

# THE TOOLS IN MILWAUKEE'S REVENUE TOOLBOX

*A comparison of how city governments raise revenue*



## **ABOUT THE PUBLIC POLICY FORUM**

Milwaukee-based Public Policy Forum – which was established in 1913 as a local government watchdog – is a nonpartisan, nonprofit organization dedicated to enhancing the effectiveness of government and the development of southeastern Wisconsin through objective research of regional public policy issues.

## **PREFACE AND ACKNOWLEDGMENTS**

This report was made possible by the family of Norman N. Gill, who was the director of the Forum for 42 years when it was known as the Citizens Governmental Research Bureau. The Gill family's generous contribution has provided for the creation of the Norman N. Gill Civic Engagement Fellowship, under which the Public Policy Forum annually hires a graduate student research fellow to conduct a research project under the tutelage of its staff. The 2010-11 Norman N. Gill Fellow, Charles J. Szafir, was the lead author of this report.

Report authors also would like to thank the Northwestern Mutual Foundation for its support of the Public Policy Forum's research in the area of local government finance.

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*A comparison of how city governments raise revenue*

July 2011

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## INTRODUCTION

In a comprehensive assessment of the City of Milwaukee's finances released in August 2009, the Public Policy Forum summarized the city's fiscal challenges as follows:

“Despite outstanding bond ratings, a comparatively well-funded pension system and healthy reserves, Milwaukee has exhausted the capacity of its existing revenue streams to support its expenditure needs...this reality is not solely the consequence of economic recession, but one that has been building for years despite the efforts of city leaders to manage it.”<sup>1</sup>

The report examined city expenditure and revenue trends, and identified several causes of fiscal stress. On the expenditure side, culprits included rising healthcare costs for city employees, growing expenditure pressures associated with police and fire services (which account for more than one half of all city operating expenditures), and increasing pension obligations created by a decline in pension fund assets. On the revenue side, the major stressor was found to be an overreliance on shared revenue from the State of Wisconsin, which had been stagnant for years.

Nearly two years later, the city's long-term budget problems remain acute, but the budget paradigm has been altered. Assuming they pass legal muster, new “tools” provided by the governor and state legislature in the 2011 budget repair bill will allow city leaders to compel greater healthcare and pension contributions from non-public safety city employees. According to supporters of the bill, those tools will offset substantial new cuts in shared revenue contained in the latest state budget, though that point has been fiercely disputed by some Milwaukee officials.

Indeed, the key question moving forward is whether this new budget paradigm is any more sustainable for City of Milwaukee leaders than the previous one. In particular, given its continued challenges on the expenditure side, will city government be able to meet the needs and expectations of its citizens simply by imposing greater fringe benefit cost-sharing on a portion of its workforce, or is a new revenue structure required as well?

That question is unlikely to be answered immediately, but instead will require at least a year or two of experience with the provisions of the new budget repair bill, as well as the resolution of legal questions that have arisen with regard to the applicability of some of those provisions to the city's pension system. In the meantime, for those who question whether Milwaukee's toolbox is right for the job, it may be helpful to explore the revenue side of the equation.

This paper is designed to assist such exploration by investigating ways in which other city governments across the country raise revenue, and hypothesizing the impacts these alternative revenue options might have on Milwaukee's budget. It stems, first and foremost, from the conclusion reached in the Forum's 2009 report that overreliance on state shared revenue is a severe threat to the city's fiscal health. Recognizing that threat does not make the political and logistical issues surrounding new revenue sources any easier to resolve, but it does create an imperative to at least ask what alternative revenue structures might exist, and whether they may be suitable for Wisconsin's largest city.

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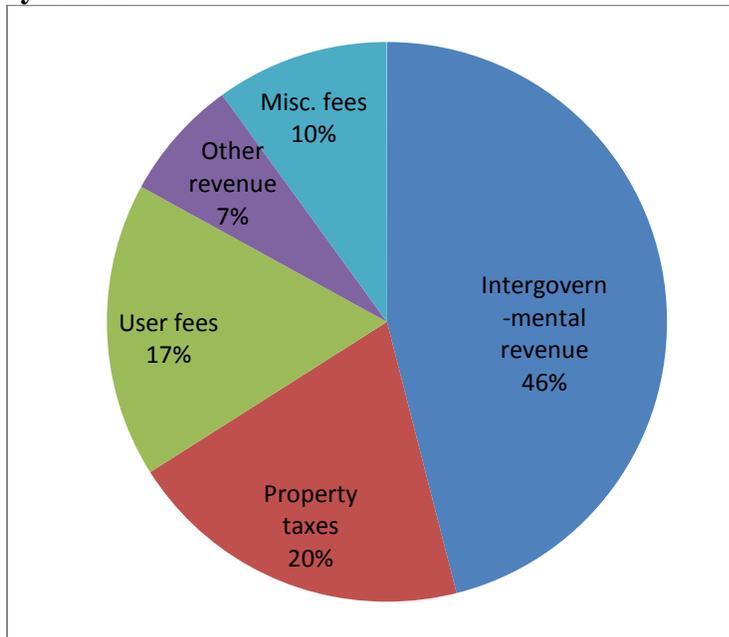
<sup>1</sup> Public Policy Forum, *City of Milwaukee's Fiscal Condition: Between a Rock and a Hard Place*, August 2009, 4.

## BACKGROUND

### Milwaukee's reliance on state shared revenue

The city's general purpose budget ("general budget") is used to fund its general operating expenses, including departmental budgets such as public works, health, fire and police. Milwaukee's 2011 general budget is \$591.1 million. As shown in **Chart 1**, the largest source of revenue that supports the general budget is intergovernmental revenue, which comprises 46% (\$271.6 million) of the total. State shared revenue is by far the largest component of the intergovernmental revenue category, at \$228.4 million. Other sources of intergovernmental revenue include transportation aids and an expenditure restraint program payment that rewards communities that control general fund expenditures.

**Chart 1: 2011 General City of Milwaukee revenue budget by source**



Source: 2011 City of Milwaukee Budget

State shared revenue can be defined most simply as intergovernmental aid from state government. According to the 2001 report from the Blue Ribbon Commission on State-Local Partnerships for the 21<sup>st</sup> Century – also known as the “Kettle Commission” – Wisconsin’s shared revenue program dates back to 1911, when the state adopted an income tax to broaden its tax base and deemed it fair to share 90% of the proceeds with local and county governments. In 1972, a new shared revenue distribution formula was adopted that, according to the Commission, based shared revenue distributions on “needs measured by revenue, property value and population. That established the importance of equalization in addition to sharing state revenue.”<sup>2</sup>

<sup>2</sup> Blue Ribbon Commission on State-Local Partnerships for the 21<sup>st</sup> Century, January 2001, 39.

Proponents of the shared revenue program cite several justifications for the city's significant state shared revenue allocation and reliance. Some argue that because Milwaukee is the economic hub of Wisconsin, all of the state's residents have a vital interest in ensuring that the city is prosperous.<sup>3</sup> State shared revenue takes some pressure off the local tax base, and, in doing so, makes Milwaukee a more attractive place to live and do business, thus benefiting the entire state. In addition, according to U.S. Census Bureau statistics, the city's population increases 14% every day because of commuters, who use public goods and services supported by local residents.<sup>4</sup> State shared revenue is a way for non-residents to contribute, indirectly, to the provision of city services. Another commonly cited argument is that Milwaukee is home to a disproportionate share of the state's neediest residents, and state revenue sharing is an equitable way to help the city address the needs of those residents.

Regardless of the justification for a robust state shared revenue program, recent history shows that Milwaukee's heavy reliance on state shared revenue likely is not sustainable. According to the city's 2011 budget, Milwaukee's shared revenue and expenditure restraint program allocation has decreased by \$13.7 million since 2003, which translates into a \$60 million loss in purchasing power when accounting for inflation.<sup>5</sup> The 2011-13 state biennial budget goes further by reducing the city's shared revenue allocation by an additional \$10.3 million. This could be a preview of even more cuts down the road as the state looks to keep its own budget in balance.

## Exploring the revenue structures of other cities

To reduce its reliance on state aid, Milwaukee optimally would seek to diversify its revenue structure by adding local sources of revenue over which it has full control. To some extent, it has made an effort to do so in recent years, by taking advantage of its ability to charge enhanced user fees for some city services.<sup>6</sup> However, the city cannot take in more in user fees for specific services than it expends to provide those services, meaning user fees alone cannot solve the city's larger revenue problems. The possibility of imposing new broad-based taxes on city residents, meanwhile, is prohibited without specific authorization by the state.

### COMPARED TO OTHER CITIES:

- Milwaukee relies much more on intergovernmental revenue
- Other cities rely more on taxation
- Milwaukee is less diverse in its revenue streams
- The most prominent revenue streams used by other cities are local sales tax, property tax, and individual income tax.

