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Could Wisconsin eliminate its income tax?

States without one turn to unique sources of revenue or growth-hindering options

By Wyatt Eichholz

BADGER INSTITUTE

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Executive summary

Some are calling for elimination of Wisconsin's individual income tax, which currently produces over $9 billion in annual revenue and accounts for over 40% of all state tax collections. Indeed, a resolution adopted at the most recent convention of the Republican Party of Wisconsin encouraged the state Legislature to "make Wisconsin an income-tax-free state" and noted that a number of other states already do without one.

To determine whether the proposal is realistic, this paper asks two primary questions: How do other states without an income tax fund their essential services? Under what circumstances would this be feasible in Wisconsin?

In sum, states without an income tax almost invariably have unique sources of revenue unavailable to Wisconsin or counterproductive to economic growth. Wisconsin, in order to eliminate the income tax, would likely have to raise its sales taxes higher than anyplace else in America and simultaneously enact unprecedented, dramatic spending cuts.

Proponents of limited government and efficient spending, the Badger Institute encourages discussion of specific spending cuts. There is, meanwhile, a different, realistic path to a better tax structure that leads to prosperity and opportunity — the flat tax.

General revenue breakdown

Seven states currently have no individual income tax at all, and New Hampshire — which currently taxes only dividend and interest income but is about to eliminate even that — will soon become the eighth. The others are Alaska, Florida, Nevada, South Dakota. Tennessee, Texas and Wyoming. (Washington does not have a traditional personal income tax but does tax some capital gains income.[1,2])

In all states, the funds that make up general revenues come from a variety of sources, including intergovernmental transfers and other non-tax sources.

Federal aid constitutes, in some states, an even larger share of revenue than state taxes. Every state that does not have an income tax receives more federal aid as a proportion of its general revenues than Wisconsin. However, the amounts of federal grants apportioned to states are determined either by Congress or according to mathematical formulae, meaning that state policymakers have little influence over the amount of federal dollars they receive. Furthermore, federal grants usually come with restrictions and limitations on how they can be spent.

Sources of general revenue

(In thousands of dollars)

	From state taxes	Pct of total	From federal government	Pct of total	From other sources	Pct of total	Total general revenue
Alaska	1,053,400	11%	5,251,869	57%	2,872,845	31%	**9,178,114**
Florida	49,314,384	43%	43,289,558	38%	21,425,617	19%	**114,029,559**
Nevada	10,416,344	56%	6,405,961	34%	1,837,950	10%	**18,660,255**
N. Hampshire	3,213,039	35%	3,659,889	40%	2,214,427	24%	**9,087,355**
S. Dakota	2,149,543	41%	1,995,166	38%	1,060,371	20%	**5,205,080**
Tennessee	19,977,968	48%	17,242,658	41%	4,493,977	11%	**41,714,603**
Texas	65,377,430	34%	84,731,332	44%	43,681,003	23%	**193,789,765**
Wisconsin	22,300,918	49%	13,991,679	31%	9,035,979	20%	**45,328,576**
Wyoming	1,874,876	29%	3,089,280	48%	1,411,217	22%	**6,375,373**

Source: U. S. Census Bureau.
"Other sources" of general revenue can include sources such as intergovernmental transfers from local governments, education charges, charges for parks and recreation, sewage and waste management charges, and interest earnings.

This paper focuses on state tax collections — the main revenue source over which state governments have direct control — to analyze how states that do not collect personal income taxes are able to generate revenue by other means or spend less.

First, revenue: The table above includes a breakdown of both non-state sources of general revenue and non-tax sources of state revenue, such as charges for public institutions of higher education, for fiscal year 2021.

State Comparisons

Most of the states that do not have an individual income tax rely on a combination of revenue from natural resources, other unusual revenue sources unavailable to or ruled out in Wisconsin, or elevated sales and property taxes to collect a significant share of their state-level revenues. Alaska, Wyoming and Texas collect substantial amounts of revenue from their oil, gas and mineral industries, for example, while Florida and Nevada benefit from taxes on economic activity engendered by tourism or gaming. New Hampshire and Tennessee, meanwhile, have unusually high taxes on business.

