

Wisconsin Property Tax Basics

Who Pays It and What Does It Fund?

—Dale Knapp, Director of Research & Analysis, Wisconsin Counties Association

Wisconsin homeowners recently received their property tax bill for 2021, with the first payment due at the end of January. Last year, \$11.6 billion dollars in property taxes were levied, making it Wisconsin's largest tax, significantly more than the state income tax (\$8.7 billion) or the combined state and county sales tax (\$6.3 billion).

For most of us, when we open the tax bill we look at the amount owed and maybe compare it to last year's bill. Then we write a check for all or part of the bill. Rarely do we think about what those taxes pay for or who pays the property tax. Those questions are answered below.

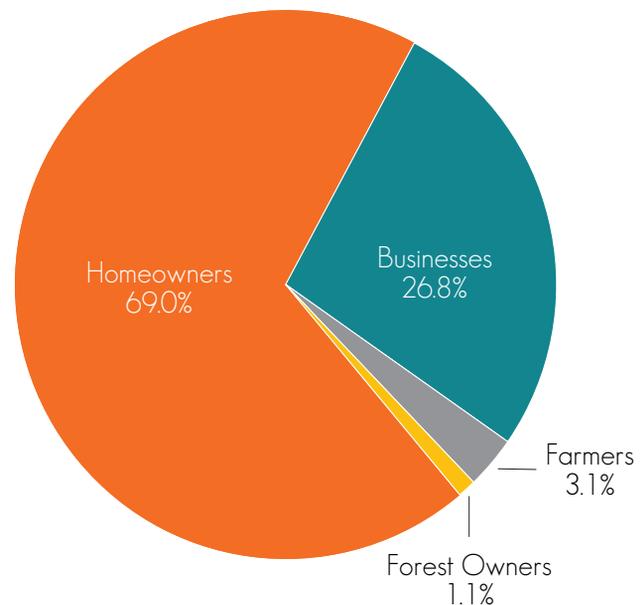
What is Taxed and Who Pays?

What is Taxed?

Wisconsin state law subjects all tangible real property (land and buildings) and tangible personal property to the tax, unless the property is expressly exempted from taxation.

In early statehood, the property tax was imposed on nearly every form of property, including household furniture, pots and pans, books, and even livestock. Over time, nearly all personal property has been exempted from the tax. However, businesses continue to pay property taxes on some of their personal property (e.g., office furniture and fixtures). Today, the property tax is essentially a tax on real property; less than 2% of the property taxed is business personal property.

Figure 1: Who Pays the Property Tax



However, not all real property is subject to the property tax. Government-owned property is not taxed. Most property owned by religious organizations, higher educational institutions, nonprofit hospitals, or nursing homes is also not taxable. According to the Wisconsin Department of Revenue (DOR), approximately 5% of privately-owned real property in the state is not subject to the property tax.

Who Pays?

All owners of taxable property in Wisconsin pay the property tax. This includes homeowners, business owners, farmers, and owners of undeveloped land.

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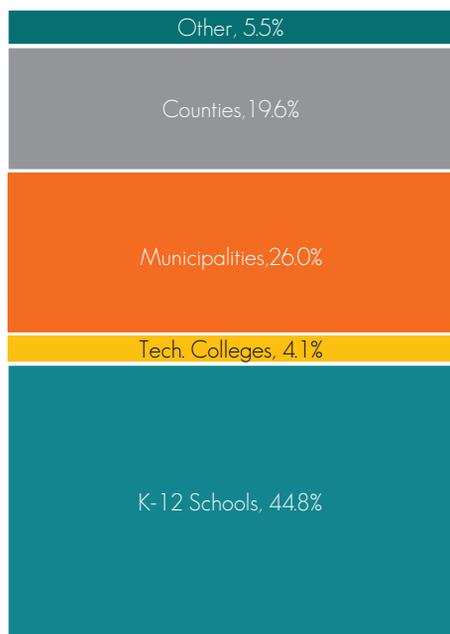
In every community, all taxable property is subject to the same property tax rate. Thus, a property owner’s share of the total property tax in her community is the same as her property’s share of total taxable value.

Since the vast majority of taxable property value in Wisconsin is residential, homeowners pay 69% of all property taxes statewide (see Figure 1). Businesses pay most of the rest, a little under 27% of the total. Farmers pay just over 3% of the tax due partly to how agricultural land is assessed. While nearly all property is assessed at market value, since the late 1990s, agricultural land has been assessed based on the price of various crops (use value).

Owner vs. Final “Payer”

The owner of a taxable property is the one who writes the check for the property tax. However, sometimes the payer of the tax passes that cost on to others who bear the burden of the tax.

Figure 2: What Does the Property Tax Fund?



For example, renters do not receive a property tax bill. However, they ultimately bear the burden of the property tax for the rental unit because the tax is one of the property owner’s costs that is embedded in the rent they charge. For other businesses (stores, restaurants, manufacturers, etc.), the cost of the property tax is embedded in the amount they charge for the product they sell or the service they provide. Ultimately, it is the consumer who pays the tax on the buildings those businesses use.

What Do Property Taxes Fund?

While nearly all taxpayers make their first property tax payment to their municipality (city, village, or town), the amount they are paying helps fund a variety of local governments. The property tax bill includes the tax that helps pay for municipal services, but it also includes property taxes for the county, the local K-12 public school, and the regional technical college.

Statewide, the largest chunk of the property tax (45%) helps to fund K-12 schools. Another 4% goes to Wisconsin’s 16 technical colleges. In other words, nearly half of the property tax pays for public education.

Just over a quarter (26%) of the tax funds municipal services, while 20% helps pay for county government services. The remaining 5% pays for tax incremental finance districts and other special districts (e.g. lake districts or sanitary districts).

It should be noted that these percentages are statewide totals and differ in each municipality, depending on how much in property taxes each of these local entities tax.

More detail on the property tax and on how properties are assessed can be found on DOR's website at www.revenue.wi.gov/DOR%20Publications/pb060.pdf. ♦