Madison -- The first report in 25 years examining who pays Wisconsin taxes finds that the state's tax structure is fair, as long as tax credits protect low-income residents.

Democratic Gov. Jim Doyle and Republican Assembly Speaker John Gard disagreed on how to interpret the study.

The state Department of Revenue report, released today, calls the system that collected $15.1 billion in state and local taxes in 2001 "mildly progressive across households." Officials said the 2001 tax burden was studied because the tax code hasn't been rewritten since and complete data was available for that year.

Overall, property and sales taxes tend to hit low-income households hardest but are "offset" by deductions, graduated tax rates and breaks built into the state income tax system, the report adds. It defined a "progressive" tax system as one in which "households with greater income pay a larger share of their income in taxes than poorer households."

Using credits, state households paid from 9.6% to 11.9% of their 2001 incomes in taxes, the study found.

Doyle, who requested the report 14 months ago, cited it as one reason why he won't call for any major restructuring of the state's tax system when he gives the Legislature his 2005-'07 budget next year.

"We still need to demonstrate to the taxpayers of Wisconsin that we can deal with the difficult budget handed to us by years of overspending and do it without raising taxes," Doyle said, referring to a $1.6 billion budget deficit the state faces by mid-2007.

Instead, Doyle said, he will focus on making sure more low-income residents claim homestead and earned income tax credits. Only 43% of those eligible claimed the homestead credit in 2001, which means they lost up to $100 million in tax breaks that year, officials estimated.
Doyle is promoting simpler forms designed to let more low-income residents claim the homestead tax break, which has a maximum benefit of $1,160.

Gard, who might challenge Doyle in the 2006 election, said the governor's comments ignored property tax bills that are too high and growing every December. The study tried to measure the fairness of Wisconsin's 2001 tax system, not whether taxes paid that year were higher or lower than other states.

Of the $15.1 billion in 2001 taxes studied, property taxes totaled the most, $6.3 billion; personal income taxes, $4.37 billion; sales taxes, $3.74 billion; corporate taxes, $472 million; and utility taxes, $235 million.

Republicans who control the Legislature "are going to continue to say you cannot have the second- or third-highest property taxes in the nation and look the other way," said Gard, who added that the state Assembly will act next year to limit property tax bills for the next three years.

Gard called the new report a "nice academic piece of work" that ignored the fact that "most people think that their taxes are too high."

Republican legislators have a twofold strategy to control, and ultimately lower, state taxes: They plan to act quickly next year to freeze property taxes for three years, while they draft a constitutional amendment to limit state and local spending. The amendment can't become law until at least 2008.

Responding to Gard, Doyle said Republicans offer "one answer to every question" and are willing to risk the "ruin" of Wisconsin's public school system by writing into the state constitution unfair limits on how much schools can spend in the future.

"Until we have permanent taxing and spending limits in place, we will never lower our tax burden," said Jim Pugh, a spokesman for the business group Wisconsin Manufacturers & Commerce.

The report is the first of its kind since 1979. It measured 88% of all revenue but did not include $2 billion in estate, gasoline, liquor and tobacco taxes collected.

The report, titled "Wisconsin Tax Incidence Study," also found in 2001 that:

* Although the state's individual income tax rates ranged from 4.6% to 6.75%, the average household paid 3.6%. The top 1% paid an average rate of 5.3%, while the lowest-income households had a rate of 0.3%.

* Poorer households paid 3.3% to 4% of their income in sales tax, while the rate for higher-income households was 1.5% to 1.9%.

* Lower-income households paid about 5.2% of their income in property taxes, reduced from 6.9% because of homestead and renters credits. Wealthier households paid 3% to 4% of their income.

* On average, renters had less income than homeowners. Although they made up 45% of the population, renters had only 24% of state income. Through rent, they paid 16% of property taxes.

* The interaction of the state and federal tax codes evens out the percentage of household income paid by Wisconsin residents across various income classes. This is because state income and property taxes can be deducted from federal income taxes, lowering the U.S. tax payments by Wisconsin residents by about $1 billion.

State Revenue Department officials said the tax study was scheduled to be posted on the agency's Internet site at www.state.wi.us/ra/txinc04.html

LOAD-DATE: December 16, 2004