To compare various state tax structures, this paper relies on standardized data collected by the U.S. Census Bureau in its annual state and local government finance survey.[3] The most recent year for which data are available is 2021. See the appendix for a table of tax collections. The Census Bureau figures may vary slightly from state fiscal reports, but these differences may be attributable to variations in categorization.

States with substantial natural resource revenue

Alaska

Alaska collected approximately $1.05 billion in state taxes in 2021, according to the U.S. Census Bureau, or just 11% of its overall general revenues. Petroleum taxes accounted for $488 million, or 46%, of state tax revenue.[4] The state does not have a general sales tax, but it did collect $267 million from selective excise taxes, including $61.2 million from tobacco, $44.8 million from motor fuel and $41.1 million from alcohol. The state's corporate income tax generated $124 million, and state collections from property taxes were worth $120 million.

Alaska relies heavily on taxation of oil exports for its revenue,[5] which is how it is able to forego an income or sales tax.[6] Instead, the state maintains the Alaska Permanent Fund, a $54 billion investment fund created from royalties on the state's oil supply,[7] which are fees charged the oil industry that are over and above production taxes and property taxes. In fact, because of the fund, the state is able to pay out a general dividend to residents of the state.[8] Although Alaska used to have an income tax,[9] it generated only a small percentage of state revenue[10] and was repealed once taxation of petroleum exports became more lucrative.[11]

Texas

Texas collected approximately $65.4 billion in state taxes in 2021, according to the U.S. Census Bureau. The state did not collect either an individual or a corporate income tax. According to a report by the Texas State Comptroller, tax revenue from oil and natural gas production generated over $5 billion in 2021, 8.1% of taxes collected.[12] In 2022, that amount grew to $10.9 billion, or over 14% of state revenue.

Texas' general sales tax collected $40.4 billion, or nearly 62% of total collections. Other excise taxes generated another 25% of state tax revenue.

Wyoming

Wyoming collected approximately $1.87 billion in state taxes in 2021, according to the U.S. Census Bureau.

The state collected $435 million in mineral-related severance taxes, or about 23% of all taxes collected.

According to the Mineral Tax Division of the Wyoming Department of Revenue, the severance tax on surface coal is 6.5% of fair market value, and the severance tax on oil and natural gas is 6%.

In addition to direct taxes, Wyoming's general fund is also supported by investment income from the Permanent Wyoming Mineral Trust Fund, or PWMTF, which is also funded by mineral revenue.[13] In an official revenue estimate for FY 2021, revenue from PWMTF investment earnings totaled $457 million. Finally, the state also collects federal mineral royalties, which were $380 million in 2021. Altogether, the state garnered over $1.27 billion from natural resource revenue, which is almost one-fifth of Wyoming's general revenue. The state also collected $735 million in general sales taxes, or 39.2% of tax collections.

State-collected property taxes, meanwhile, generated $295 million, or 15.8% of the overall sum in 2021, according to the Census Bureau. According to census data for 2023, property tax collections for the state rose to $476 million. Wyoming collects a statewide property tax to fund its School Foundation Program, a statewide funding guarantee to ensure school districts a basic level of support in case their local revenues are insufficient.[14] The program also receives revenue from severance taxes and federal mining royalties.

The tourism and gaming factor

Florida

Florida collected approximately $49.3 billion in state taxes in 2021, according to the U.S. Census Bureau.

The tourism sector is estimated to have contributed $6.8 billion in state tax revenue, including sales and rental car surcharges, or 13.8%.[15]

All told, nearly $30 billion, over 60% of state tax revenue, came from its general sales tax. Selective excise taxes on gas, alcohol, tobacco, utilities, and other items generated another $8.6 billion, or about 17.5% of state tax revenue. Corporate income tax produced $3.4 billion in revenue for the state, and other taxes were responsible for about 12% of overall collections.

Nevada

Nevada collected approximately $10.4 billion in state taxes in 2021, according to the U.S. Census Bureau.

Nearly 60% of collections, or about $6.2 billion, were generated by the state's general sales tax. Selective excise taxes on gas, alcohol, tobacco, utilities, and other items generated another $2.2 billion, or 21.2% of state tax revenue. The state also collected $386 million in property taxes. About $1.4 billion of Nevada's tax revenue came from other taxes.