Despite these legal and political realities, we thought it would be insightful to explore how other cities generate the revenue they require to fund city services. We researched 15 comparison cities,

<sup>3</sup> In 2009, the Milwaukee-Waukesha-West Allis metropolitan area had about 30% of the state's gross domestic product (GDP). GDP is defined as the sum of value added of all goods and services produced by labor and property in the state. Panek, Sharon D., et al., *Gross Domestic Product by Metropolitan Area*, U.S. Department of Commerce, Bureau of Economic Analysis, March 2011, [http://www.bea.gov/scb/pdf/2011/03%20March/0311gdp\\_metro.pdf](http://www.bea.gov/scb/pdf/2011/03%20March/0311gdp_metro.pdf). *Gross Domestic Product By Industry and State: 2008*, U.S. Census Bureau,

[http://www.census.gov/compendia/statab/cats/income\\_expenditures\\_poverty\\_wealth/gross\\_domestic\\_product\\_gdp.html](http://www.census.gov/compendia/statab/cats/income_expenditures_poverty_wealth/gross_domestic_product_gdp.html)

<sup>4</sup> *Estimated Daytime Population*, U.S. Census Bureau, 2000,

<http://www.census.gov/population/www/socdemo/daytime/daytimepop.html>

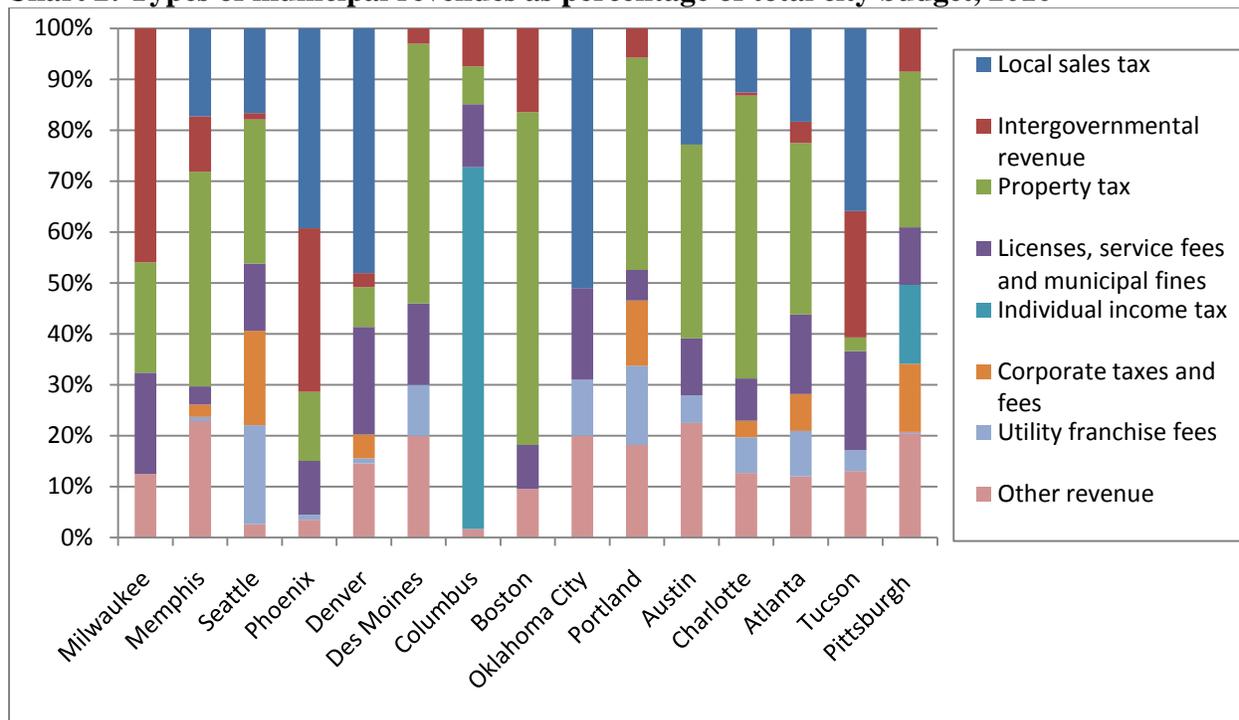
<sup>5</sup> City of Milwaukee, *2011 Adopted Plan and Budget Summary*, 2-3.

<sup>6</sup> According to the *2011 Adopted Plan and Budget Summary*, user-based fees have increased from 4.3% of the city's general revenue budget in 1995 to 16.9% in 2011(see p. 182).

analyzed each city’s budget, and compared how each city generated revenue. The cities were chosen based on their demographics, while attempting to control for cities that have merged city-county governments (*See Methodology*).

Examination of the general budgets for the 15 cities reveals that Milwaukee is the only one with a budget that is funded substantially with intergovernmental revenue (*See Appendix A: General Budget Revenue*). On average, the comparison cities rely on intergovernmental revenue to fund about 18% of their budgets, while Milwaukee relies on intergovernmental revenue for 46% of its general budget. Meanwhile, the other cities have more locally-funded revenue sources than Milwaukee, with at least half of every other city’s budget funded by local tax revenue (**Chart 2**).

**Chart 2: Types of municipal revenues as percentage of total city budget, 2010**



Note: See Appendix A for sources.

As **Chart 2** indicates, most of the cities we examined raise the bulk of their revenues via the use of sales, property, and income taxes. The next three sections of this report examine each of those revenue sources, and explore their potential application in Milwaukee if city leaders were authorized and opted to use the revenue source to reduce reliance on state shared revenue. We also cite advantages and limitations associated with each tax, honing in specifically on impacts to Milwaukee. Also, as previously noted, because the enhanced or initial use of these forms of taxation requires state authorization, this report is simply a theoretical exercise demonstrating how revenue sources commonly used by other major cities might be expected to affect Milwaukee’s budget.

## THE SALES TAX

Overall, 45 states use a sales tax to raise revenue for state purposes. Of those, 33 allow their local governments to levy a sales tax for local government.<sup>7</sup> In addition, 43 of the 67 largest cities in the country have a local sales tax.<sup>8</sup>

As shown in **Table 1**, our examination of comparison cities confirms that it is very common for large cities not only to use a local sales tax, but also to rely upon it for a large portion of their general budget. The table also shows that a city sales tax typically is levied in conjunction with much larger sales taxes used at the state level.

**Table 1: Sales tax rates and revenues, 2010**

City	Sales tax as a % of general budget	City sales tax rate	Total sales tax rate for sales in the city
Seattle	17%	0.85%	9.5%
Oklahoma City	51%	3.875%	8.375%
Phoenix	39%	2.0%	8.3%
Austin	23%	2.0%	8.25%
Charlotte	13%	3.0%	8.25%
Atlanta	18%	1.0%	8.0%
Denver*	48%	3.62%	7.72%
Tucson	36%	2.0%	7.6%
<b>Milwaukee</b>	-	-	<b>5.6%</b>

\* For more explanation on the relationship between Denver's city and county government, see *Methodology*.  
Note: See Appendices A and B for sources.

In Wisconsin, the state levies a 5% sales tax on the final sale of all goods and services (i.e. all retail sales.) There are numerous exemptions to the state sales tax, however, such as the purchase of food, prescription drugs, residential gas and electricity, and the sale of goods by the government, schools, and farming entities.

In addition, counties have statutory authority to levy a 0.5% sales tax to provide property tax relief. In total, 61 of the 72 counties in Wisconsin have taken advantage of this authorization by adopting the 0.5% sales tax. Sales in Milwaukee County and four other counties in Greater Milwaukee also are subject to a 0.1% stadium sales tax, with the revenue allocated to pay debt service associated with the financing of Miller Park. Overall, in the City of Milwaukee, businesses must pay a 5.6% sales tax<sup>9</sup> on the final sale of their goods and services.<sup>10</sup>

Municipal sales taxes largely are prohibited in Wisconsin. The one exception is for municipalities deemed a "premier resort area," which can impose a 0.5% sales tax. In order to

<sup>7</sup> Shuford, Gordon and Richard Young, *Local Government Funding: An Overview of National Issues and Trends, Local Government Funding System Reform Project – South Carolina*, February 2000, 28.

<sup>8</sup> Hoback, Carrie, et al., *Analysis of a Local Sales Tax in the City of Milwaukee*, Robert M. La Follette School of Public Affairs, Spring 2005, 5.

<sup>9</sup> There is also an additional half-cent tax on certain food and beverage sales in Milwaukee County.

<sup>10</sup> Businesses pay the state sales tax each quarter to the Department of Revenue, with the revenues then remitted back to the county.

qualify, a municipality must have at least 40% of its equalized assessed property value dedicated to tourist activities.<sup>11</sup> Governor Jim Doyle’s proposed 2007-09 state budget included a provision to allow Milwaukee to impose such a tax by classifying a four-square-mile section of the downtown area as a premier resort area, but the provision was removed from the budget prior to adoption.

