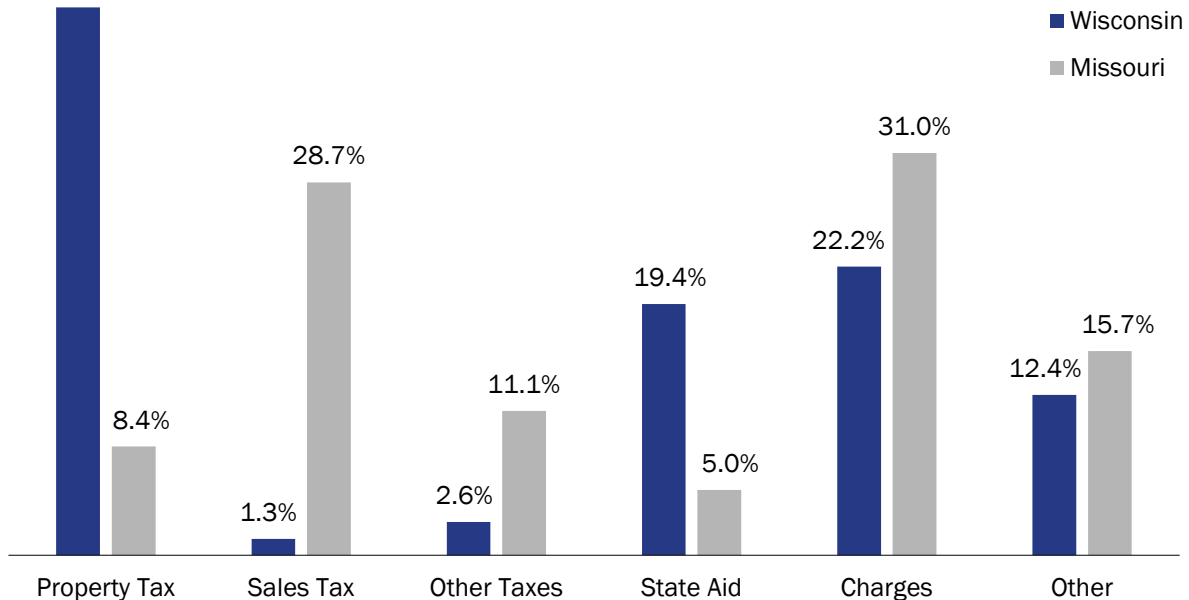


Sources: Willamette University, U.S. Census Bureau

- Municipalities in Kansas rely much less on state aid and property taxes than those in Wisconsin, and instead make considerable use of the sales tax (24% of total revenues).
- Cities can impose a general sales tax "not to exceed 2.0% for general purpose and not to exceed 1.0% for special purposes."^{xvii} General sales taxes account for 17% of municipal revenue while 7% comes from selective sales taxes, primarily on public utilities.
- Municipalities in Kansas also rely more heavily on miscellaneous revenue, a category that includes special assessments and interest earnings.^{xviii}

MISSOURI

Figure 19: Missouri vs. Wisconsin
Share of Municipal Revenue by Funding Source, 2015

