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# Tax Policy and Wisconsin's Tax Climate



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# Introductions



# Objectives:

- Understand the current tax policy landscape in Wisconsin
- Explore the impact of tax policies on businesses and individuals
- Discuss recent changes and future trends in tax legislation



# The *four* *essential elements* of the CLA Promise

1. Our purpose
2. Our promise
3. Our family culture
4. Our strategic advantages





# Discussion Topic #1

What is your current involvement in understanding Tax Policy in WI?

What is important to you?



## Discussion Topic #2

Do you believe that understanding tax policy at the state and federal level is in your job description?







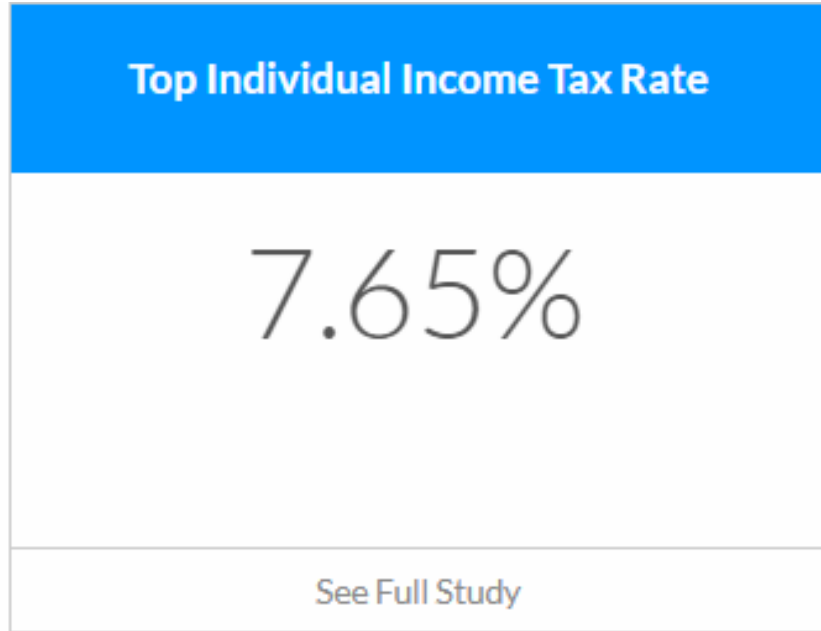
# The Basics



# The Basics- Major Tax Types



# Wisconsin Individual Taxes



Married Filing Joint 4 Brackets

Single 4 Brackets

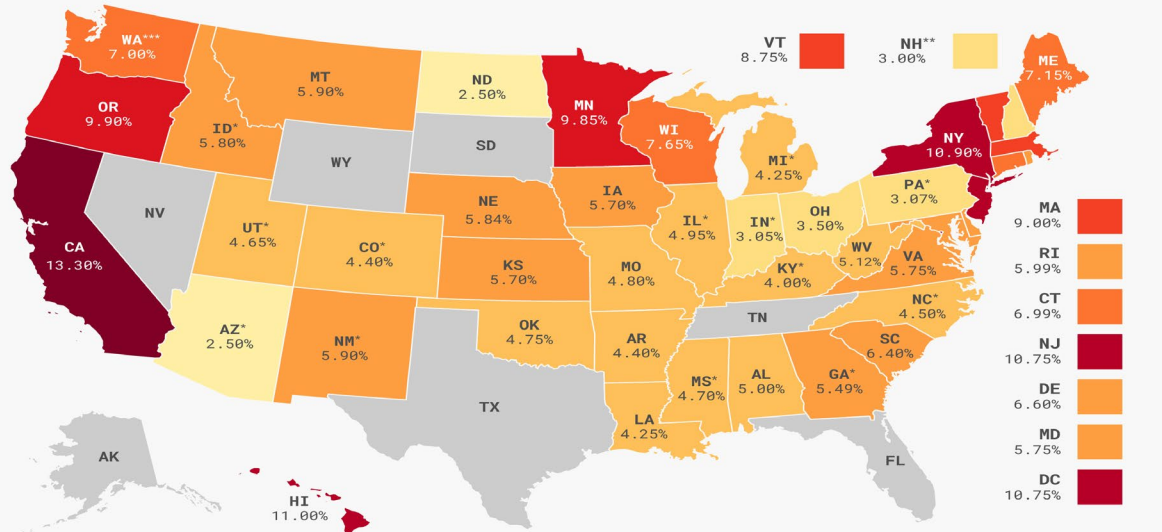
Mobility

- Live in WI, work out of state: you will pay taxes in WI
- Nonresident that works in WI you will pay taxes



