

PROPERTY TAXES SHOOT UP, BUT TAX CREDITS CUSHION THE BLOW

The recent state budget delivered historic aid increases to municipalities and counties, yet this December's gross property tax bills will climb by the largest amount since the Great Recession. State tax credits will help hold down the net tax that property owners actually pay, but the rise in levies highlights the impact of inflation on taxpayers and school districts.

On bills mailed out this month, Wisconsin's 421 K-12 school districts will levy \$297.8 million more in property taxes than they did last year, preliminary figures from the state Department of Revenue (DOR) show. The 5.4% increase is the largest since 2009, and will bring gross statewide K-12 property taxes to \$5.77 billion (see Figure 1).

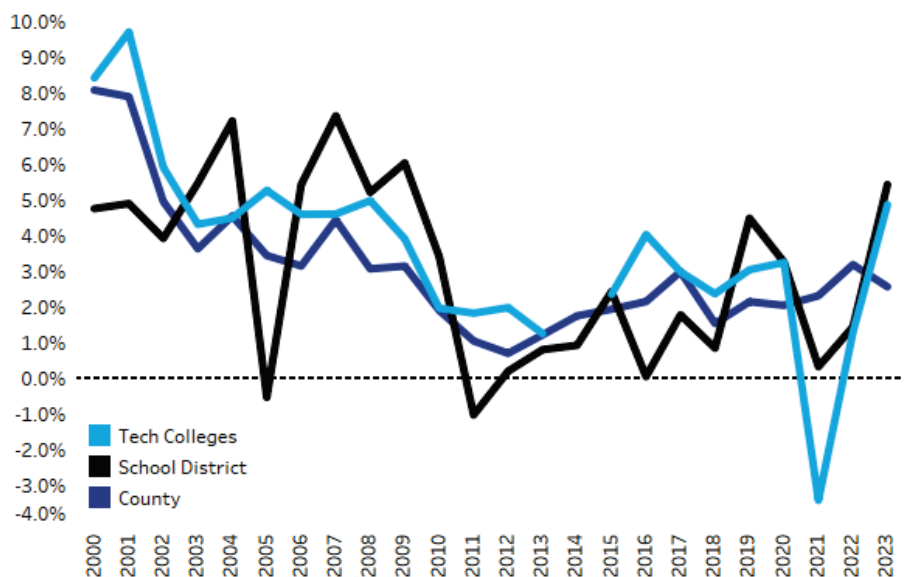
The actual increase on the net tax bills going to taxpayers will be much less, however, because the state budget increased two state tax credits that lower the net amount owed by homeowners and businesses. Still, the rise shows the effects of inflation, local efforts to raise property taxes to fund education, and changes in the state budget to allow schools to capture at least some new revenues to cope with high inflation. The increase comes despite a massive state budget surplus that provided policymakers with a range of options for both funding schools and moderating property taxes.

The state's 72 counties will increase property tax bills by 2.6% – third-most since 2009 – while technical college levies will rise by 4.9%, the most since 2008. Data for other local governments are not yet available, but the state Legislative Fiscal Bureau projects municipal levies will rise by 3.4% and tax increment districts by 13.6%. If those projections hold true, then gross local property taxes would increase by 4.7%, or the most since 2007.

Counties and likely municipalities will be increasing levies despite being set to receive a combined nearly \$275 million in [additional state aid next year](#) and a pledge from the state to increase that aid going forward at the rate of the growth in state sales taxes. Local governments are still grappling with cost increases due to inflation, [pressures to retain employees](#) amid a tight labor market, and longstanding capital backlogs.

As the Wisconsin Policy Forum does each year, this brief analyzes preliminary property tax data from DOR on counties, technical colleges, and K-12 school districts to look for trends and better understand the nature of December's bills.

Figure 1: K-12 Schools, Tech Colleges See Significant Property Tax Increases
% change in property tax levies by year, 2000-2023



Source: Wisconsin Department of Revenue. Note: Technical college levies were bought back significantly in 2014/15 and dropped 48.9%; this year was removed for scale.