Cities and villages also are authorized to impose a room tax of up to 8% on hotels, motels and other rooms or lodging furnished to the public.<sup>12</sup> In Milwaukee, however, the city is required to pledge the proceeds from its 7% room tax to the Wisconsin Center District under the legislation that created the district in 1995.

### A sales tax in Milwaukee

Supposing state law permitted a municipal sales tax, how much might a city sales tax affect the city budget? Assuming a city sales tax would bring in revenue proportional to Milwaukee County’s sales tax, a 0.5% city tax would raise about \$40 million annually,<sup>13</sup> while a 1% city sales tax would raise about \$80 million.<sup>14</sup> A 0.1% city sales tax would raise about \$8 million, which is almost enough to offset the \$10.3 million cut to state shared revenue in the 2011-2013 state budget.<sup>15</sup>

#### A CITY SALES TAX IN MILWAUKEE

- 1.0% tax could raise \$80.4 million
- 0.5% tax could raise \$40.2 million
- 0.1% tax could raise \$8 million

<sup>11</sup> Wis. Stat. § 77.994 (2011) and § 66.1113(1)(d). Four Wisconsin municipalities currently employ the tax, including two – Lake Delton and Wisconsin Dells – who received statutory authority for a 1.0% tax. Also, four municipalities have been granted exemptions from the provision requiring 40% of equalized assessed property value to be dedicated to tourism activities.

<sup>12</sup> § 66.0615(1)

<sup>13</sup> For a point of reference, adding a 0.5% city sales tax to existing sales taxes in Milwaukee would increase the cost of a \$100 purchase from \$105.60 to \$106.10. A 1.0% city sales tax would increase the cost from \$105.60 to \$106.60.

<sup>14</sup> For an explanation of the calculations, see Appendix F.

<sup>15</sup> This revenue estimation is in line with academic studies. By analyzing the purchasing power of Milwaukee residents, Hoback et al. argued that a 0.5% sales tax in Milwaukee would raise \$45 million. Hoback, *Analysis of a Local Sales Tax*, 17.

## Advantages and limitations

Perhaps the biggest barrier to adoption of a City of Milwaukee sales tax is the need to amend state statutes to allow for such taxes. However, voter referendums have shown that sales taxes may not be as unpopular as other taxes. In fact, in 2008, voters in Milwaukee County approved an advisory referendum endorsing a 1% sales tax to fund parks, cultural institutions, transit, emergency medical services, and a reduction in property taxes.<sup>16</sup> Within the City of Milwaukee, about 58% of voters favored this sales tax.<sup>17</sup>

Milwaukee also is at an advantage due to the comparatively low sales tax rates that currently apply to sales in the city. As shown in **Table 2**, other cities have much higher sales tax rates. Adding another .01% to 1% in Milwaukee would not put the city out of line with its peers nationally.

**Table 2: Total retail sales tax rates, 2010**

State	City	Sales Tax Rate
WA	Seattle	9.5%
TN	Memphis	9.25%
OK	Oklahoma City	8.375%
AZ	Phoenix	8.3%
TX	Austin	8.25%
NC	Charlotte	8.25%
GA	Atlanta	8.0%
CO	Denver	7.72%
AZ	Tucson	7.6%
IA	Des Moines	7.0%
OH	Columbus	7.0%
<b>WI</b>	<b>Milwaukee</b>	<b>5.6%</b>
MA	Boston	5.0%
OR	Portland	5.0%

Note: See Appendix B for sources.

It likely would be argued, however, that a city sales tax would place the city at a competitive disadvantage with the rest of the state and the region. For example, if Milwaukee were to impose a 0.5% sales tax, goods sold in Milwaukee would be subjected to an overall 6.1% sales tax rate,

### ADVANTAGES OF A LOCAL SALES TAX

- Low administrative costs for businesses and government
- Not as unpopular as other taxes
- Milwaukee, compared to other cities, has a low sales tax

### LIMITATIONS OF A LOCAL SALES TAX

- State law prohibits municipal sales tax
- Milwaukee has lower incomes than other cities
- Milwaukee has fewer retail sales than other cities
- A sales tax could harm businesses by increasing the price of goods

<sup>16</sup> Schultze, Steven, "Voters Support Sales Tax Increase," *Milwaukee Journal Sentinel*, November 5, 2008, <http://www.jsonline.com/news/statepolitics/33877574.html>

<sup>17</sup> City of Milwaukee Fall General Election Results, November 10, 2008, <http://city.milwaukee.gov/200824877/November42008.htm>

compared to a 5.6% tax rate elsewhere in the county. The difference would be even greater when compared to Waukesha County, which has a 5.1% sales tax rate.

One benefit of a local sales tax is the ease with which it could be implemented. The infrastructure to collect and remit sales tax revenue is already in place at the county and state level, and businesses in Milwaukee already collect a retail sales tax. The city would simply be another cog in the administrative process. It should be noted, however, that counties pay an administrative fee to the state for its collection and remittance of sales tax revenue, and the city undoubtedly would be required to do likewise. In 2011, Milwaukee County paid \$1.1 million to the state for its 1.75% state administrative fee.<sup>18</sup>

In addition, a municipal sales tax would allow Milwaukee to recover from non-residents a portion of the cost of public services they consume while working or seeking entertainment in the city. Under a taxing model that relies heavily on the property tax, non-residents working in the city do not contribute to the cost of clean and safe roads, crime and fire prevention and protection, emergency response, etc. This is significant in that in the 2010 City of Milwaukee budget, 75% of operating expenditures were dedicated to public works, police, and fire.<sup>19</sup> Under a taxing model that makes greater use of the sales tax, non-residents would contribute toward the cost of city services whenever they make a purchase within city limits.

That being said, if Milwaukee were to levy a local sales tax, several difficulties likely would arise. First, Milwaukee does not have the ideal demographics for a local sales tax. A successful local sales tax requires a large, affluent population to spend money on retail sales. In Milwaukee, one out of every five people lives below the federal poverty line. This poverty rate is much higher than in the comparable cities examined, as shown in **Table 3**. In addition, the comparable cities have much higher household incomes than Milwaukee, which has a median household income of \$32,216.

**Table 3: Poverty and household income in cities with local sales tax for 2010**

	Poverty Rate	Median Household Income	City Sales Tax Rate
Charlotte	10.6%	\$46,975	3.0%
Seattle	11.8%	\$45,736	0.85%
Denver	14.3%	\$39,500	3.62%
Austin	14.4%	\$42,689	2.0%
Phoenix	15.8%	\$41,207	2.0%
Oklahoma City	16.0%	\$34,947	3.875%
Tucson	18.4%	\$30,981	2.0%
Atlanta	24.4%	\$34,770	1.0%
<b>Milwaukee</b>	<b>21.3%</b>	<b>\$32,216</b>	-

Note: See Appendix C for sources.

Milwaukee's high poverty rate is problematic for several reasons. In general, a sales tax is regressive because it hits the poor harder than the rich (though exemptions for groceries and

<sup>18</sup> Milwaukee County, *2011 Adopted Budget*, 134.

<sup>19</sup> City of Milwaukee, *2010 Plan and Budget Summary*.

<http://www.ci.mil.wi.us/ImageLibrary/User/crystal/2010budget/2010adopted/2010adoptedbook.pdf>

prescription medicines in Wisconsin temper that issue to some extent). In Milwaukee, one out of every two households earns a total income of \$40,000 or less.<sup>20</sup> Studies have shown that such households spend all of their income on personal consumption, so a sales tax may exacerbate the difficulty faced by low-income citizens in affording some basic necessities.<sup>21</sup> Furthermore, unlike wealthier households, many low-income households do not have the means to shop in neighboring, lower-tax municipalities to avoid the sales tax.

Milwaukee also does not have an ideal sales tax base. As shown in **Table 4**, cities we examined with a local sales tax typically have much greater retail sales than Milwaukee.<sup>22</sup> Oklahoma City, for example, has a 3.875% sales tax that is applied to more than \$6.25 billion of retail sales per year. In contrast, Milwaukee saw \$3.5 billion of goods sold in 2002. On a per capita basis, Oklahoma City's retail sales equals \$12,057, while Milwaukee, with a very similar population, has about \$6,094 in retail sales per capita.

**Table 4: Sales tax base in cities with local sales tax**

	Retail sales, 2002 (\$1000)	Retail sales per capita, 2002
Seattle	\$9,029,268	\$15,833
Austin	\$9,784,154	\$14,583
Charlotte	\$7,943,719	\$13,674
Tucson	\$6,591,356	\$13,152
Oklahoma City	\$6,250,285	\$12,057
Denver	\$6,405,054	\$11,486
Atlanta	\$4,732,270	\$10,670
Phoenix	\$13,623,483	\$9,960
<b>Milwaukee</b>	<b>\$3,594,429</b>	<b>\$6,094</b>

Note: See Appendix C for sources.