# Wisconsin & Individual Tax Rates

## Top Marginal State Individual Income Tax Rates (as of January 1, 2024)



(\*) State has a flat income tax.  
 (\*\*) State only taxes interest and dividends income.  
 (\*\*\*) State only taxes capital gains income.  
 Note: Map shows top marginal rates; the maximum statutory rate in each state. This map does not show effective tax rates, which would include the effects of various tax preferences. Local income taxes are not included.  
 Sources: Tax Foundation; state tax statutes, forms, and instructions.

Top Marginal Individual Income Tax Rate



# Wisconsin Business Taxes

**Top Corporate Income Tax Rate**

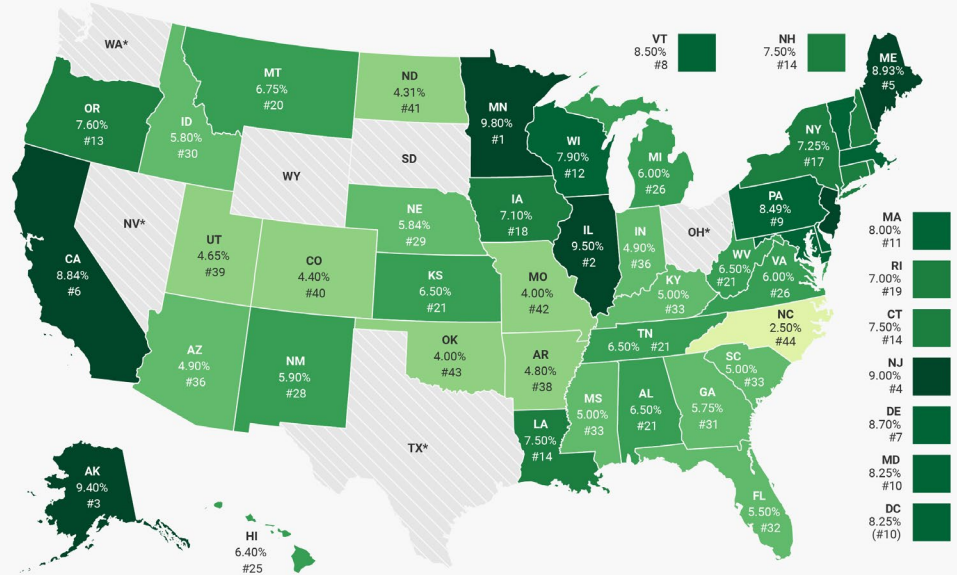
7.90%



# Wisconsin and Corporate Income Tax Rates

## How High Are Corporate Income Tax Rates in Your State?

Top Marginal Corporate Income Tax Rates as of January 1, 2024



Note: In addition to regular income taxes, many states impose other taxes on corporations such as gross receipts taxes and franchise taxes. Some states also impose an alternative minimum tax and special rates on financial institutions. \*Nevada, Ohio, Texas, and Washington do not have a corporate income tax but do have a gross receipts tax with rates not strictly comparable to corporate income tax rates. Delaware, Oregon, and Tennessee have gross receipts taxes in addition to corporate income taxes, as do several states like Pennsylvania, Virginia, and West Virginia, which permit gross receipts taxes at the local (but not state) level. Connecticut charges a 10% surtax on a business's tax liability if it has gross proceeds of \$100 million or more, or if it files as part of a combined unitary group. This surtax was recently extended and is scheduled to expire on January 1, 2026. Illinois' rate includes two separate corporate income taxes, one at a 7% rate and one at a 2.5% rate. In New Jersey, the rates indicated apply to a corporation's entire net income rather than just income over the threshold. Sources: Tax Foundation; state statutes, forms, and instructions; Bloomberg Tax.