A considerable share of that revenue listed above stems from Nevada's tourism-driven economy. The Census Bureau reported that Nevada collected $764 million in "amusement sales taxes” in 2021, or 7.3% of tax collections. These are taxes on admission to amusement businesses. However, according to the report by the Nevada Resort Association, the total of all state general fund tax revenue generated by the hotel and casino industry was over $1.9 billion in FY 2022, which would constitute about 35% of the total general fund revenue.[16]

Taxing business and property

New Hampshire

New Hampshire collected approximately $3.2 billion in state taxes in 2021, according to the U.S. Census Bureau. Corporate income taxes generated the largest amount of state revenue at over $1 billion or 31.25%. Property taxes generated $400 million for the state, or 12.5% of the overall revenue. In 2021, New Hampshire collected $148 million in individual interest and dividend income tax, but this has since been repealed.

New Hampshire does not levy a general sales tax but did collect more than 30% of state tax revenue on selective excise taxes, including $250 million from tobacco products and $117 million from gas taxes. More than $557 million came from other selective taxes.

Finally, $580 million, or over 18% of state tax revenue, came from other taxes. According to the New Hampshire Department of Revenue Administration, these other taxes included a meals and rentals tax worth $329 million, a real estate transfer tax revenue of about $213 million, and a Medicaid Enhancement Tax of over $262 million.[17]

Tennessee

Tennessee collected approximately $20 billion in state taxes in 2021, according to the U.S. Census Bureau.

A Tennessee Department of Revenue tax dashboard shows that the state’s franchise and excise tax collected $3.9 billion in FY 2021. The franchise tax is essentially a tax on doing business in the state of Tennessee. It is calculated as a percentage of a business’ net worth, and it generated $1.2 billion in FY 2021.[18] (Until recently, it was a tax on the greater of either the net worth or the real property value of the company.[19]) The general excise tax is a tax on corporate earnings. In FY 2021, the excise tax generated $2.035 billion. Tennessee also has a tax on professional licenses, which collected another $542 million in FY 2021.[20]

Over $11 billion in revenue came from the state’s general sales tax of 7%, which is tied for the second-highest state tax rate in the nation, while another $3.4 billion came from selective excise taxes. The general sales tax raised over 55% of the state’s revenue, while selective sales taxes raised another 17%. Motor fuel taxes generated $1.2 billion, while tobacco and alcohol taxes produced $242 million and $210 million, respectively. (According to the Tax Foundation, Tennessee has the highest state beer tax rate in the country at $1.29 per gallon, a revenue source that produces approximately $19 million per year.[21]) A report from Tourism Economics found that in 2021, $1.2 billion of the state’s tax revenue was attributable to tourism.[22]

South Dakota

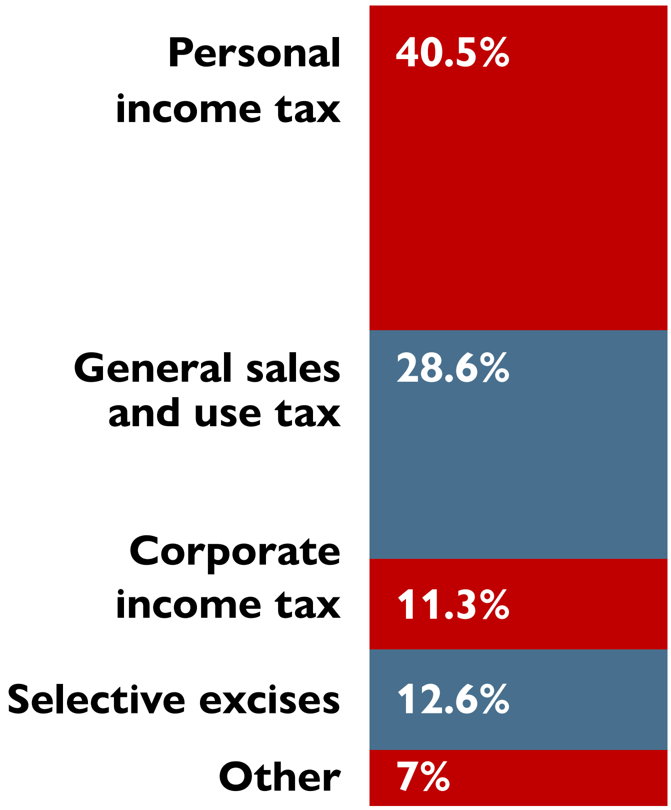
South Dakota collected approximately $2.1 billion in state taxes in 2021, according to the U.S. Census Bureau. Of that amount, $1.27 billion, or nearly 60%, came from its general sales tax. Another 24% came from selective excise taxes: motor fuel taxes generated $189 million, and taxes on tobacco products generated $52 million. Almost $245 million of selective excise tax revenue came from other sales taxes. Additionally, another $222 million, or about one-tenth of the state’s overall tax revenue, came from other taxes. According to a report from Tourism Economics, $160 million of the state tax revenue was attributable to tourism, or approximately 7.6%.[23]

