

The Price of the Road

More Than a Century of Wisconsin Transportation Funding

By Jacob Anderson, Research Analyst, Forward Analytics

Wisconsin has spent more than a century developing and adjusting how it pays for roads, highways and bridges. Among the longest-standing revenue sources are the motor vehicle registration fees and the fuel tax, both dating back to the early 1900s.

While they have changed over the years, the intent behind the taxes and fees remains largely the same — to balance rising transportation costs and changing vehicle use with the principle that users of the transportation system should bear much of the cost of maintaining it.

► Vehicle registration fees: First tax on motor vehicles

As Kenosha-built Ramblers and Racine-built Mitchell motor vehicles began appearing on city streets at the turn of the last century, the state recognized the need for official vehicle registration and a funding source for road improvements. In 1905, Wisconsin passed its first vehicle registration law with a fee of \$1 per vehicle. By year's end, the state had registered 1,492 vehicles. Within six years, the registration fee rose to \$5 and became required annually.

As the number and variety of vehicles on Wisconsin's roads grew, so did the complexity of the registration system.

In 1917, the state began separating registrations by vehicle type — \$4 for motorcycles, \$10 for passenger vehicles, and \$15–\$25 for trucks, depending on carrying capacity.

Only a few years later, the state recognized the impact of larger and heavier vehicles on our roads. By 1923, the state licensed all vehicles by weight. The fees for passenger vehicles ranged from \$10 to \$26, with a 25% reduction for vehicles more than five years old. The state also began to

RECENT VEHICLE REGISTRATION FEES

Year of change	Old fee	New fee	Percent change
AUTOMOBILE			
1981	\$18.00	\$25.00	39%
1991	\$25.00	\$40.00	60%
1997	\$40.00	\$45.00	13%
2003	\$45.00	\$55.00	22%
2008	\$55.00	\$75.00	36%
2019	\$75.00	\$85.00	13%
80,000 lb. TRUCK			
1982	\$1,620.00	\$1,700.00	5%
1992	\$1,700.00	\$1,850.00	9%
1997	\$1,850.00	\$1,987.50	7%
2008	\$1,987.50	\$2,578.00	30%

differentiate among trailers, semitrailers, buses, tractors, and municipally owned vehicles for registration purposes. Their fees ranged from \$10 to \$45, with an additional \$5 for each quarter ton above five tons.

In 1927, Wisconsin began levying a special tax on trucks based on ton-miles traveled, in addition to regular registration fees. In 1931, the state published a new registration fee schedule that required higher-weight vehicles to pay higher rates.

By 1947, the state sought to simplify the administration of registrations and established a flat \$16 fee for all passenger vehicles. Around the same time, Wisconsin was also the first state to stagger registration renewals, easing the annual rush to renew registrations.

Over the ensuing decades, the state has continued to modify the level and structure of vehicle registration fees to reflect changes in vehicles and how they are used.

More recently, the state implemented an additional \$100 registration fee for electric vehicles in 2017. It has since modified the additional fee to \$175 for fully electric vehicles and \$75 for hybrid vehicles.

► Fuel taxes: Paying at the pump since 1925

As more motor vehicles appeared in the early 1900s and expectations for paved roads and way-finding signage grew, registration fees alone were insufficient to fund the necessary improvements. So, in keeping with the principle that its users should pay for road improvements, Wisconsin began taxing fuel at 2 cents per gallon in 1925.

The funds were initially deposited into the state's general fund, with the understanding that they would be appropriated for specific transportation spending. To help ensure that transportation revenues would be used for transportation costs, the state created the first segregated state highway fund in 1945.

Over the next six decades, fuel tax increases were

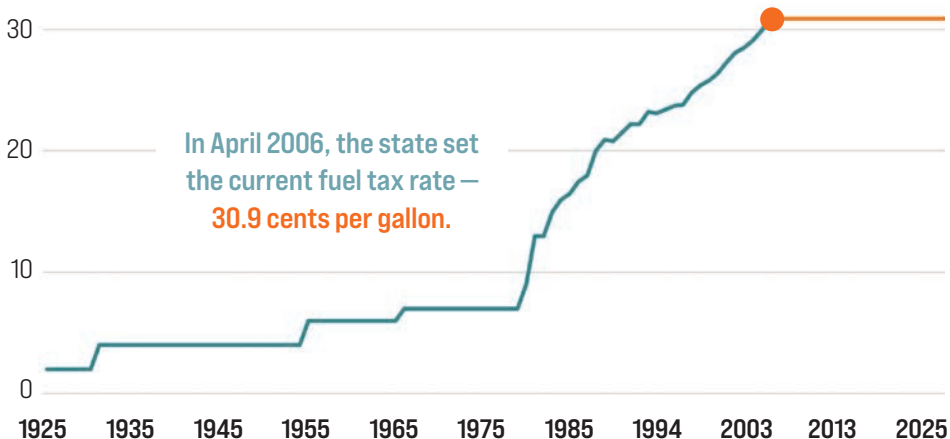


infrequent because the law had to be amended specifically to change the rate. Then came a period of significant inflation and declining fuel consumption. So, in 1983, state lawmakers created an automatic indexing formula based on inflation and fuel consumption to keep pace with changes in highway program costs.

In 1997, however, they removed the fuel-consumption component of the indexing formula, leaving fuel tax rate increases tied solely to inflation.

That system remained until April 2006, when the state repealed the index formula altogether and set the fuel tax rate at 30.9 cents per gallon — the rate that is still in place.

GAS TAX RATE PER GALLON, 1925-2025



► Planning for the road ahead

Today, passenger and commercial vehicles are becoming more efficient and electric vehicles are becoming more common. As a result, fuel tax revenue continues to decline in inflation-adjusted dollars, and the reliance on vehicle registration revenue grows.

As in the past, the state has responded to the need for more dedicated revenue by adjusting registration fees and fuel taxes — most recently with additional registration charges for electric vehicles. However, the state's ability to fully fund transportation costs with segregated revenue remains in question. The road ahead may require another answer. ■

Forward Analytics is a Wisconsin-based research organization that provides state and local policymakers with nonpartisan analysis of issues affecting the state.