Top Marginal Corporate Income Tax Rate



# Wisconsin Sales Taxes

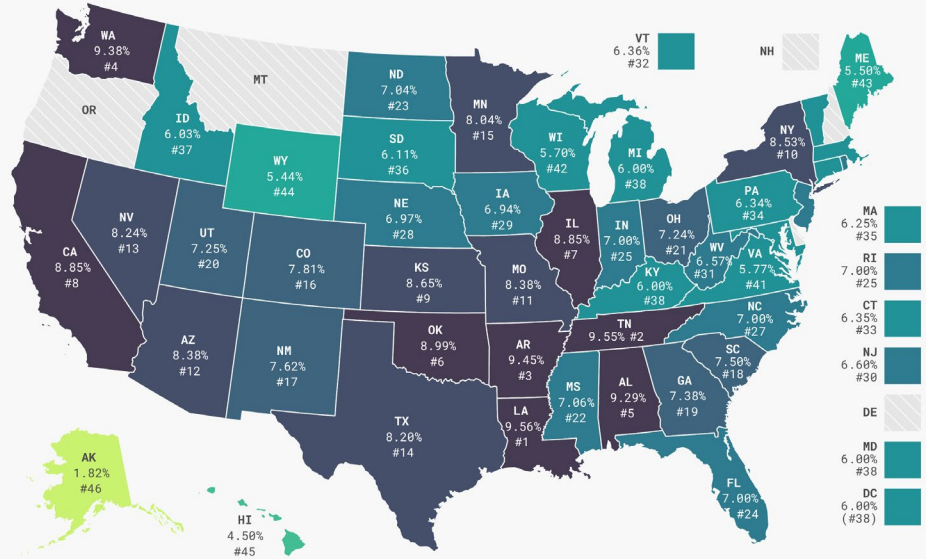
<b>State Sales Tax Rate</b>	<b>State and Local General Sales Tax Collections per Capita</b>	
5.00%	\$1,071	
<b>Average Local Sales Tax Rate</b>		
0.696%		
<b>Combined State and Average Local Sales Tax Rate</b>	<b>State Cigarette Tax Rate (dollars per 20-pack)</b>	<b>State Gasoline Tax Rate (cents per gallon)</b>
5.696%	\$2.52	32.9¢



# Wisconsin Sales Taxes Comparison

## How High Are Sales Taxes in Your State?

Combined State & Average Local Sales Tax Rates, January 2024



Notes: City, county and municipal rates vary. These rates are weighted by population to compute an average local tax rate. The sales taxes in Hawaii, New Mexico, and South Dakota have broad bases that include many business-to-business services. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included. Sources: Sales Tax Clearinghouse; Tax Foundation calculations; State Revenue Department websites.

Combined State & Average Local Sales Tax Rates





# Wisconsin Property Taxes

Property Taxes Paid as a Percentage of Owner-Occupied  
Housing Value

1.61%

State and Local Property Tax Collections Per Capita

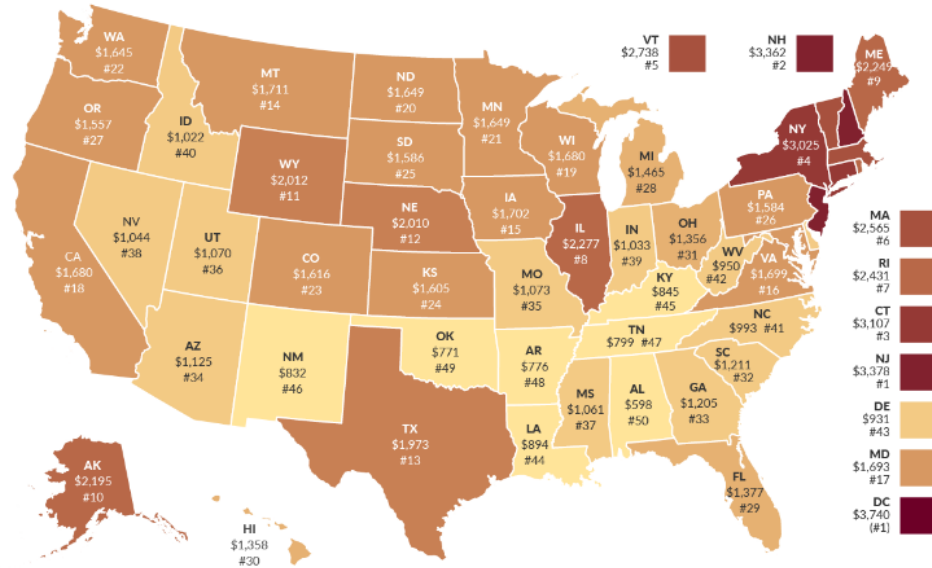
\$1,717



# Wisconsin Property Taxes per Capita

## How Much Does Your State Collect in Property Taxes per Capita?

State & Local Property Tax Collections per Capita, Fiscal Year 2018



Note: D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included.