South Dakota is one of the most sales tax-reliant states in the country. The state levies a general sales and use tax of 4.2% on a broad base of goods, including retail trade, services, transportation and communications, wholesale trade, manufacturing, agriculture, mining and construction.[24] On top of that, the average local sales tax rate is an additional 1.91%. That leads to a combined state and local sales tax rate of 6.11%, compared to 5.7% in Wisconsin.

Furthermore, according to an analysis by the Tax Foundation, South Dakota has the third-largest sales tax breadth, at 53.9% of personal income.[25] The median sales tax breadth in the U.S. is 35.72%, and Wisconsin’s comes in slightly higher at 36.92%. As a result, the total sales tax collections per capita is almost $700 higher in South Dakota, where it is $1,851, than in Wisconsin.[26]

Wisconsin state tax revenue

FY2021, millions of dollars



Source: U. S. Census Bureau.

The South Dakota sales tax applies to many more goods and services than the Wisconsin tax. South Dakota taxes groceries, for example, at the full rate;[27] in Wisconsin, most groceries are exempt from sales tax.[28] South Dakota also taxes a much larger range of services,[29] including business inputs such as legal and accounting services. Taxes on business inputs is an anti-growth policy that produces a repeat-taxation effect known as "tax pyramiding."[30]

Among the state's smaller sources of revenue were licenses and fees (3.5%), state trust funds (2.2%), bank franchise taxes (0.9%), investment income (0.9%), and severance taxes (0.4%), according to forecasts by the South Dakota Bureau of Finance and Management.[31]

Balancing income taxes with other tax revenue sources

Wisconsin

Wisconsin collected approximately $22.3 billion in state taxes in 2021, according to the U.S. Census Bureau. The largest source of state revenue was the individual income tax, which collected over $9 billion in state revenue, or about 41% of the total that year.

The general sales tax was responsible for 29%, bringing in $6.3 billion. Corporate income tax generated $2.5 billion, or about 11.3% of collections, and selective excise taxes generated $2.8 billion: $1.1 billion from motor fuel, $600 million from tobacco, and $354 million from public utilities, plus another $655 million from other selective sales taxes. The state generated about 7% of its revenue from other licenses and taxes, worth about $1.5 billion.

Income tax revenues have remained a large share of overall collections over time. According to tax collections data from the Census Bureau, income taxes generated $8.99 billion in 2022, or 38% of collections, and $9.19 billion in 2023, or 39% of collections.

Under what circumstances would eliminating the income tax be possible in Wisconsin?

Seven of the eight states without an income tax have large revenue sources unavailable or not feasible in Wisconsin: Alaska, Texas, Wyoming, Florida, Nevada, Tennessee and New Hampshire.

Unlike Alaska, Texas and Wyoming, Wisconsin has relatively few natural resources that are mined and taxable. Wisconsin experienced an economic boom in the late 1800s due to mining,[32] and iron mining continued in the state until about the 1960s.[33] However, the main mineral export from Wisconsin today is high-quality sand for fracking, valued at $1.2 billion in 2019.[34] The net corporate tax revenue generated by the mining industry is one of the smallest of any industry in the state, worth only $365,000 in 2020.[35] The Wisconsin mining industry would need to grow by several orders of magnitude for it to begin to make an impact on state revenue.