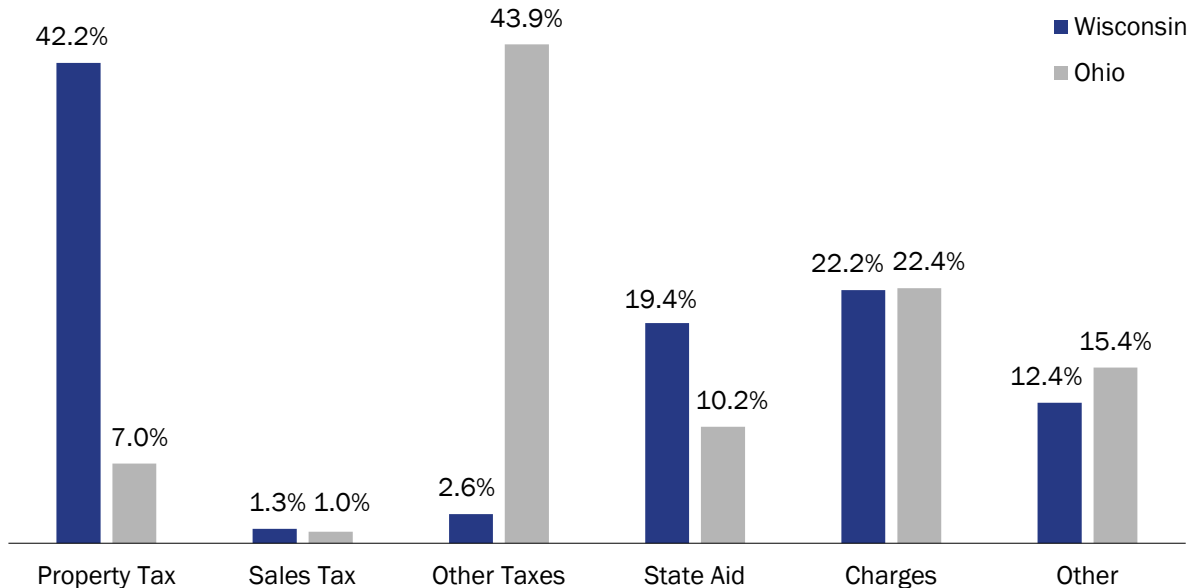


Sources: Willamette University, U.S. Census Bureau

- Missouri is one of only a few states in which municipalities may levy property, sales, and, in the case of Kansas City and St. Louis only, income taxes.
- St. Louis and Kansas City impose a 1% tax on all income earned within city limits by both residents and nonresidents.^{xix} These taxes account for 8.2% of total municipal revenue in the state.
- Municipalities in Missouri rely much less heavily on the property tax (8.4% of revenue) than in Wisconsin. Likewise, state aid represents just 5% of general revenue there, compared to 19.4% in Wisconsin.
- Instead, Missouri's primary sources of revenue are charges for services (31% of revenue) and general and selective sales taxes (nearly 30%).
- The Missouri legislature authorizes cities to levy sales taxes (upon voter approval) for a variety of prescribed purposes, and typically also requires periodic renewal by voters.^{xx}

OHIO

Figure 20: Ohio vs. Wisconsin
Share of Municipal Revenue by Funding Source, 2015



Sources: Willamette University, U.S. Census Bureau

- Municipalities in Ohio rely on income taxes for a nation-leading 42% of revenues.
- Ohio's municipalities may levy a 1% tax on income and rates can exceed 1% with voter approval (voters in Cleveland, for example, have approved a 3% income tax). The tax applies to residents of the municipality imposing it, nonresidents who work there, and businesses with net profits there.^{xxi}
- This state and Wisconsin use fees in similar proportions, but Ohio relies much less heavily on property taxes and state aid.

SUMMARY

Cities and villages in Wisconsin depend on the property tax more than most of their peers nationally and all other Midwestern states. Every other state in the region gives municipalities broader taxing authority.

In reflecting on whether Wisconsin's current approach is meeting the financial needs of its cities and villages, state policymakers would benefit from examining the models used by our Midwestern neighbors. In the next section, we will see that Minnesota's greater reliance on charges for services and Missouri's heavier use of sales taxes come with advantages and disadvantages. No revenue framework is perfect, but policymakers here should consider why neighboring states have taken different approaches and whether those rationales hold relevance to Wisconsin.

CONCLUSION

Most other states, especially those in the Midwest, use very different approaches to funding municipal services. Should Wisconsin become more like them? The answer depends on what qualities policymakers and citizens most value in a revenue structure for cities and villages.

Government finance officials generally cite four characteristics as key goals for revenue sources.^{xxii} They are:

- **Reliability** – Providing the same amount or more in revenue each year while mirroring the growth in the local economy.
- **Balance** – Applying various taxes and fees to a range of activities and assets, with the levies paid by diverse taxpayers (e.g. property owners, consumers, businesses, motorists, etc.) Relying on the property tax,

for instance, means cities forgo revenues from commuters and visitors.

- **Simplicity** – Minimizing the difficulties for the government in collecting the taxes and citizens and businesses in paying them.
- **Equity** – Imposing a similar tax burden on people in similar circumstances and limiting impacts on the people least able to pay.

OPTIONS FOR WISCONSIN

Keeping these goals in mind, Wisconsin officials could take one of several approaches, which are summarized in Table 3.