STATE SWEETENS PROPERTY TAX CREDITS

The DOR data represent gross property tax levies, meaning they do not account for a sizable increase in state credits that reduce net tax bills for Wisconsin residents. The 2023-25 state budget increases the school levy tax credit by \$255 million, or 27%, on this December's levies. The funds from these credits do not increase school spending. Instead, the additional state money is used to lower the net tax bills paid by property owners. The budget will also increase the state lottery credit by \$15.9 million over what it otherwise would have been, producing a similar effect.

These provisions will help hold the statewide property tax increase much closer to those seen in the years preceding the pandemic – likely about 2% to 3% – while allowing a healthy increase in local revenues. The school levy credit is distributed based on how much in K-12 property taxes is paid in each community. As a result, the increase in the credit will deliver the most benefit to communities such as Brookfield or Madison with high property values, since they tend to pay more in property taxes for K-12 schools.

Lawmakers could have placed the money for the credits into state general school aids instead, and doing so would have produced a similar statewide benefit for property taxpayers as a whole. The school aids formula, however, distributes more of this type of funding to communities with low property values per pupil. So that

alternate approach would have sent more of the benefit to communities with low property values such as Beloit and Milwaukee.

STATE LOOSENS LIMITS ON K-12 TAXES

For this school year, the state budget added \$325 per pupil to the state caps that limit the revenues school districts can raise from local property taxes and state general school aids. Even after adjusting for inflation, the increase in the limits was the largest in a single year since the height of the Great Recession. The budget also increases state general school aids by \$154.7 million and raises the minimum state revenue cap for districts for this year to \$11,000 per pupil, up from \$10,000 last year.

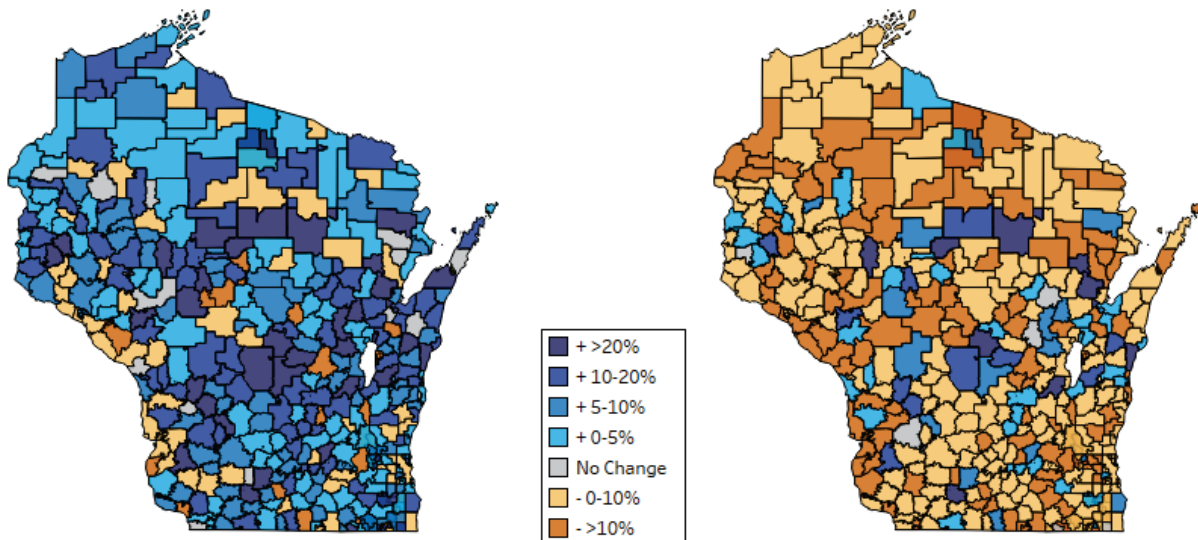
The upshot is that, after being frozen for two years, the caps on school revenues have increased by much more than the amount of additional state aid to districts. That has left local school officials with the authority to raise property taxes substantially. Districts do not have to use that authority, but the Forum has found that they are facing significant increases in costs such as [teacher compensation](#) due to inflation and [teacher turnover](#) and the looming end of federal pandemic relief funds. As a result, it is not surprising that K-12 levies are rising.