Unlike Florida and Nevada, Wisconsin has limited tourism and gaming revenue. As mentioned earlier, Florida, for instance, generates 13.8% of its state revenue from taxes on tourism. Wisconsin collected only $757 million in state revenue from tourism,[36] or about 3.4%. Though visitor totals are somewhat comparable — 111 million to Wisconsin, 155 million to Florida in 2022 — the spending behaviors of those visitors differ drastically. Wisconsin took in an estimated $14.9 billion from visitors in 2022, while Florida took in $124.9 billion. The Wisconsin tourism sector would need to grow dramatically, attract bigger spenders, or be taxed much more heavily for the state to collect a proportional amount of revenue compared to Florida. Even still, that would not come close to replacing the $9.5 billion in revenue generated by the income tax. Similarly, Nevada, a state a little more than half the size of Wisconsin by population, is home to a gaming industry that grosses more than 11 times the revenue that Wisconsin's does.[37, 38]

New Hampshire is more reliant on various forms of business taxation. New Hampshire ranks 4th in terms of the most corporate tax collections per capita.[39] Similarly, Tennessee collects nearly twice the share of its revenue from taxing businesses as Wisconsin. It would be theoretically possible to make Wisconsin more dependent on taxation of businesses, but part of the argument for eliminating income taxes stems from the hope for economic growth, a much less realistic aspiration if taxes on individuals are shifted instead to taxes on growth-producing businesses.

Finally, Wisconsin — unlike Alaska, Nevada, New Hampshire and Wyoming — has intentionally decided to no longer use property taxes to fund state government. Property taxes are a source of revenue for local, not state, government in Wisconsin.

That leaves South Dakota — a state approximately one-fifth the size of Wisconsin that collects approximately one-tenth as much in state taxes — as the one state with a tax mix that most closely resembles Wisconsin.

South Dakota is instructive. To eliminate the income tax in Wisconsin, the state's revenue would have to come, as it does in South Dakota, from taxes on consumption. The most prominent plan to eliminate the Wisconsin income tax, in fact, relies on a combination of sales tax rate hikes and boosted economic growth projections to make up some of the lost revenue.

Wisconsin does have a low sales tax in comparison to most states. At 5%, the Wisconsin state sales tax rate is lower than 31 states and the District of Columbia, according to analysis by the Tax Foundation. When combined with local sales taxes, the average combined sales tax rate in Wisconsin is only 5.7%, lower than in 41 states and D.C. Additionally, Wisconsin also has a narrower sales tax than almost every state without an income tax, including South Dakota, which extends the sales tax to a broader array of goods or services than almost any place else in America.[41]

Fortunately, the least destructive way to replace individual income taxes would be to tax consumption. As the Tax Foundation put it, "Consumption taxes are among the more economically efficient forms of taxation and are a major component of tax systems across the world." [42]

In a report published in conjunction with Badger Institute, the Tax Foundation's Katherine Loughead pointed out that corporate and individual income taxes are "more harmful to economic growth than well-structured sales and property taxes." [43] Wisconsin, she wrote, "over-relies on more harmful taxes and under-relies on less harmful taxes," calling for policies that "rebalanced" revenue sources to promote economic growth.

Both economics and the lessons of other states, then, point to an increase in Wisconsin's sales tax as the only realistic way to replace some of the revenue lost by eliminating approximately $9 billion in revenue from the individual income tax.

The most detailed analysis of potential growth stemming from elimination of the individual income tax was done by Noah Williams at the University of Wisconsin-Madison's Center for Research on the Wisconsin Economy in 2021 [44] and relied on Census Bureau data from 2019, when the individual income tax produced $8.76 billion in revenue and total state tax collections were $19.87 billion.

Individual income taxes produced 44% of state tax revenue that year. According to a static scoring analysis by CROWE, the sales tax rate would have needed to be raised to 12.69% to fully replace the lost income tax revenue.