Sources: U.S. Census Bureau, "Annual Survey of State and Local Government Finances"; Tax Foundation calculations.

State & Local Property Tax Collections per Capita

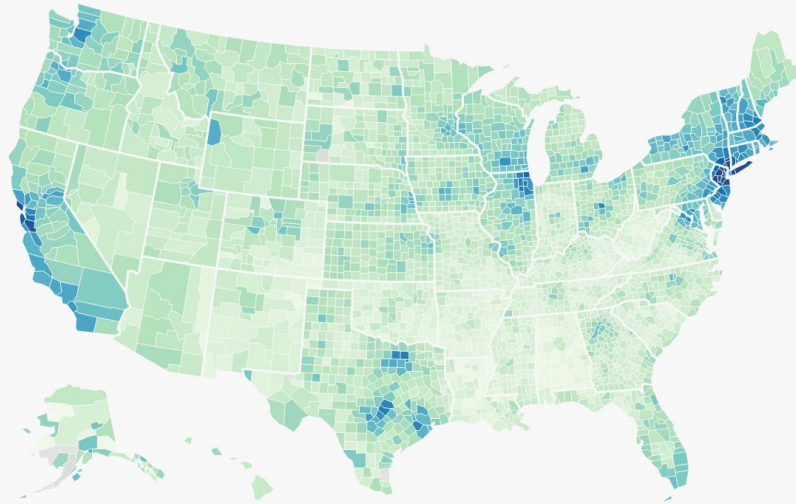


# Wisconsin Property Tax Comparison

## Where Do People Pay the Most in Property Taxes?

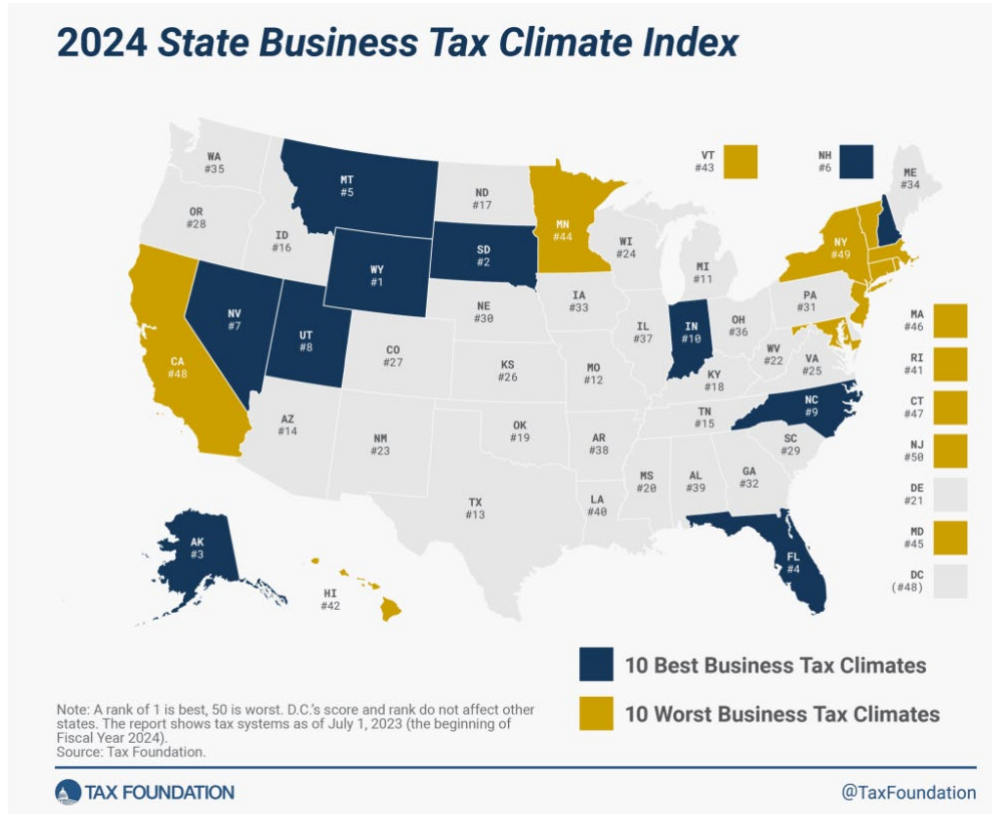
Median Property Taxes Paid by County, 2022 (5-Year Estimate)

\$199 \$10,001



Note: Missing values are due to small sample sizes in low-population counties.  
Source: US Census Bureau, 2022 American Community Survey, dataset B25103.