**Table 5** compares the retail sales tax base of four municipalities in southeast Wisconsin. Milwaukee, with a population of 573,358, has only \$3.6 billion in yearly retail sales, while Wauwatosa, with 7% of the population of Milwaukee, has retail sales that total 25% of Milwaukee's. Similarly, Brookfield, which has fewer residents than Wauwatosa, has 30% of the retail sales of Milwaukee. These data reflect the fact that the three biggest shopping centers in the region – Mayfair Mall in Wauwatosa, Bayshore Mall in Glendale, and Brookfield Square in Brookfield – are located outside of the City of Milwaukee.

**Table 5: Sales tax base of municipalities in SE Wisconsin**

	Milwaukee	Wauwatosa	Brookfield	West Allis
Total population	<b>573,358</b>	44,798	39,613	58,710
Population relative to Milwaukee	n/a	7%	7%	10%
Retail sales, 2002 (\$1000)	<b>\$3,594,429</b>	\$878,993	\$1,076,790	\$1,089,939
Retail sales relative to Milwaukee	n/a	25%	30%	30%
Retail sales per capita, 2002	<b>\$6,094</b>	\$18,930	\$27,316	\$18,055

Source: U.S. Census - QuickFacts

<sup>20</sup> 47.5% of the households in Milwaukee make less than \$35,000 a year. U.S. Census Bureau, *Milwaukee (city), American Community Survey*, 2009.

<sup>21</sup> Fisher, Ronald C., *State & Local Public Finance*, 3<sup>rd</sup> ed., Thomson South-Western, 2007, 400.

<sup>22</sup> The U.S. Census defines retail sales as the "final step in the distribution of merchandise." U.S. Census Bureau, *Milwaukee (city), Wisconsin, State & County QuickFacts*.

## THE INCOME TAX

Fifteen states allow their local governments to levy an income tax.<sup>23</sup> On average, in 2002, individual income taxes provided municipalities with about 4.2% of their general revenue.<sup>24</sup>

The tax base for the local income tax varies depending on who is taxed and what type of income is taxed. The tax is generally applied to wages and salaries, with certain exemptions and deductions. Cities with a local income tax can tax the income of city residents, the income generated in the city, or both. For example, in Pennsylvania, municipalities can impose an earned income tax on the wages and net profits earned in the municipality, as well as those earned by residents of the municipality.<sup>25</sup> Smaller municipalities have a 1% income tax rate cap, while larger municipalities, such as Philadelphia and Pittsburgh, are not exposed to such a cap. Consequently, Philadelphia imposes an income tax of 3.93% on residents and 3.5% on non-residents who work in the city.<sup>26</sup> Also, some states allow their municipalities to levy payroll taxes. In San Francisco, for instance, employers in the city must pay a 1.5% local tax on payroll expenses.<sup>27</sup>

In Wisconsin, the state imposes an income tax, but municipalities are prohibited from levying a local income tax. The state individual income tax represents about 20% of the general revenue of the state budget.<sup>28</sup> The state individual income tax is a tax imposed on all net income from individuals.<sup>29</sup> It taxes gross income, which means “all income, from whatever source derived and in whatever form realized, whether in money, property or services.”<sup>30</sup> The most common form of “gross income” would be compensation for services, such as wages and salaries, and income derived from non-incorporated businesses.<sup>31</sup> Income taxes are paid to the Wisconsin Department of Revenue.<sup>32</sup>

Both residents of Wisconsin and non-residents who work in Wisconsin must pay the state income tax.<sup>33</sup> The rate can range from 4.6% to 7.75%, depending on income level, as shown in **Table 6**.<sup>34</sup> The majority of taxpayers pay a rate of 6.5% on the bulk of their income. Of course, there are numerous deductions, credits, and exemptions that end up altering a person’s final tax liability. For instance, the personal exemption is \$700 per person, and individuals get a phased-out deduction of \$8,460.<sup>35</sup>

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<sup>23</sup> Shuford and Young, *Local Government Funding*, 30.

<sup>24</sup> Fisher, *State & Local Public Finance*, 408.

<sup>25</sup> Ohio Department of Taxation, *Ohio’s Taxes: A Brief Summary of Major State & Local Taxes*, 2009.

[http://tax.ohio.gov/divisions/communications/publications/brief\\_summaries/2009\\_brief\\_summary/documents/municipal\\_income\\_tax.pdf](http://tax.ohio.gov/divisions/communications/publications/brief_summaries/2009_brief_summary/documents/municipal_income_tax.pdf)

<sup>26</sup> *Id.*

<sup>27</sup> *Id.*

<sup>28</sup> U.S. Census Bureau, *2009 Annual Survey of State Government Finances, Wisconsin*, 2009.

<sup>29</sup> Wisconsin Statutes § 71.02 (2009-2010).

<sup>30</sup> § 71.03

<sup>31</sup> § 71.22 (1)(k)

<sup>32</sup> § 71.03 (8)

<sup>33</sup> § 71.03

<sup>34</sup> § 71.06

<sup>35</sup> Wisconsin Department of Revenue, Division of Research and Policy, *The Wisconsin Individual Income Tax*, 2006.

<http://www.revenue.wi.gov/ra/06inctax.pdf>

**Table 6: Wisconsin State Income Tax Rates**

Income range	2010 tax
\$0 to \$13,420	4.6% of income
\$13,420 to \$26,850	\$617.32 + (6.15% of income > \$13,420)
\$26,850 to \$201,340	\$1,443.27 + (6.50% of income > \$26,850)
\$201,340 to \$295,550	\$12,785.12 + (6.75% of income > \$201,340)
> \$295,550	\$19,144.30 + (7.75% of Income > \$295,550)

Source: Wisconsin Department of Revenue

### An income tax in Milwaukee

As in the previous section, we now consider the potential impact of a local income tax on the city's budget if such a tax were allowable under state law. Unlike a sales tax, an income tax might vary considerably from person to person. For simplicity, we consider a local income tax that applies the same flat rate to all income groups, with the same single personal exemption and deductions to all taxpayers as the state income tax. However, we assume different tax rates for residents versus non-residents who work in the city.

#### A HYPOTHETICAL LOCAL INCOME TAX IN MILWAUKEE

- 1% rate on residents; 0.5% on non-residents who work in Milwaukee
- Applied to all salary, income, and forms of compensation
- Same exemptions and personal deductions as the state income tax
- Could raise \$104.5 million in revenue

Using these characteristics, we estimate that a 1% income tax on residents of Milwaukee, and a 0.5% tax on non-residents who work in the city, would produce \$104.5 million in revenue annually.<sup>36</sup> Residents of Milwaukee would generate \$89.9 million of that revenue, while non-residents working in Milwaukee would generate \$14.7 million.<sup>37</sup>

**Table 7** compares this hypothetical local income tax in Milwaukee to the actual income tax revenues seen in Pittsburgh and Columbus. Pittsburgh, with a smaller population than Milwaukee, raises \$70 million with a 1% tax on residents; Columbus, with a larger population, raises \$389 million with a 2.5% tax on both residents and non-residents.

**Table 7: Local income tax rates and revenues**

	Population	Residents Rate	Non-Residents Rate	Revenue
Columbus	733,203	2.5%	2.5%	\$389,117,331
<b>Milwaukee</b>	<b>584,000</b>	<b>1.0%</b>	<b>0.5%</b>	<b>\$104,503,513</b>
Pittsburgh	309,000	1.0%	0.0%	\$70,398,000

Note: See Appendices B and C for sources.

<sup>36</sup> See Appendix D for calculations.

<sup>37</sup> See Appendix D for calculations.

## Advantages and limitations

Arguably, the biggest advantage of an income tax is that it is progressive, in that the amount paid increases with a person's income.<sup>38</sup>

Unlike a local sales tax, in which the tax rate is the same regardless of income level, an income tax allows policymakers to have specific tax rates for different income groups, or to utilize deductions and credits, such as the earned income tax credit. This is important to a city like Milwaukee that has a high poverty rate.<sup>39</sup>

In our examination of comparison cities, the two cities that have a local income tax, Pittsburgh and Columbus, have demographics similar to Milwaukee's (see **Table 8**), and their local income tax rates are designed not to overburden their lower-income residents.

**ADVANTAGES OF A LOCAL INCOME TAX**

- It is possible to shield the poor from tax liability
- Can target residents and non-residents at different rates

**LIMITATIONS OF A LOCAL INCOME TAX**

- Potentially high administrative costs for local businesses
- Milwaukee residents already pay relatively high income taxes

**Table 8: Income distribution in Milwaukee and cities with local income tax**

	Milwaukee	Pittsburgh	Columbus
Households	230,026	138,739	313,416
Households by Annual Income			
Less than \$14,999	19%	22%	17%
\$15,000 to \$24,999	15%	15%	12%
\$25,000 to \$34,999	13%	12%	12%
\$35,000 to \$49,999	16%	15%	16%
\$50,000 to \$74,999	19%	16%	20%
\$75,000 to \$99,999	9%	9%	11%
\$100,000 to \$149,999	6%	7%	9%
more than \$150,000	2%	5%	4%

Source: U.S. Census Bureau, American Community Survey, 2009

Another advantage of a local income tax is that, like the sales tax, it provides an opportunity for local governments to recoup some of the cost of providing public services from non-residents. Unlike the sale tax, however, the local income tax also affords cities the ability to use a higher income tax rate for residents than non-residents, thus taking into account the fact that non-residents consume fewer public services than residents. Residents would pay the highest rate, but non-resident workers also would contribute some amount to the general budget.