The highest state sales tax in the United States in 2024, according to the Tax Foundation, is 7.25% in California. Wisconsin's immediate neighbors all have sales taxes that are higher than Wisconsin's 5%, but all are well under California:

- Illinois: 6.25%
- Iowa: 6%
- Michigan: 6%
- Minnesota: 6.875%

Tax cuts do promote growth, however, and any fair analysis must acknowledge that. Williams notes that because most small businesses are pass-through entities, in which business income is taxed on the owners' personal tax returns at the individual income tax rate, eliminating the income tax would incentivize pass-through businesses to expand and create new jobs in the process. Households will get to keep more of their salaries and wages, allowing them to save or consume more. It is also likely that dropping the income tax will attract people from higher-tax states into Wisconsin.[45] Each of these dynamics would have positive effects on the state economy and would increase the amount of taxable consumption in the state.[46]

When accounting for these growth effects with a dynamic scoring model, Williams estimated that the sales tax rate would need to increase to 9.43% to over time fully replace the loss of income that would result from eliminating the income tax. That's significantly lower than the 12.69% figure under static scoring but still more than two percentage points higher than anywhere else in America and over 3.4 percentage points higher than Iowa and Michigan.

According to that study, which provides estimates based on a dynamic scoring model, Wisconsin could also eliminate its individual income tax in one "all-in" move by raising its sales tax to 8% — three-quarters of a percent higher than California — if it also reduced its annual state budget by $3.5 billion relative to current policy in the first year.

If cuts were phased in over four successive two-year budgets and sales taxes were raised to 8%, Williams estimated, the initial revenue loss in 2023 would be $1.2 billion relative to the prior year, or $1.7 billion below what it would have been under current policy.

The study does illustrate the long-term positive effects on growth that come from eliminating the individual income tax. The remaining question is whether politicians could both raise the state's sales tax higher than anywhere else in America and simultaneously cut spending sharply.

The expenditure side

There are two ways to compare government spending in Wisconsin to other states: a comparison of state spending alone and a comparison of combined state and local spending, a method that takes into account the fact that government services paid for at the state level in one place can sometimes be paid for at the local level in another place, or vice versa.

When it comes to expenditures at the state level alone, Wisconsin is below the national average. Data compiled by the Urban Institute & Brookings Institution Tax Policy Center show that Wisconsin's per capita state direct general expenditure in 2021 was $5,149, ranked 31st in the country.[47] The national average was $5,336.[48] Wisconsin's per capita spending is also just slightly less than the average of the other Great Lakes states, which was $5,158.

Of the eight states without an income tax, Wisconsin's

State spending per capita

Fiscal year 2021

	State direct general expenditure	Rank
Alaska	$11,551	1
Wyoming	$8,293	5
Minnesota	$5,700	22
South Dakota	$5,395	27
Indiana	$5,224	29
Wisconsin	$5,149	31
Illinois	$5,068	32
New Hampshire	$5,062	33
Ohio	$5,025	34
Michigan	$4,772	41
Texas	$4,355	45
Tennessee	$4,002	47
Florida	$3,669	48
Nevada	$3,271	50
U.S. average	**$5,336**	

Source: Tax Policy Center.

state government spends less than three – Alaska, Wyoming and South Dakota – and more than the other five. The average of all states without an income tax is $5,639. If we remove what could arguably be called outliers, Alaska and Wyoming, the average is $4,415. Alaska and Wyoming spend on average $9,922.

State + local spending per capita

Fiscal year 2021

	State and local direct general expenditure	Rank
Alaska	$18,719	1
Wyoming	$17,175	2
Minnesota	$12,010	12
Illinois	$10,990	20
Wisconsin	$10,340	27
Ohio	$10,274	29
Indiana	$9,809	33
Michigan	$9,750	34
South Dakota	$9,656	35
Texas	$9,579	37
New Hampshire	$9,477	39
Florida	$8,816	44
Nevada	$8,279	47
Tennessee	$8,062	49
U.S. Average	**$11,087**	

Source: Tax Policy Center.

We can also compare combined state and local governmental spending, which are interrelated in Wisconsin as well as elsewhere. According to the Tax Policy Center, the average for all states for combined state and local direct general government expenditures was $11,087 per capita in 2021.[49] Wisconsin spent $10,340, less than the U.S. average and, again, less than the average of $10,527 for the Great Lakes states of Illinois, Indiana, Michigan, Minnesota and Ohio.