Do Nothing – Barring state aid increases, municipalities would grow more reliant on property taxes and fees and remain outliers in the Midwest. They may be more inclined to raise wheel taxes and seek voter approval to

Table 3: Pros and Cons of Change

Option	Pros	Cons
Do nothing	Politically safer in short run; cities and villages keep using the currently reliable property tax, which is tied to their residents	WI remains outlier in the Midwest; fees, property taxes, and funding challenges will likely rise; cities get less money from commuters or visitors
Rely more on fees	Revenues are fairly reliable and tied to services delivered; more modest shift in terms of politics and policy	More regressive and still often focused on residents rather than outsiders. Absent changes in state law, new revenues still limited
Allow local option sales taxes	Revenues would grow with economy and include commuters and visitors; communities would have more local control; could offset property taxes	Sales tax is regressive and could raise overall taxes; "tax islands" could impact compliance costs and local economies
Increase state sales taxes	Statewide tax and distribution of proceeds could avoid favoring wealthy communities and avert tax islands; could offset property taxes	Sales tax is regressive and could raise overall taxes; as in recent decades, state could end up keeping more of the money and not share it with municipalities
Allow local income taxes	Progressive tax that grows with economy; could apply to residents and commuters; could boost local control and offset property taxes	Raises state's already above average income taxes and potentially overall taxes; "tax islands" could impact compliance costs and local economies

exceed state property tax caps. Municipalities may also lean more heavily on borrowing to skirt those limits, which do not apply to taxes going to debt payments. The system would deliver consistent revenues year after year but with limited growth and balance. This path may be politically safe in the short run but more fees and fewer services may not be popular in the long run.

Rely More on Fees – This option would make Wisconsin more like Minnesota and would amount to the least challenging of the changes presented. Increasing fees for municipal services such as sewers and parks would provide relatively reliable revenues and would tie them to the services being delivered. The system would likely become more regressive, however. Cities and villages still could end up collecting much more revenue from their own residents and businesses than from visitors and commuters. Absent changes in state law, there are also limits to how much municipalities can raise fees to offset property taxes.

Allow Local Option Sales Taxes – This alternative would move Wisconsin toward states such as Kansas and Missouri. Municipalities would gain a revenue source that would grow along with their economies and draw revenues from visitors and commuters. Cities and villages would have greater financial independence and their overall mix of revenues would become more balanced. The decision to adopt a local sales tax could be housed with elected officials or be contingent on voter referendums. Some property tax relief could be required to offset the added sales taxes.

On the other hand, a patchwork of local sales taxes would be at least somewhat more complicated for businesses and consumers. Also, the adoption of a sales tax in one community without corresponding action by neighboring communities could create “tax islands” that could harm local businesses. The

tax would be regressive, though current exemptions for necessities like food could help to mitigate that tendency. As with many local taxes, this approach would favor wealthier communities over struggling ones and could be less reliable during recessions. Finally, while the proceeds from such a tax could be used to lower property taxes, it could lead to higher overall taxes.

Increase State Sales Tax – One way to smooth out differences between rich and poor communities – while also promoting greater balance and growth in municipal revenues – would be to increase the state sales tax and distribute the proceeds to municipalities. In many respects, this would represent a renewal of Wisconsin’s system of using state taxes to pay for local aid. Yet, as has happened in the past, the state could end up keeping more of this money rather than sharing it with municipalities. Given this concern and the proposal’s greater breadth, it might prove even less popular than a local option sales tax.

Allow Local Income Taxes – This path would lead Wisconsin in the direction of Missouri or even, in an unlikely extreme, to Ohio. An income tax would be more progressive than other options, would grow with the economy, and would provide greater balance to municipal revenues. However, income tax collections can be volatile and a local income tax would add to the complexity of tax filings for individuals and businesses. A local income tax would be more beneficial to wealthy communities than needy ones and might affect economic growth in the municipalities that did implement it.

As with the sales tax, income tax collections could be used to lower property taxes but could also lead to higher total taxes. Finally, a municipal income tax would increase Wisconsin’s already high reliance on income taxes overall rather than boosting the less frequently used sales tax. In light of the state’s

relatively high income tax rates, implementing municipal income taxes would be a difficult task.

WHERE DO WE GO NOW?