<sup>38</sup> It is important to note, however, that because the 6.5% rate imposed on most income earned by Wisconsin residents kicks in at the relatively low income level of \$26,850, Wisconsin's income tax structure is not as progressive as it might be.

<sup>39</sup> As shown in **Table 8**, 64% of households in Milwaukee have less than \$50,000 in annual income; 34% of households have less than \$25,000.

On the other hand, it likely would be argued that a local income tax would discourage individuals and businesses from settling in Milwaukee. Even *without* a local income tax, studies have found that Milwaukee residents pay a higher income tax than residents of most other metropolitan areas nationally. The average Wisconsin income tax collection is about \$1,183 per person, which is 12<sup>th</sup> highest in the nation.<sup>40</sup> Furthermore, among the 51 largest cities in the country, Milwaukee residents making around \$50,000 per year pay the 12<sup>th</sup> highest in state and local income taxes; and our examination of comparison cities found that out of 13 cities for which data were available, Milwaukee had the fifth highest income tax for those making \$50,000<sup>41</sup> (See **Table 9**). A local income tax in Milwaukee, therefore, may exacerbate disadvantages already associated with being a metropolitan area whose residents pay relatively high income taxes because of the state income tax rate.

**Table 9: Income tax burden, 2008 (Percent of income paid as income tax to state and local government)**

	\$25,000	\$50,000	\$150,000
Columbus	3.0%	4.0%	5.9%
Portland	3.5%	3.4%	6.5%
Boston	0.9%	3.3%	4.7%
Charlotte	2.1%	2.7%	5.6%
<b>Milwaukee</b>	<b>0.0%</b>	<b>2.6%</b>	<b>5.2%</b>
Denver	0.7%	2.6%	3.5%
<b>Average</b>	<b>1.2%</b>	<b>2.2%</b>	<b>4.5%</b>
Des Moines	1.7%	2.0%	4.3%
Atlanta	2.2%	1.9%	4.2%

Note: See Appendix E for sources.

In addition, income taxes can create administrative difficulties for individuals and businesses. Unlike a city sales tax, which could piggyback off the state's tax collection infrastructure, a city income tax likely would require its own tax form with its own tax rates, deductions, and credits. This could result in increased tax preparation responsibilities for residents and workers in Milwaukee, which could be costly for some individuals.

Finally, use of a city income tax simply to reduce reliance on shared revenue and offset cuts in state aid may not be an optimal approach given the substantial amount of revenue it would generate. A local individual income tax of just 1% for residents and .5% for nonresidents would raise more than \$100 million, which far exceeds the \$10.3 million cut in state shared revenue in the 2011-13 state budget. Instead, a local income tax might be a desirable option if the goal is to completely revamp the revenue structure of the city, bringing it more in line with Columbus, for example, which funds 70% of its general budget via the local income tax.

<sup>40</sup> Tax Foundation, *Wisconsin*, 2011. <http://www.taxfoundation.org/research/topic/67.html>

<sup>41</sup> Government of the District of Columbia, *Tax Rates and Tax Burdens, A Nationwide Comparison*, 2009. <http://www.scstatehouse.gov/citizensinterestpage/TRAC/091010Meeting/TRACTaxRatesandTaxBurdenANationwideComparison2008.pdf>

## THE PROPERTY TAX

Of the three most commonly used methods of local government taxation, the local property tax is the oldest and most substantial.<sup>42</sup> While there are several forms of property taxation, we focus on the tax on real property, such as land and buildings.

Like the sales tax, property taxes typically are applied at the same rate to all property owners. However, calculating the property tax is more complicated than the sales tax. The property tax base generally is the value of property as determined by the city assessor, who establishes a market value by considering the recent sale of comparable property, and other economic factors.<sup>43</sup> The portion of the total value of the property that is taxed, known as the assessed value, is determined by statute, and it is generally a percentage of the market value of the property. For instance, in Arizona, only 10% of the market value of the property is subject to taxation.<sup>44</sup> In Wisconsin, the entire market value is taxed.

State law in Wisconsin also determines which municipalities and local government entities can levy a property tax, and it prescribes levy “caps” for different governments and government functions. To generate the levy, the local government sets a tax rate, usually expressed as a mill rate that is applied to the value of property in accordance with state law. One mill is the equivalent of 1/10 of 1%, or \$1 of tax for each \$1,000 of assessed value. Municipal treasurers typically are responsible for the collection of property taxes.

In Wisconsin, according to state statute, municipal property taxes can be levied and collected at the town, village, or city level.<sup>45</sup> The taxing bodies represented on a Milwaukee homeowner’s tax bill are the city, county, school district, sewerage district, and technical college district.

**Chart 3** shows the breakdown of a Milwaukee homeowner’s property tax bill among the various taxing bodies in 2011. The City of Milwaukee imposes a \$9.12 tax per \$1,000 of assessed value. Other taxing bodies, including Milwaukee Public Schools, Milwaukee Area Technical College, and Milwaukee County, impose a combined \$19.26 tax rate. The total property tax rate paid by a Milwaukee homeowner, excluding state tax credits, is \$28.38 per \$1,000 of assessed value.<sup>46</sup>

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<sup>42</sup> Shuford and Young, *Local Government Funding*.

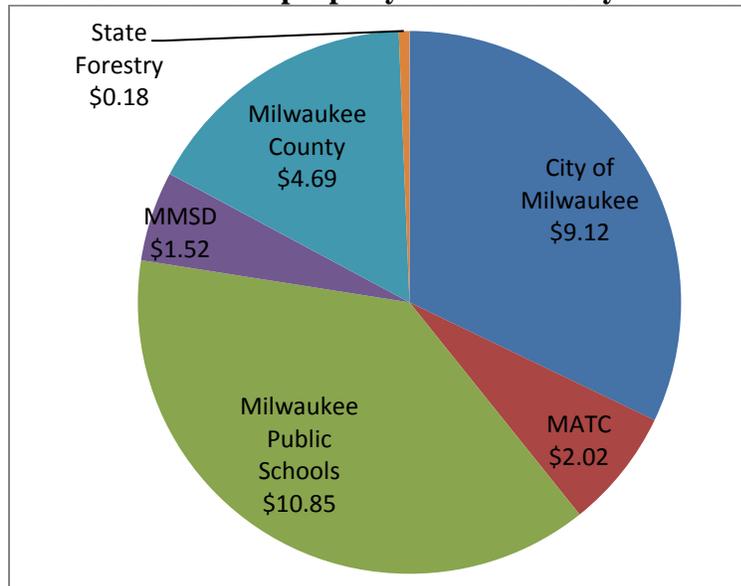
<sup>43</sup> Wis. Stat. § 70.32 (2009-2010)

<sup>44</sup> Hedding, Judy, *Arizona Property Tax*, 2010. <http://phoenix.about.com/od/govtoff/qt/proptax.htm>

<sup>45</sup> Wis. Stat. § 70.045 (2009-2010)

<sup>46</sup> This does not include any property tax credits, such as the homestead tax credit.

**Chart 3: Total 2011 property tax bill for City of Milwaukee homeowners**



Source: City of Milwaukee, 2010 Plan and Budget

After intergovernmental revenue, property taxes are the next largest contributor to Milwaukee's general revenue budget, at 20% of total revenue.<sup>47</sup> In comparison to some of the other cities we examined, this is a low percentage. For example, property taxes make up 42% of Portland's general budget, 51% of Des Moines', 56% of Charlotte's, and 65% of Boston's.

### Property tax in Milwaukee

One way for Milwaukee to reduce its reliance on state shared revenue would be to raise the property tax, though that would require a change in state law to modify existing property tax levy limits. The current property tax rate levied by Milwaukee is \$9.12, which generates \$276 million in revenue, of which \$125 million (45%) is directed to the general budget. As **Table 10** indicates, an increase in the tax rate from \$9.12 to \$9.52 would raise an additional \$12.11 million in revenue, or slightly more than the cut in state shared revenue for 2012.

**Table 10: Property tax revenue generated by increasing tax rates**

City of Milwaukee tax rate	City of Milwaukee tax base*	Revenue (in millions)	Overall increase in revenue (in millions)
\$9.12	\$30,287,349,400	\$276.22	-
\$9.32	\$30,287,349,400	\$282.28	\$6.06
\$9.52	\$30,287,349,400	\$288.34	\$12.11
\$9.72	\$30,287,349,400	\$294.39	\$18.17
\$10.12	\$30,287,349,400	\$306.51	\$30.29
\$10.52	\$30,287,349,400	\$318.62	\$42.40
\$11.12	\$30,287,349,400	\$336.80	\$60.57

\* Total real estate equalized value for 2009

<sup>47</sup> In 2011, the city's total property tax levy is \$246.7 million. Of that amount, \$111.6 million is allocated to the general budget. The remaining \$135.1 million is allocated to employee retirement (\$60 million), debt service (\$69.2 million), the Common Council contingent fund (\$5 million) and capital improvements (\$907,000).