# 2024 State Business Tax Climate Index



# To Summarize:

Wisconsin		
	Rank	Score
Overall Rank	24 (+4)	5.12
Corporate Taxes	32 (-1)	4.88
Individual Taxes	38 (+0)	4.45
Sales Taxes	6 (+1)	6.01
Property Taxes	16 (-2)	5.49
Unemp. Insur. Taxes	28 (+3)	4.96

Neighboring States
#11 Michigan
#24 Wisconsin
#33 Iowa
#37 Illinois
#44 Minnesota

Top States
#1 Wyoming
#2 South Dakota
#3 Alaska
#4 Florida
#5 Montana

Bottom States
#50 New Jersey
#49 New York
#48 District of Columbia
#48 California
#47 Connecticut



# What Makes Wisconsin Special

## Sales Tax Exemption

- Trucking Industry – trucks, trailers, and parts
- Manufacturing & Distribution – equipment, utilities, and R&D supplies

## Passthrough Election

- Elect to be taxed at the entity level and deduct from federal return
- Tax is at corporate rates 7.9% (state gets .25% more, YOU get a deduction on the federal)

## Research and Development Credit WI

- Most states DON'T have a credit
- Some have a portion of the federal credit
- Wisconsin gives almost the almost SAME credit as the federal credit

## Manufacturing and Ag Credit – 7.5% Credit

- Manufacturing or agriculture income coming from WI is *almost* tax free



# What to Watch



4.6B SURPLUS  
PROJECTED JUNE  
2025



1.9B “RAINY DAY  
FUND”

Lower Tax Rates?

Flat Tax?

Increase Tax  
Credits?  
(homestead  
credit/rent credit)?

Real Estate  
Property Tax  
Relief?





# Tax Impacts EVERYTHING





# Relationship Between Tax Policy, Business Climate, Education and Workforce

- Taxes and Tax Policy Impact EVERYTHING!
  - Where people want to live
  - Community / social system and lifestyle expectations
  - Financial decisions that business make
    - Expansion
    - Investment
    - Hiring
    - Mobility / Flexibility
  - Other?



# An Example:

Q22. Select the top four issues that you feel are most important for President Joe Biden and Congress to focus on.

	Latest Data by Party				Latest Data by Race						
	Jan-7	Dec-7	Nov-22	Nov-8	Dem	Ind	Rep	Afr Am	Hisp	White	AAPI
Jobs and the economy .....	55%	57%	58%	58%	53%	57%	56%	52%	58%	55%	59%
The coronavirus pandemic .....	54	49	46	47	67	57	38	60	57	52	66
Inflation .....	39	40	40	34	28	38	52	24	36	42	37
Health care .....	35	35	32	33	47	32	22	46	36	33	36
Social Security and Medicare .....	30	29	31	31	34	26	25	34	26	30	24
Climate change and extreme weather events .....	29	27	31	29	44	30	12	27	29	30	22
Immigration .....	29	32	35	33	12	24	49	15	26	32	31
Corruption in government .....	28	27	29	28	26	32	31	27	31	29	14
National security .....	24	25	26	28	16	20	36	17	22	27	15
Violent crime .....	21	22	21	18	19	20	25	33	20	19	31
Abortion .....	9	12	10	10	11	9	7	9	11	9	7
The situation in Afghanistan .....	8	10	12	14	4	8	14	7	4	9	6
Other .....	4	3	3	3	4	7	2	3	2	4	4

Global Strategy Group, January Navigator #1, January 6-10, 2022, accessed at: [Navigator-Toplines-01.13.2022.pdf](https://www.navigatorresearch.org/Navigator-Toplines-01.13.2022.pdf) ([navigatorresearch.org](https://www.navigatorresearch.org))