Looking again at combined state and local expenditures, the average of all states without income taxes is $11,123 compared to Wisconsin at $10,340. In this comparison, only Alaska and Wyoming spend more, an average of $17,947. In this comparison, South Dakota joins New Hampshire, Florida, Tennessee, Texas and Nevada as states that spend less, an average of $9,173.

Although per-capita figures are a helpful means of comparison between states of different sizes, it is also important to look how much Wisconsin would spend if its per-capita spending were the same as other states.

Examining state-level expenditures only, Wisconsin's direct general expenditure in 2021 was approximately $30.28 billion.[50] If Wisconsin had spent the equivalent of the U.S. average per-capita expenditure, it would have spent about $31.4 billion. If the state spent at the average level for Great Lakes states, it would have spent $30.33 billion. If it spent at the average level of states without an income tax, it would spend $33.5 billion. If we omit Alaska and Wyoming — and instead include only South Dakota, Texas, New Hampshire, Florida, Nevada and Tennessee — Wisconsin would spend at a per-capita rate of $4,292 for a total expenditure of $25.2 billion.

When local expenditures are factored in, Wisconsin again falls somewhat below the national average. Wisconsin's combined state and local expenditure in 2021 was approximately $60.8 billion.[51] If Wisconsin's per-capita state and local spending were equal to the national average, total spending would be as high as $65.2 billion. Spending at the Great Lakes average would increase total state and local spending to approximately $61.9 billion. For Wisconsin to spend at a per-capita rate similar to states without an income tax, spending would increase to $65.4 billion. If Wyoming and Alaska are omitted, the remaining zero-income-tax states (South Dakota, Texas, New Hampshire, Florida, Nevada and Tennessee) spend at a per-capita rate of $9,713 – a rate that in Wisconsin would translate into spending $53.9 billion.

Conclusion

Wisconsin cannot entirely eliminate its individual income tax without very large changes on both the revenue and expenditure sides.

Opportunities on the revenue side are very limited because the Badger State does not benefit from the same unique sources of revenue that almost all other zero-income-tax states do. The only realistic way to increase revenue in Wisconsin is through higher or broader sales taxes — a viable option to some degree because Wisconsin has relatively low sales taxes and taxing consumption is less economically harmful than taxing personal or business earnings. The question is how high sales taxes could realistically be raised in comparison to other states or how widely they could be broadened. Increasing or broadening sales taxes in a way that increases the tax burden on business inputs would be counterproductive. The goal of tax reform is not solely to make income tax rates low but to make the overall tax climate more competitive and spur economic growth and opportunity.

Determining whether Wisconsin could, in addition to adopting the highest sales tax in the country, simultaneously reduce spending to the level of states like Nevada or Florida or Tennessee and be one of the lowest spending states in America would entail identifying specific, very large spending cuts — an endeavor beyond the scope of this paper.

Proponents of limited government and efficient spending, the Badger Institute encourages discussion of specific spending cuts.

There is, meanwhile, a different, realistic path to a better tax structure that leads to prosperity and opportunity — the flat tax.

In April 2023, Dr. Don Bruce studied the benefits of a flat tax for the state and found that it would significantly boost jobs and economic output. In conjunction with Katherine Loughead of the Tax Foundation, the Badger Institute has published detailed roadmaps for achieving a flat tax with modest reductions to state revenues.

About the author

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Appendix: Fiscal Year 2021 Tax Collections

Amount (in thousands $)