## Advantages and limitations

One advantage associated with property taxes is that they are somewhat progressive, in that a taxpayer with more property wealth pays a higher tax, and those who cannot afford a home are not directly subject to the tax. In addition, owning a home tends to be closely tied with consuming certain public services, such as garbage collection, fire prevention and protection, and crime prevention and protection. A property tax can be viewed as the price that a homeowner pays for consuming local services.

Also, property tax *revenue* is more stable than other tax revenue because local governments typically can modify the property tax rate annually to meet expenditure needs, or to accommodate a decline in property values caused by economic change. **Table 11** illustrates that the recent recession, as evidenced by a slowdown in the growth of the region's GDP, caused significant annual variance in sales tax revenues and median incomes, yet property tax revenues rose at a consistent rate.

### ADVANTAGES OF THE PROPERTY TAX

- Closely tied to consumption of public goods
- Provides stable revenue stream

### LIMITATIONS OF THE PROPERTY TAX

- Property tax rates increase when housing values decrease
- Milwaukee has relatively low assessed values
- Milwaukee cannot grow its tax base by growing its land mass

**Table 11: Annual changes in property tax levy and economic indicators**

	Metro-Milwaukee GDP change	County Sales Tax Revenue Change	Total Property Tax Levy Change	Median Household Income Change
2010	-	0.04%	4.12%	-
2009	-0.86%	-9.82%	4.19%	-6.60%
2008	2.47%	3.45%	3.36%	5.81%
2007	3.16%	2.44%	3.30%	3.80%
2006	6.13%	1.52%	4.96%	4.05%

Source: U.S. Census Bureau, American Community Survey

With regard to disadvantages, reliable growth in property tax revenue comes at a cost to homeowners, particularly during times of economic recession when they can least afford it. As shown in **Table 11**, from 2008 to 2009, the median household income in Milwaukee decreased from \$37,331 to \$34,868. Yet, the city's property tax levy increased because the property tax rate was raised from \$8.01 to \$8.09, and then to \$8.89 for 2010.<sup>48</sup> As a result, many homeowners saw their paychecks and home values decrease, but their property tax bill *increase*.

Another drawback to increased reliance on the property tax is that Milwaukee does not have as large a property tax base as other cities, which contributes significantly to the high rates experienced by city homeowners. In fact, among the comparison cities, Milwaukee residents pay

<sup>48</sup> City of Milwaukee, 2010 Plan and Budget.

the highest effective property tax rate, as shown in **Table 12**.<sup>49</sup> Also, as shown in **Table 13**, while other cities rely more heavily on property tax *revenue* to fund city services, they are able to keep property tax *rates* lower because of much higher property values. Boston, for example, with a median home value of \$357,700, generates 66% of its general revenues from the property tax at an effective rate of \$10.20.<sup>50</sup> In contrast, Milwaukee, with a median home value much lower than Boston's, has a much higher effective tax rate (\$24.42). Overall, this contributes to Milwaukee having a very high property tax rate relative to the other comparison cities.

**Table 12: Property tax rates, 2008**

City	Total effective property tax rate (per \$1,000)
<b>Milwaukee</b>	<b>\$24.42</b>
Des Moines	\$20.03
Columbus	\$19.80
Memphis	\$17.40
Atlanta	\$16.40
Oklahoma City	\$12.10
Charlotte	\$10.80
Boston	\$10.20
Portland	\$10.20
Phoenix	\$8.80
Seattle	\$7.90
Denver	\$6.60

Source: Government of the District of Columbia Office of Revenue Analysis

**Table 13: Property revenues as percent of general revenues, 2010**

	Property revenue percent of general revenue	Median Home Value
Seattle	28%	\$452,000
Boston	66%	\$375,700
Portland	43%	\$296,100
Atlanta	35%	\$257,200
Denver	8%	\$244,600
Phoenix	14%	\$182,300
Charlotte	65%	\$175,600
<b>Milwaukee</b>	<b>19%</b>	<b>\$139,100</b>
Columbus	8%	\$138,200
Oklahoma City	0%	\$126,700
Des Moines	51%	\$120,300
Memphis	40%	\$101,400

Source: U.S. Census Bureau QuickFacts

Milwaukee could attempt to increase its property tax levy by growing its tax base, rather than by increasing its tax rate, as occurred from 2000 to 2008. This may, in fact, be the only viable property tax option for the city, as the 2011-2013 state budget caps annual levy increases for local governments at the growth in new construction. While some local governments in

<sup>49</sup> Even though some cities may have a higher mill rate, in many of the cities examined, the taxable value (assessed) of the property is a certain percentage of the market value. For instance, in 2008, Oklahoma City residents paid a total property tax (mill) rate of \$114.33 per \$1,000 of assessed property. In Milwaukee, the tax rate is \$24.42. However, in Oklahoma City, only 11% of the market value of property is subject to taxation, while in Milwaukee 100% of the market value is subject to taxation. Hence, the effective rate of property taxation is much higher in Milwaukee (\$24.42) than in Oklahoma City (\$12.10). See Appendix A for citations to Milwaukee's and Oklahoma City's budget.

<sup>50</sup> The effective rate is calculated by multiplying the property tax rate (nominal) by the assessed value.

Wisconsin may seek to acquire adjacent unincorporated lands as a means of expanding their tax base, Milwaukee is entirely surrounded by incorporated municipalities. As a result, unless property values resume their pre-recession growth, Milwaukee may not be able to increase its property tax levy by more than a percentage point or two for the foreseeable future.

## A BALANCED APPROACH

As explained in previous sections of this report, each of the three major local tax options that ostensibly could allow Milwaukee elected officials to reduce the city's reliance on state shared revenue has limitations. Consequently, perhaps the solution does not lie entirely with one revenue source. The Public Policy Forum has long argued that local governments ideally should be provided the opportunity to seek diverse, balanced revenue sources.<sup>51</sup> Diverse revenue streams protect local governments from fluctuations in the economy and often establish a level of tax fairness that is difficult to achieve with reliance on just one or two sources.

Ironically, state shared revenue was originally designed to provide some diversity in local revenue streams, as well as to benefit local taxpayers by equitably returning a portion of state income tax revenue to local governments. According to the Legislative Fiscal Bureau, "Although the [equity] component of the shared revenue formula is no longer operative, the current aid entitlements under the county and municipal aid program often still reflect the equalizing nature of that former formula. It should be noted, however, that municipalities have changed in both population and property values since the suspension of the shared revenue formulas, and these changes have not been taken into account with the current aid allocations," thus weakening the tie between local taxpayers' needs and their shared revenue allocation.<sup>52</sup>

These changes also have blurred the connection between a local government's service efforts and the amount of shared revenue received. In Milwaukee, changes in spending or taxing no longer have a big impact on the amount of shared revenue received. Instead, the city must rely on the governor and legislature to appropriate aid as they see fit in each biennial budget, while its ability to use broad-based taxation as a means of addressing budgetary needs is quite limited (see **Table 14**).<sup>53</sup>

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<sup>51</sup> Public Policy Forum, *Between a Rock and a Hard Place*, 4.

<sup>52</sup> Wisconsin Legislative Fiscal Bureau, *Budget Paper #595, County and Municipal Aid—Funding Reduction*, June 2, 2011.

<sup>53</sup> The total state appropriation for shared revenue has not been driven by an equalization formula since 2003, at which time the formula was suspended and the total appropriation was reduced. This total was frozen until 2010, when it was reduced again. Reductions in the total appropriation are now distributed among local governments in accordance with their population and share of the state's total property value; however, the annual loss to any local government cannot exceed a legislatively-approved ceiling.

**Table 14: Total broad-based taxation as a percent of general budget revenue, 2010**

City	Percent
<b>Milwaukee</b>	<b>21.7%</b>
Tucson	38.5%
Portland	41.7%
Seattle	44.9%
Pittsburgh	46.0%
Des Moines	51.0%
Oklahoma City	51.0%
Atlanta	52.0%
Phoenix	52.8%
Denver	55.9%
Memphis	59.5%
Austin	60.9%
Boston	65.4%
Charlotte	68.1%
Columbus	78.5%

*Note: See Appendix A for sources.*

### Balanced revenue sources in Milwaukee

Milwaukee's options for diversifying its revenue structure obviously are limited by state law. Nevertheless, as a hypothetical exercise, and in light of the support expressed by city residents for use of a sales tax in the 2008 referendum (albeit for a different purpose), we modeled the impact that a Milwaukee sales tax might have in enhancing revenue diversity and decreasing reliance on state shared revenue.

