

# Wisconsin

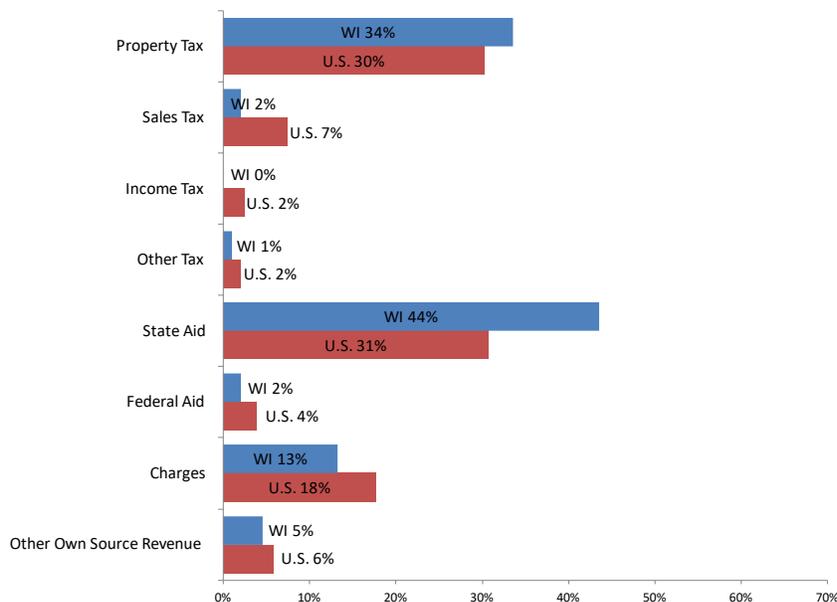
## Highlights

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 2019 (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 2019, its value equaled only 0.4 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 (Wisconsin Department of Revenue 2020a; U.S. Census of Agriculture 2019).

**Figure WI-1**  
**Sources of Local General Revenue, Wisconsin and U.S., 2019**



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 \$1,685, 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 1.85 percent, a rate substantially above the national average rate of 1.1 percent (table WI-1).

**Table WI-1**  
**Selected Wisconsin Property Tax Statistics, 2019<sup>1</sup>**

	Wisconsin	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$1,685	\$1,758	23
Property tax percentage of personal income	3.2%	3.1%	17
Total property tax as percentage of state-local revenue	17.8%	16.6%	17
Median owner-occupied home value <sup>2</sup>	\$180,600	\$217,500	29
Median real estate taxes paid for owner-occupied home <sup>2</sup>	\$3,344	\$2,471	12
Effective tax rate, median owner-occupied home <sup>3</sup>	1.9%	1.1%	6

Sources: [U.S. Census via Significant Features of the Property Tax](#), American Community Survey

<sup>1</sup> All revenue numbers in this table include the state government as well as local governments.

<sup>2</sup> 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 2015-2019.

<sup>3</sup> 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.

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 2020, the statewide average property value growth due to net new construction was 1.06 percent (Wisconsin Department of Revenue 2020b).

## 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 tax year 2017, the average credit was \$501 (Olin 2019).

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 really an exemption restricted to homeowners for their primary residence (Drilias 2019).

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, 2020**

Feature	Wisconsin	Count for 50 states plus DC
<a href="#">Statewide classification of real property</a>	Yes	25
<a href="#">Assessment of property primarily by county</a>	No	31
<a href="#">Limits on property tax rates or levies</a>	Yes	45
<a href="#">Limits on the rate of growth of assessed value</a>	No	18
<a href="#">Circuit breaker property tax relief program</a>	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 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

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 (Hamilton 2016). While big box stores continue to use the legal system to challenge their assessments, a recent court decision dealt a blow to retailers. The Wisconsin Supreme Court denied Lowe's Home Centers' request to review an appeals court ruling that dismissed their dark stores assessment claim in *Lowe's Home Centers LLC v.*

*Village of Plover*, which sought to reduce the assessment for Lowe’s’ retail store in Plover from \$7.4 million to \$4.6 million (League of Wisconsin Municipalities 2021). In November 2018, many Wisconsin municipalities voted on local referenda calling for legislative action on the issue (Collins et al. 2018). The legislature considered but failed to pass legislation to block the use of dark stores assessment in both the 2017–2018 and 2019–2020 sessions (AB 146/SB 130).

Voters approved 95 out of 111 (85.6 percent) school referenda via ballot in April and November 2020, the second highest passage rate in over 25 years. The referenda to override revenue limits will increase school revenue by \$2.6 billion, to be raised through property taxation (Wisconsin Policy Forum 2020). The increased spending follows record school property tax increases in 2019, the largest in 10 years (Wisconsin Policy Forum 2019).

In April 2021, the Republican-controlled legislature passed AB 232 to use 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. Governor Tony Evers, a Democrat, quickly vetoed the bill because it was “almost certainly prohibited” under the ARPA, given that it was untargeted based on need and excluded renters and it removed the governor’s flexibility to use the federal funds in the state’s best interest (Wisconsin Office of the Governor 2021).

## Resources

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