Are you **having trouble hiring employees?**

**YES**  
**86%**

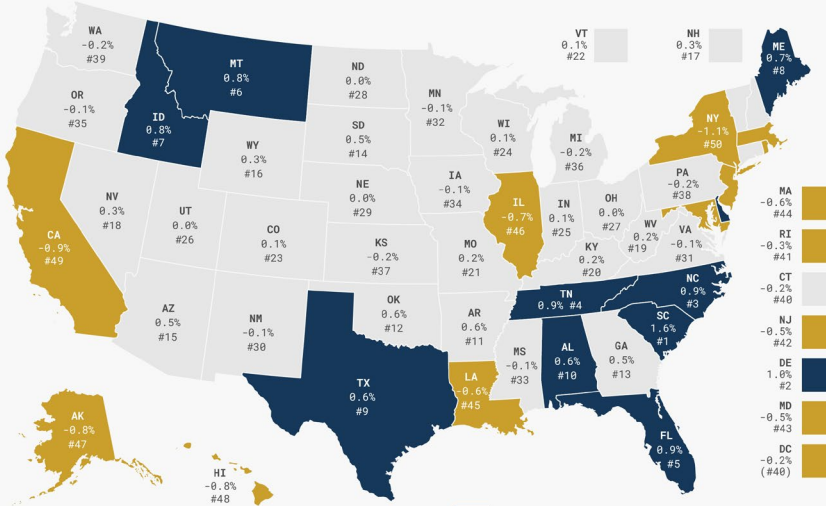
**NO**  
**14%**



# Americans Are Moving! Why? to Low-Tax States

## State Population Changes in 2023

State Net Population Changes from Interstate Migration, from Most Inbound to Most Outbound, FY 2023



Note: On this map, population changes are rounded to the tenths place, but ranks are based on unrounded Census figures. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would have ranked if included.  
Source: U.S. Census Bureau.

**Top 10 States for Inbound Migration**  
**Top 10 States for Outbound Migration**

## State to State Migration

### LOW TAX STATES

4 people move in for every 1 person who leaves



### HIGH TAX STATES

2.5 people leave for every 1 person who moves in



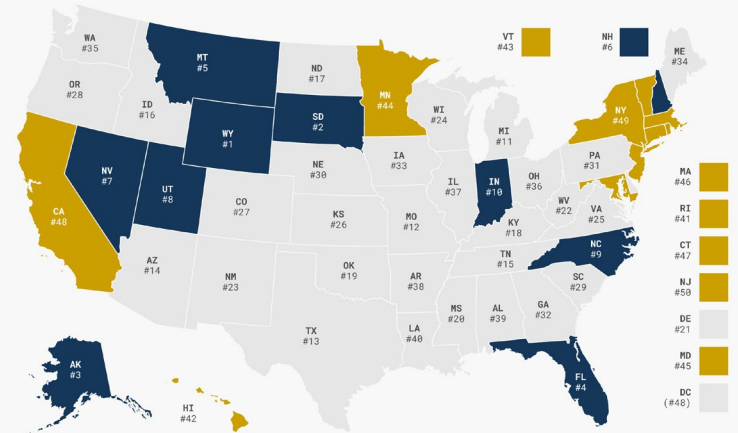
Source: HUD



# 2023 State Business Tax Climate Index

- Of the 32 states whose overall state/local tax burden per capita were below national average, 24 experienced net inbound migration
- 18 of the states plus DC with above average tax burdens per capital, 14 experienced net outbound migration
- Bottom 10 states tend to have complex non neutral taxes with high rates.
  - Example: MN has high corporate, individual rates and unfavorable property tax and unemployment insurance tax rates.

## 2024 State Business Tax Climate Index



Note: A rank of 1 is best, 50 is worst. D.C.'s score and rank do not affect other states. The report shows tax systems as of July 1, 2023 (the beginning of Fiscal Year 2024).  
Source: Tax Foundation.

TAX FOUNDATION

@TaxFoundation



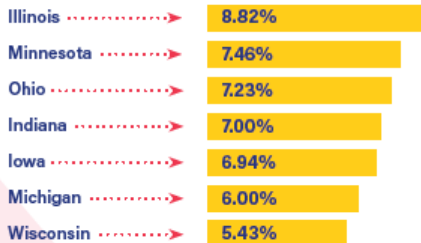
# 2024 Changes

- 14 states have individual income tax rate reductions
- 1 state has an increase in individual income rates
- 6 states have corporate income tax rate reductions taking effect
- 5 state have some property tax relief
  - WI eliminated property tax on tangible personal property