	Alaska	Florida	Nevada	N. Hamps.	S. Dakota	Tennessee	Texas	Wisconsin	Wyoming
Taxes	**1,053,400**	**49,314,384**	**10,416,344**	**3,213,039**	**2,149,543**	**19,977,968**	**65,377,430**	**22,300,918**	**1,874,876**
Property	120,028	0	386,450	401,407	0	0	0	95,757	295,925
Sales and gross receipts	267,842	38,522,113	8,392,630	977,640	1,783,982	14,492,861	56,641,560	9,184,622	927,089
General sales	0	29,873,668	6,179,597	0	1,273,575	11,060,457	40,413,873	6,373,483	734,785
Selective sales	267,842	8,648,445	2,213,033	977,640	510,407	3,432,404	16,227,687	2,811,139	192,304
Motor fuel	44,754	2,873,845	351,627	117,200	189,881	1,210,808	3,596,892	1,123,970	111,244
Alcoholic beverage	41,126	338,642	44,690	13,701	20,021	210,708	1,262,775	73,778	2,238
Tobacco products	61,181	1,100,091	185,039	251,000	52,328	242,926	1,397,304	604,097	21,553
Public utilities	4,361	1,682,256	37,518	38,200	3,236	8,894	725,767	354,279	4,592
Other selective sales	116,420	2,653,611	1,594,159	557,539	244,941	1,759,068	9,244,949	655,015	52,677
Individual income	0	0	0	148,648	0	179,379	0	9,035,988	0
Corporate income	124,987	3,407,190	0	1,009,975	53,960	2,564,458	0	2,517,169	0
Motor vehicle license	36,472	1,523,039	209,528	94,400	89,194	387,781	2,220,914	719,005	102,438
Other taxes	504,071	5,862,042	1,427,736	580,969	222,407	2,353,489	6,514,956	748,377	549,424
Percent of state tax collections									
Property	11.39%	0.00%	3.71%	12.49%	0.00%	0.00%	0.00%	0.43%	15.78%
Sales and gross receipts	25.43%	78.12%	80.57%	30.43%	82.99%	72.54%	86.64%	41.18%	49.45%
General sales	0.00%	60.58%	59.33%	0.00%	59.25%	55.36%	61.82%	28.58%	39.19%
Selective sales	25.43%	17.54%	21.25%	30.43%	23.74%	17.18%	24.82%	12.61%	10.26%
Motor fuel	4.25%	5.83%	3.38%	3.65%	8.83%	6.06%	5.50%	5.04%	5.93%
Alcoholic beverage	3.90%	0.69%	0.43%	0.43%	0.93%	1.05%	1.93%	0.33%	0.12%
Tobacco products	5.81%	2.23%	1.78%	7.81%	2.43%	1.22%	2.14%	2.71%	1.15%
Public utilities	0.41%	3.41%	0.36%	1.19%	0.15%	0.04%	1.11%	1.59%	0.24%
Other selective sales	11.05%	5.38%	15.30%	17.35%	11.40%	8.81%	14.14%	2.94%	2.81%
Individual income	0.00%	0.00%	0.00%	4.63%	0.00%	0.90%	0.00%	40.52%	0.00%
Corporate income	11.87%	6.91%	0.00%	31.43%	2.51%	12.84%	0.00%	11.29%	0.00%
Motor vehicle license	3.46%	3.09%	2.01%	2.94%	4.15%	1.94%	3.40%	3.22%	5.46%
Other taxes	47.85%	11.89%	13.71%	18.08%	10.35%	11.78%	9.97%	3.36%	29.30%
Taxes per capita	**1,433**	**2,259**	**3,310**	**2,316**	**2,398**	**2,869**	**2,212**	**3,793**	**3,235**
Property	163	0	123	289	0	0	0	16	511
Sales and gross receipts	364	1,765	2,667	705	1,990	2,081	1,916	1,562	1,600
General sales	0	1,368	1,964	0	1,421	1,588	1,367	1,084	1,268
Selective sales	364	396	703	705	569	493	549	478	332
Motor fuel	61	132	112	84	212	174	122	191	192
Alcoholic beverage	56	16	14	10	22	30	43	13	4
Tobacco products	83	50	59	181	58	35	47	103	37
Public utilities	6	77	12	28	4	1	25	60	8
Other selective sales	158	122	507	402	273	253	313	111	91
Individual income	0	0	0	107	0	26	0	1,537	0
Corporate income	170	156	0	728	60	368	0	428	0
Motor vehicle license	50	70	67	68	100	56	75	122	177
Other taxes	686	269	454	419	248	338	220	127	948

Source: U.S. Census Bureau 2021 State and Local Government Finance historical dataset.

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