None of these tax changes need be taken up in isolation. Indeed, any new revenues could be for naught if municipalities are not also given additional tools or incentives to hold down spending. Pairing new revenues with additional cost controls could make both proposals more palatable to the public. Strategies to reduce expenditures could include incentives or requirements for service consolidation among neighboring jurisdictions and requirements for municipalities to address unfunded benefits for retirees.

Yet, notwithstanding the need to look at all sides of the municipal finance picture, the fact that Wisconsin's revenue framework for municipalities is so out of line with most other states (and all Midwestern states) should be cause for re-examination. In particular, the following aspects of that framework merit renewed scrutiny by lawmakers and the public:

- **Near-exclusive reliance on the property tax.** A primary justification for property taxes is that they link the cost of city services to property owners, who are the primary users and beneficiaries of those services. Nevertheless, in many municipalities, *non-residents* also are important consumers of city services, a fact that has been recognized by Wisconsin leaders via their allowance of municipal sales taxes in premier resort areas. A strong case could be made that such allowance also should be made at least for the state's largest cities, which feature jobs, entertainment, and institutions that attract non-residents. Currently, cities often lack mechanisms to charge non-residents for many of the services they use.

- **Strict limits on property tax growth with no corresponding growth in state aids.**

Considering that municipal property taxes increased an average of 5.7% annually in the decade preceding adoption of levy limits in 2005, a case certainly can be made that such limits are justified. On the other hand, the increased use of wheel taxes and property tax referenda, as well as diminishing local road quality and higher municipal debt loads, suggests the combination of strict levy caps, stagnant state aids, and limits on other local revenues may have run its course. Indeed, as annual municipal levy growth has slowed and budgets have been pinched for several successive years, it is appropriate to ask if municipalities are now too tightly constrained. If, as most would likely say, the resumption of high annual property tax growth is not the answer, then additional state aid or other approaches need to be considered.

- **Increased use of service charges and fees.** As discussed above, municipal governments in Wisconsin have been raising service charges and fees given the lack of other revenue options. That trend could be viewed positively in some respects; linking the cost of services more closely to usage promotes equity, while the enhancement of fee collections promotes a more balanced revenue portfolio. On the other hand, some fees, like the wheel tax, are not fully linked to usage, and virtually all charges and fees are regressive. A key question is whether the greater use of wheel taxes and other municipal charges and fees is desirable. As things stand today, this is a de facto development caused by the lack of alternatives, as opposed to an outcome that is occurring by

design. In the future, state officials could choose to embrace this approach or distance themselves from it.

Wisconsin voters and their leaders will need time to decide whether and how to approve an alternative revenue framework for cities and villages. Still, the urgency of doing so is real. Signs of stress are appearing and, with unemployment low and revenues on the rise, the state is better placed to address these challenges than at any time since 2000. We hope this report provides policymakers with useful information to trigger and inform this needed debate.

APPENDIX

The main data used in the study come from the Census Bureau's Annual Survey of Local Government Finances, which since 1957 has collected financial data on revenues, expenditures, debt, and financial assets for state and local governments across the country. The data were compiled in more accessible format by Willamette University.

The data include all local governments in years ending in '2' and '7' (most recently 2012 and 2007). In other years, a sample of local governments is surveyed. The survey includes all cities with a 2012 population of 200,000 or more (Milwaukee and Madison in Wisconsin). The Census states that the samples are designed "to produce state level estimates with a coefficient of variation of 3.0% or less for long-term debt, total revenue, and total expenditure."

The annual sample size varies, but the 2015 survey includes data for 137 (23%) of Wisconsin's 596 cities and villages, covering nearly 3.3 million (57%) of the state's 5.8

million residents. In all but two years since 1970, 90 or more Wisconsin municipalities were included in the sample. The exceptions are 2001 and 2003, when only 30 municipalities, covering approximately 1.6 and 1.7 million residents, respectively, were surveyed. The sample size also differs by state, largely because of the varying number of total municipalities in each state.

There is at least one other limitation in the data. The Wisconsin municipalities do not include any of the state's 1,250 towns. In most other states some towns are included and they account for 330 (9.4%) of the 3,502 municipalities in the 2015 national sample. This omission may affect the Wisconsin data since towns here are more reliant on the property tax than cities and villages.

Nevertheless, we believe the municipal revenue data are suitable for showing trends in Wisconsin over time and comparing our state to others around the country.