Though school district property taxes rose slightly in each of the last few years, we found these previous increases were likely driven by voter referenda to raise

Figure 2: Despite Large Levy Increases, Most K-12 Districts Still See Rates Decline

Percentage Change in 2023 Property Tax Levy by District

Percentage Change in 2023 Property Tax Rate by District



Source: Wisconsin Department of Revenue



property taxes above state limits. Last year, districts that had passed referenda since the start of 2020 saw property taxes increase by 3.7%, while non-referendum districts saw their taxes fall by 1.3%. Similarly, this year, levies rose 7.9% among the 173 districts that have passed at least one referendum since the start of 2021, but only 4.0% among the 248 districts that have not.

The rise in K-12 property taxes could have been even greater given that base wages for teachers – the core cost for schools – could have increased by 8% for the current school year under state law. High staff turnover and vacancies as well as [declining student enrollment](#) have likely decreased the number of teaching positions that districts have actually filled, however, and may continue to do so in the year to come. The estimated 2.7% increase per pupil in the state revenue limits also kept some districts from offering the maximum 8% increase.

Another contributor to the rise in school levies is recent changes to the state’s charter and voucher programs [providing additional public funding](#) for qualifying students outside of traditional public schools. Under the state’s complex funding mechanism for these programs, these increases could add \$42.9 million to the statewide school property tax levy, according to an [estimate by the state Department of Public Instruction](#).

If we look at the overall school levies, nearly one-third of districts will increase property taxes by 10% or more,

including 36 districts with increases of more than 20% (see Figure 2 on the previous page). The Madison Metropolitan School District – the district with the largest levy in the state – will increase property taxes by just over 8% to \$391.7 million. Milwaukee Public Schools’ levy will remain virtually unchanged, decreasing by less than 0.1%. The two districts with the next largest levies will see notable increases: Racine at 13.8% and Green Bay at 12.4%.

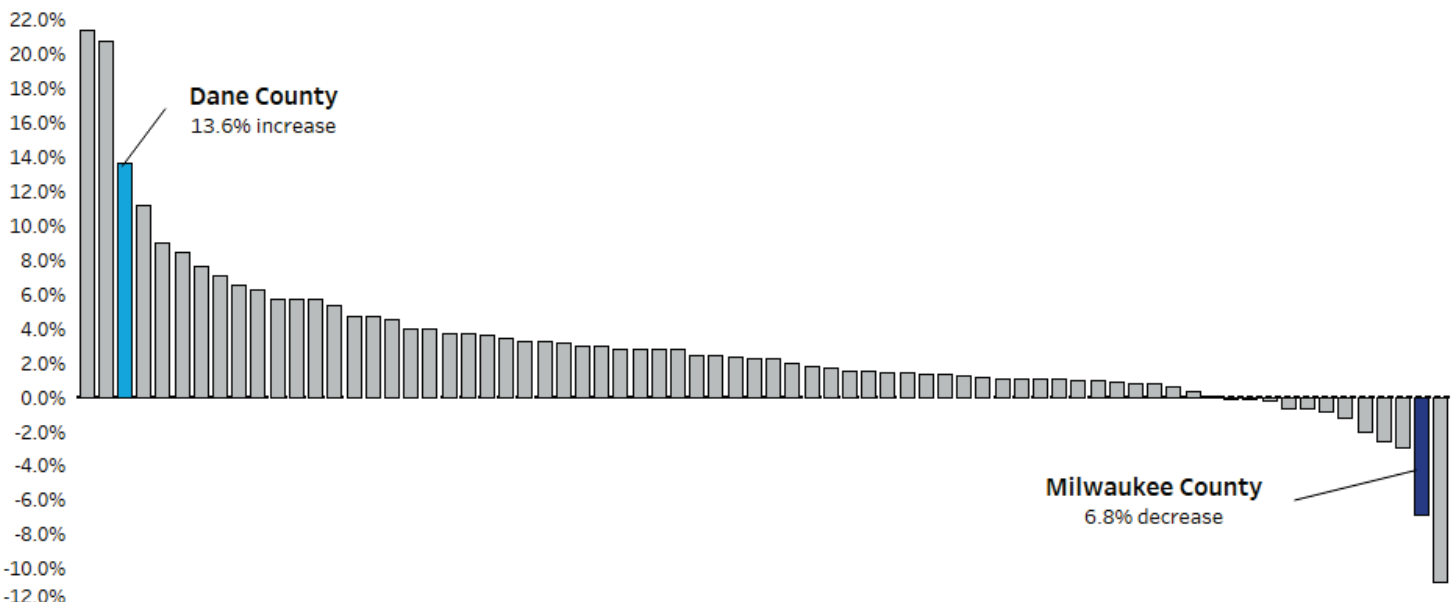
As the Forum has [pointed out](#), however, skyrocketing property values mean that K-12 tax rates will generally fall. Just 18.1% of districts will increase rates.