# Wisconsin Snapshot

## Midwest Average Sales Tax Rates



Source: Tax Foundation

## Wisconsin Tax Climate

**6<sup>th</sup>**

**LEAST**  
Tax Friendly for  
Middle Class

- New Jersey
- New York

**6. WISCONSIN**

- Kansas
- Maryland

**8<sup>th</sup>**

**HIGHEST**  
Property  
Taxes

- Texas
- Nebraska

**8. WISCONSIN**

- Ohio
- Iowa

**11<sup>th</sup>**

**HIGHEST**  
State and Local  
Income Taxes

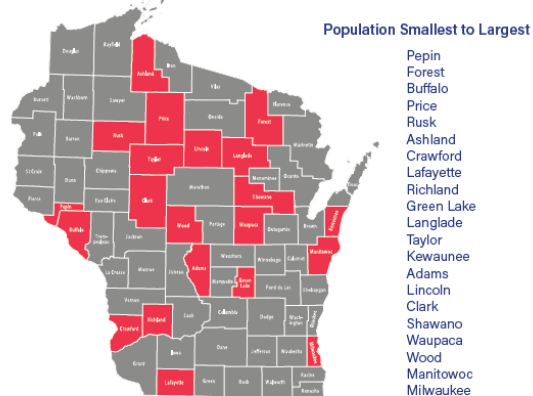
- Virginia
- Hawaii

**11. WISCONSIN**

- Pennsylvania
- Kentucky

Source: Tax Foundation & Gallup's

## Wisconsin Counties that Lost Population 2010 to 2020



Source: U.S. Census Bureau



# Discussion Topic #3

- Observations?
- Workforce was the example – any other examples?
- What can you do as a leader in your organization and community to help with this challenge?



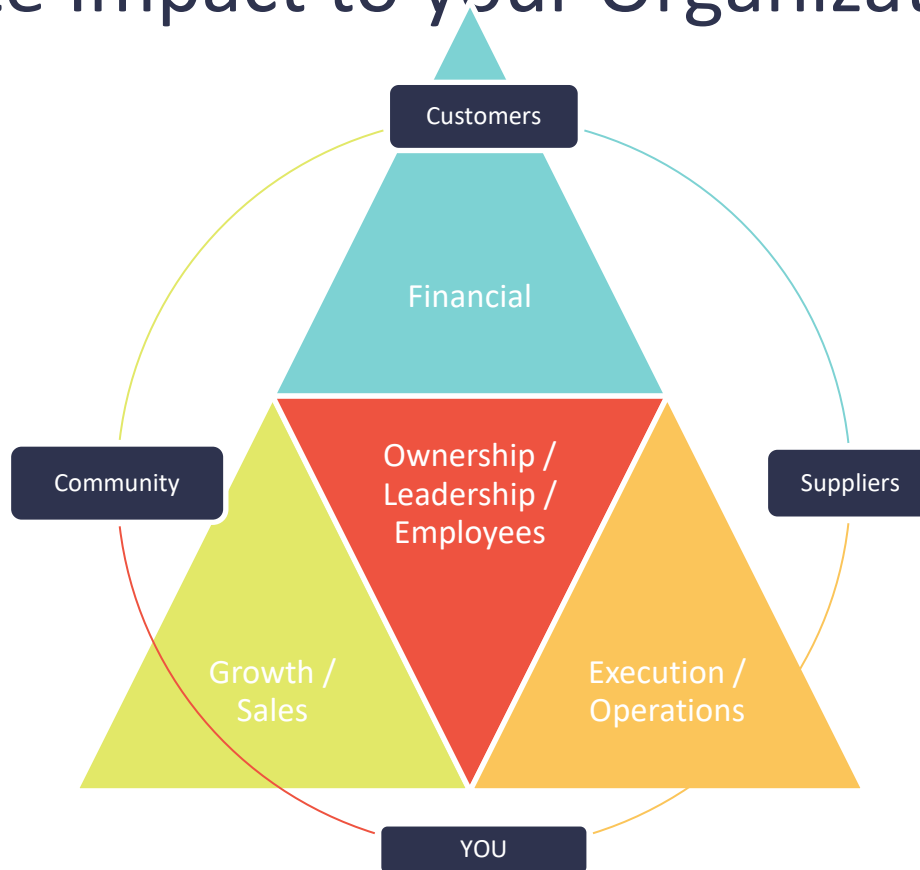


# Tax Impacts You and Your Organization





# Tax Climate Impact to your Organization



# Our Challenge

- 1) Awareness
- 2) Understand Impact
- 3) Take Action!





**CLA exists to  
create opportunities —  
for our clients, our people,  
and our communities.**