As **Table 15** illustrates, and as previously calculated, a 1.0% sales tax in the City of Milwaukee would raise about \$80 million. In addition to offsetting the city's \$10.3 million 2011-2013 budget cut in state shared revenue, this new revenue source could accommodate a property tax rate decrease of \$1.12 per \$1,000 of assessed value, from \$9.12 to \$8.00. Furthermore, a 1.0% sales tax could allow Milwaukee to significantly reduce its dependency on state shared revenue, decreasing the percentage of the general budget funded by intergovernmental revenue from 46% to 38%.

**Table 15: Balancing revenues in Milwaukee**

	Revenue change
Sales tax of 1%	\$80,591,510
Reduce property tax rate from \$9.12 to \$8.00 per \$1,000 of value	-\$33,931,000
2011-2013 state budget reduction in shared revenue	-\$10,300,000
Reduce percent of city budget reliant on intergov. revenue to 38%	-\$36,360,510

As shown in **Tables 16 and 17**, under such a scenario, the average household would see its yearly property tax bill decrease by about \$188. Meanwhile, we calculate that the average additional sales tax expenditure incurred by each household would only amount to about \$54.<sup>54</sup>

**Table 16: Estimated property tax relief per household**

	Property tax (per \$1,000)	Average Assessed Value	Average Tax bill
Current:	\$28.38	\$167,709	\$4,759.58
Balanced:	\$27.26	\$167,709	\$4,571.75
<b>Difference:</b>	<b>-\$1.12</b>	-	<b>-\$187.83</b>

**Table 17: Estimated sales tax per household**

	City of Milwaukee
Total Households	230,026
Taxable consumer expenditures by city residents	\$1.241 billion
Taxable retail sales per household	\$5,400
<b>1% sales tax paid per household</b>	<b>\$54</b>

### Advantages and limitations

This balanced revenue structure has several advantages, including a potential for greater sustainability and predictability, greater fiscal independence for city leaders, and a broadened tax base that would include non-residents. **Table 18** illustrates what this diverse revenue structure might look like in terms of the distribution of city revenue sources.

**Table 18: Hypothetical revenue mix with local sales tax**

	% of General Budget Revenue					
	Sales tax	Intergovernmental revenue	Property taxes	User fees	Fringe benefits	Miscellaneous
Current:	-	46%	19%	17%	4%	12%
Hypothetical:	13%	38%	13%	17%	4%	12%

Moving to this more balanced revenue mix would have some limitations, however, in addition to the need for a state law change to allow a municipal sales tax. Using sales tax revenue to decrease property taxes would benefit Milwaukee homeowners, but poorer residents who do not pay property taxes could end up with an increased overall tax burden. Also, while using the sales tax to decrease the city's reliance on state shared revenue would benefit city services, it would provide no immediate monetary benefit for taxpayers. Finally, a new sales tax could result in greater spending if policymakers elected not to provide property tax relief as an offset.

<sup>54</sup> In 2002, residents of the city of Milwaukee spent \$1.24 billion on taxable retail sales in the city of Milwaukee. Hoback, *Analysis of a Local Sales Tax*, 40-41. Dividing that number by the number of households in the city (230,026) would equal the taxable city sales per household (\$5,400).

## CONCLUSION

This analysis demonstrates that there are no easy solutions to the City of Milwaukee's lack of revenue diversification. Because of the city's poverty and relatively low sales and property tax bases, neither of those commonly-used municipal revenue sources is optimal as a primary revenue source for Milwaukee. An income tax, meanwhile, arguably would be the most politically difficult major new revenue source to implement given its potential impact on the city's attractiveness to homeowners and businesses, which already is a point of concern.

Unfortunately, maintaining the status quo also does not appear to be a long-term answer, unless state and local elected officials and citizens are willing to absorb an erosion of city services, or unless state leaders are willing to reverse more than a dozen years of stagnant or reduced shared revenue appropriations. Given that few policy makers have an appetite for reductions in police, fire and public works services – which comprise more than three quarters of the city budget – and the continued financial challenges facing state government, neither of those possibilities seems likely nor appealing.

As noted earlier in this report, it will take some time to fully understand the impacts of the new state budget and budget repair on city finances. If it turns out, however, that the new budget paradigm has Milwaukee leaders wedged between the same rock and a hard place in which they previously found themselves – in other words, over-reliant on shared revenue with few local revenue options and limited ability to address growing fixed costs – then it may finally be time to contemplate a more balanced approach to raising revenue in support of city government. This report suggests one such option not as a panacea, but as food for thought as to how a mix of local revenue options might decrease the city's reliance on Madison, while also sharing more of the revenue burden with visitors to the city and allowing for a reduction in property tax rates.

## METHODOLOGY

This report represents a theoretical analysis of several options of revenue diversification for the City of Milwaukee. The focus is on the revenue side of the ledger; options for spending cuts were not analyzed as part of this exercise. This narrow focus is further limited to revenue supporting the city's general purpose fund. Had the entire city budget been examined, including the capital budget and enterprise funds, added options for revenue diversification likely would have been analyzed. In addition, Milwaukee might have fared differently in the comparison to other cities.

The comparative analysis includes cities that have demographics roughly similar to Milwaukee's, in terms of population, education, and household income. (See Appendix C for demographic data.) All of the comparison cities have populations within 200,000 of Milwaukee's, except Phoenix, which was chosen to represent a larger city. All of the comparison cities have similar education attainment rates—between 70-85% of the population over age 25 have graduated from high school.

Due to Milwaukee's high poverty rate, there are few cities with similar median household income. To ensure comparability to the greatest extent possible, no city with a median household income of over \$50,000 is included in the comparison. In the end, the comparison cities have a combined average median household income of \$34,000, which is close to Milwaukee's \$32,216 median household income.

Additionally, the comparison cities were limited to those that have separate and distinct city and county governments, meaning consolidated city/county governments such as Louisville and Indianapolis were not included.<sup>55</sup> Two cities that perform some county services, Denver and Boston, are included, however.

Finally, each city's revenue structure was considered to ensure a good cross-section of reliance on sales, property, and income taxes, as well as intergovernmental revenue.

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<sup>55</sup> National League of Cities, *List of Consolidated City-County Governments*, 2010. <http://nlc.org/build-skills-networks/resources/cities-101/list-of-consolidated-city-county-governments>

## APPENDIX A – GENERAL BUDGET REVENUES

**Table A1: Percent breakdown of general fund budget revenue**

	Local sales	Inter-governmental	Property taxes*	Licenses, service fees and municipal fines	Individual income	Corporate	Utility franchise	Other revenue	Total
<b>Milwaukee</b>	<b>0.0%</b>	<b>45.9%</b>	<b>21.7%</b>	<b>19.9%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>12.5%</b>	<b>100%</b>
Memphis	17.3%	10.8%	42.2%	3.5%	0.0%	2.4%	0.8%	22.9%	100%
Seattle	16.7%	1.3%	28.3%	13.2%	0.0%	18.6%	19.4%	2.6%	100%
Phoenix	39.2%	32.2%	13.6%	10.6%	0.0%	0.0%	1.0%	3.5%	100%
Denver	48.1%	2.8%	7.8%	21.2%	0.0%	4.6%	1.0%	14.5%	100%
Des Moines	0.0%	3.0%	51.0%	16.0%	0.0%	0.0%	10.0%	20.0%	100%
Columbus	0.0%	7.5%	7.4%	12.4%	71.1%	0.0%	0.0%	1.7%	100%
Boston	0.0%	16.4%	65.4%	8.6%	0.0%	0.0%	0.0%	9.6%	100%
Oklahoma City	51.0%	0.0%	0.0%	18.0%	0.0%	0.0%	11.0%	20.0%	100%
Portland	0.0%	5.7%	41.7%	6.0%	0.0%	12.8%	15.6%	18.2%	100%
Austin	22.8%	0.0%	38.1%	11.2%	0.0%	0.0%	5.4%	22.5%	100%
Charlotte	12.6%	0.6%	55.5%	8.4%	0.0%	3.2%	7.0%	12.7%	100%
Atlanta	18.3%	4.2%	33.7%	15.6%	0.0%	7.2%	8.9%	12.0%	100%
Tucson	35.9%	24.8%	2.7%	19.5%	0.0%	0.0%	4.2%	13.0%	100%
Pittsburgh	0.0%	8.5%	30.6%	11.3%	15.5%	13.4%	0.3%	20.5%	100%

\* Includes payments in lieu of taxes

### General fund budget revenue category definitions

- Local sales tax:** This category includes all sales tax revenue specifically levied by the city government and imposed at the time of purchase on goods and services sold within the city’s jurisdiction.
- Intergovernmental revenue:** Intergovernmental revenue consists of grants and revenue-sharing provided to municipalities from other levels of government, including federal, state and county governments.
- Property taxes:** This category includes property taxes specifically levied by the city government and tax-equivalent payments made by certain non-taxed entities in lieu of taxes. Property tax payments are based on a certain millage of property values.
- Licenses, service fees and municipal fines:** This is a broad category that encompasses revenue generated through various fees that result from regulatory requirements (licensing and permits), charges for service provision, and punitive fines, penalties and forfeitures. Examples include revenue from library fees, building permits, parking tickets, fines from zoning and housing code violations, and emergency medical service charges.
- Individual income tax:** A tax levied specifically by the city government on individual incomes.