COUNTIES, TECH COLLEGES ALSO INCREASE LEVIES

Wisconsin’s counties will increase their gross property tax levies by \$63.5 million in 2023, a 2.6% increase from \$2.46 billion to \$2.52 billion. That is somewhat less than last year’s 3.2% increase and well below the rate of inflation for 2023. Sixty counties will increase total collections – including four by more than 10% - while 12 will decrease their levies.

As was the case with school districts, county taxes in the Madison and Milwaukee areas diverge. Dane County’s levy increase of more than \$30 million accounts for nearly half of the statewide increase, and the 13.6% rise is its largest since 1989 (see Figure 3).

Figure 3: Dane, Milwaukee Counties Diverge in Property Tax Collections
Percent change in property tax collections from 2022 to 2023 by county



Source: Wisconsin Department of Revenue



Meanwhile, Milwaukee County's levy will decrease by more than \$20 million, or 6.8%, to \$292.3 million. Milwaukee is one of just two counties that is decreasing its levy by more than 3%. The decrease in property taxes is a [direct result](#) of 2023 Wisconsin Act 12, which among its many provisions allowed the county to approve an additional 0.4% sales tax. The county used part of the revenues to offset a portion of its property tax levy.

taxes while at the same time maintaining appropriate levels of local services.

Technical colleges will increase their levies from \$476.2 million to \$499.4 million, or about 4.9%. Moraine Park Technical College, located in Fond du Lac, [passed a capital referendum](#) in 2022 that is contributing to a 38.0% levy increase in that district this year; each of the 15 other technical college districts will increase levies between 1% to 8%, including both the Madison Area (2.7%) and Milwaukee Area (1.8%) districts.

CONCLUSION

Since 2011, the state has kept relatively tight limits on K-12 and other local property taxes. While this has created substantial challenges for local government and school district budgets in keeping up with inflation, the current state budget also seeks to address those challenges by providing substantial increases in aid for local services such as education and public safety.

That has not been enough to head off property tax increases for 2024, however. Local government is a [labor-intensive exercise](#), and inflation and employee turnover have pushed up the wages of some local workers such as teachers by as much as 8% this year. Inflation has moderated, but the pressures on local governments and property taxpayers are unlikely to dissipate, as 2024 marks the end of federal COVID-19 relief funding for services such as K-12 education and local transit.

The state expects to close its current budget in June 2025 with roughly \$4 billion left in its general fund and nearly \$2 billion in its rainy day fund. So far, state officials seem to be focused on using these funds for income tax cuts or child care funding. Yet, it is worth noting that the recent infusion of state aid was not sufficient to curb higher-than-usual property tax increases on December tax bills and that another increase is possible a year from now. In light of that, state officials may also wish to consider what will be needed for local leaders to limit increases in property