ENDNOTES

ⁱ [*On the Money? The City of Milwaukee's Uncommon Revenue Structure and How it Compares to Peer Cities*](#)

ⁱⁱ See for instance Wisconsin Taxpayer Alliance research such as “Investigating Residential Property Taxes: Why are They Higher Here than Elsewhere?” [The Wisconsin Taxpayer #12-2017](#).

ⁱⁱⁱ <http://content.wisconsinhistory.org/cdm/ref/collection/wmh/id/11649>

^{iv} These numbers will vary according to the data source and definitions used. For instance, Wisconsin Department of Revenue (DOR) data show that cities and villages receive 52.9% of their revenue from the property tax and 20.7% from state aid. We use the Census data here because the DOR figures cannot be compared across states.

^v Sampling error may account for the apparent dip in state aid in 1983, since a small number of municipalities were sampled that year compared to the years before and after.

^{vi} See above for “Investigating Residential Property Taxes: *Why Are They Higher Here Than Elsewhere?*”

^{vii} These figures do not account for inflation.

^{viii} See 2018 *Focus* #8, 10, and 12. <https://wispolicyforum.org/focus/>

^{ix} See *Focus* #8-2018: <https://wispolicyforum.org/focus/is-municipal-debt-rising-too-fast/>

^x https://www.nlc.org/sites/default/files/2017-02/NLC_CSFS_Report_WEB.PDF

^{xi} https://www.brookings.edu/wp-content/uploads/2018/07/20180718_Brookings-Metro_City-fiscal-policy-Pagano-Hoene-final.pdf

^{xii} <http://www.localgovinstitute.org/library/publications/id/149>

^{xiii} See reports from the Brookings Institution (<https://www.brookings.edu/research/city-budgets-in-an-era-of-increased-uncertainty/>), National League of Cities (https://www.nlc.org/sites/default/files/2017-02/NLC_CSFS_Report_WEB.PDF), Lincoln Institute of Land Policy (<https://www.lincolninst.edu/research-data/data-toolkits/significant-features-property-tax/topics/property-tax-limits>) and individual state sources such as the Connecticut Office of Legislative Research (<https://www.cga.ct.gov/2017/rpt/2017-R-0003.htm>).

^{xiv} West Virginia municipalities also can collect a weekly sum from all workers in the jurisdiction (\$5 per week in Huntington and \$3 in Charleston). See here: <http://www.cityofhuntington.com/business/taxes-and-fees/city-service-fee> and <https://www.charlestonwv.gov/sites/default/files/documents/2018-02/CITY%20SERVICE%20FEE%20OVERVIEW%20revised%202-2018.pdf>. These revenues are known locally as “city service fees” but appear to be classified by the U.S. Census Bureau as license taxes. They are withheld from workers’ paychecks by their employers.

^{xv} See these Tax Foundation reports for combined state and average local rates as well as city by city rates: <https://taxfoundation.org/state-local-sales-tax-rates-midyear-2018/> and <https://taxfoundation.org/sales-tax-rates-major-cities-midyear-2017/>. For Kansas City, KS (absent from the Tax Foundation report), see <https://www.kssst.kdor.ks.gov/weblookup.cfm>.

^{xvi} See <https://www.revisor.mn.gov/statutes/cite/297A.99> and <https://www.revenue.state.mn.us/businesses/sut/factsheets/FS164.pdf>

^{xvii} <https://ksrevenue.org/faqs-salestax.html>

^{xviii} Special assessments are paid by property owners who benefit from improvements such as street paving, sidewalks, and sewer lines and impact fees to extend sewer, roads, and other infrastructure in new developments. For more on miscellaneous revenues, see pages 4-38 and 4-39 of the U.S. Census Bureau's 2006 classification manual:

https://www2.census.gov/govs/pubs/classification/2006_classification_manual.pdf

^{xix} See *On the Money* report.

^{xx} Ibid.

^{xxi} https://www.tax.ohio.gov/Portals/0/communications/publications/brief_summaries/2013_Brief_Summary/2013_BSOT_Section3_Municipal_Income_Tax.pdf

^{xxii} "Principles of a High-Quality State Revenue System" published by the National Conference of State Legislatures: <http://www.ncsl.org/research/fiscal-policy/principles-of-a-high-quality-state-revenue-system.aspx>.