- **Corporate taxes and fees:** This category includes taxes and fees imposed by the city government on corporations based on corporate income, payroll and/or number of employees.
- **Utility franchise fee:** A fee levied by the city government on utility companies that utilize city streets and rights-of-way in order to provide the service. Entities most often charged this fee include electric, gas, cable and telecommunication companies.
- **Other revenue:** This category encompasses all other revenue sources. These miscellaneous revenues include investment income, reimbursements from other funds for central services and overhead costs, and transfers from reserve funds.

### City budget document web links

- City of Milwaukee  
[http://city.milwaukee.gov/ImageLibrary/User/crystali/2010budget/2011budget/2011adopted/adopted\\_2011\\_budget1.pdf](http://city.milwaukee.gov/ImageLibrary/User/crystali/2010budget/2011budget/2011adopted/adopted_2011_budget1.pdf)
- City of Memphis  
[http://www.cityofmemphis.org/pdf\\_forms/FY2011\\_AD\\_OP/General\\_Fund\\_Revenue.pdf](http://www.cityofmemphis.org/pdf_forms/FY2011_AD_OP/General_Fund_Revenue.pdf)
- City of Seattle  
[http://www.seattle.gov/financedepartment/11adoptedbudget/documents/2011AD\\_OPTEDBUDGET\\_000.pdf](http://www.seattle.gov/financedepartment/11adoptedbudget/documents/2011AD_OPTEDBUDGET_000.pdf)
- City of Phoenix  
[http://phoenix.gov/BUDGET/bud10\\_13.pdf](http://phoenix.gov/BUDGET/bud10_13.pdf)
- City of Denver  
<http://www.denvergov.org/Portals/9/documents/2011%20Budget/2011%20Mayor's%20Budget.pdf>
- City of Des Moines  
<http://www.dmgov.org/Departments/Finance/PDF/2010adoptedoperatingbudget.pdf>
- City of Columbus  
[http://finance.columbus.gov/uploadedFiles/Finance\\_and\\_Management/Financial\\_Management\\_Group/Budget\\_Management/2011\\_Budget/2011%20Budget.pdf](http://finance.columbus.gov/uploadedFiles/Finance_and_Management/Financial_Management_Group/Budget_Management/2011_Budget/2011%20Budget.pdf)
- City of Boston  
[http://www.cityofboston.gov/Images\\_Documents/02%20Summary%20Budget\\_tcm3-24767.pdf](http://www.cityofboston.gov/Images_Documents/02%20Summary%20Budget_tcm3-24767.pdf)
- City of Oklahoma City  
<http://www.okc.gov/finance/FY10-11%20Budget%20Book%20for%20Publishing%20to%20Web.pdf>
- City of Portland  
<http://www.portlandonline.com/omf/index.cfm?c=53165&a=310568>
- City of Austin  
[http://www.ci.austin.tx.us/budget/10-11/downloads/fy11approved\\_budget\\_vol1.pdf](http://www.ci.austin.tx.us/budget/10-11/downloads/fy11approved_budget_vol1.pdf)

- City of Charlotte  
<http://charmeck.org/city/charlotte/Budget/Documents/FY2011%20Budget%20Summary.pdf>
- City of Atlanta  
[http://www.atlantaga.gov/client\\_resources/government/finance/budget%202011/city%20of%20atlanta%20fy11%20budget.pdf](http://www.atlantaga.gov/client_resources/government/finance/budget%202011/city%20of%20atlanta%20fy11%20budget.pdf)
- City of Tucson  
<http://cms3.tucsonaz.gov/sites/default/files/budget/11BOOK-Op.pdf>
- City of Pittsburgh  
<http://www.city.pittsburgh.pa.us/main/assets/budget/2011/2011-Operating-Capital-Budget.pdf>

## APPENDIX B – SELECTED TAX RATES

**Table B1: Sales tax rates for selected cities**

State	City	Total Sales Tax	Government that levies the tax				
			State Sales Tax Rate	City Sales Tax Rate	County Sales Tax Rate	School Sales Tax Rate	Transit Sales Tax Rate
MA	Boston	5.0%	5.0%				
OR	Portland	5.0%	5.0%				
<b>WI</b>	<b>Milwaukee</b>	<b>5.6%</b>	<b>5.0%</b>		<b>0.6%*</b>		
IA	Des Moines	7.0%	6.0%			1.0%	
OH	Columbus	7.0%	6.0%		1.0%		
PA	Pittsburgh	7.0%	6.0%		1.0%		
AZ	Tucson	7.6%	5.6%	2.0%			
CO	Denver	7.72%	2.9%	3.62%			1.2%
GA	Atlanta	8.0%	4.0%	1.0%		1.0%	1.0%
TX	Austin	8.25%	6.25%	2.0%			
NC	Charlotte	8.25%	5.25%	3.0%			
AZ	Phoenix	8.3%	5.6%	2.0%	0.7%		
OK	Oklahoma City	8.375%	4.5%	3.875%			
TN	Memphis	9.25%	7.0%		2.25%		
WA	Seattle	9.5%	6.5%	0.85%	0.15%		1.8%

\*Includes 0.1% stadium district sales tax in addition to 0.5% county sales tax

**Table B2: Income tax rates for selected cities**

State	City	Resident Rate	Working Non-resident Rate
PA	Pittsburgh	2.5%	2.5%
OH	Columbus	1.0%	0.0%

## APPENDIX C – CITY DEMOGRAPHICS

**Table C1: City demographics**

	Atlanta	Austin	Boston	Charlotte	Columbus	Denver	Des Moines	Memphis
<b>Population, 2006 estimate</b>	486,411	709,893	590,763	630,478	733,203	566,974	193,886	670,902
<b>High school graduates, percent of persons age 25+, 2000</b>	76.90%	83.4%	78.9%	84.9%	83.80%	78.9%	83.00%	76.4%
<b>Bachelor's degree or higher, pct of persons age 25+, 2000</b>	34.60%	40.4%	35.6%	36.4%	29.00%	34.5%	21.80%	20.9%
<b>Housing units, 2000</b>	186,925	276,842	251,935	230,434	327,175	251,435	85,067	271,552
<b>Homeownership rate, 2000</b>	43.70%	44.8%	32.2%	57.5%	49.10%	52.5%	64.70%	55.8%
<b>Median value of owner-occupied housing units, 2000</b>	\$130,600	\$124,700	\$190,600	\$134,300	\$101,400	\$165,800	\$81,100	\$72,800
<b>Households, 2000</b>	168,147	265,649	239,528	215,449	301,534	239,235	80,504	250,721
<b>Median household income, 1999</b>	\$34,770	\$42,689	\$39,629	\$46,975	\$37,897	\$39,500	\$38,408	\$32,285
<b>Per capita money income, 1999</b>	\$25,772	\$24,163	\$23,353	\$26,823	\$20,450	\$24,101	\$19,467	\$17,838
<b>Persons below poverty, percent, 1999</b>	24.40%	14.4%	19.5%	10.6%	14.80%	14.3%	11.40%	20.6%
<b>Retail sales, 2002 (\$1,000)</b>	\$4,732,270	\$9,784,154	\$5,424,321	\$7,943,719	\$9,213,094	\$6,405,054	\$2,029,780	\$7,485,959
<b>Retail sales per capita, 2002</b>	\$10,670	\$14,583	\$9,268	\$13,674	\$12,744	\$11,486	\$10,251	\$11,055
<b>Total Revenue for General Budget (\$ millions)*</b>	\$559.52	\$650.20	\$2,386.00	\$445.50	\$682.91	\$896.20	\$471.00	\$634.82

\*Revenue from each city's 2011 general budget

Source: U.S. Census, QuickFacts

**Table C1: City demographics, *continued***

	<b>Milwaukee</b>	<b>Oklahoma City</b>	<b>Phoenix</b>	<b>Pittsburgh</b>	<b>Portland</b>	<b>Seattle</b>	<b>Tucson</b>
<b>Population, 2006 estimate</b>	<b>573,358</b>	537,734	1,512,986	312,819	537,081	582,454	518,956
<b>High school graduates, percent of persons age 25+, 2000</b>	<b>74.8%</b>	81.3%	76.6%	81.3%	85.7%	89.5%	80.40%
<b>Bachelor's degree or higher, pct of persons age 25+, 2000</b>	<b>18.3%</b>	24.0%	22.7%	26.2%	32.6%	47.2%	22.90%
<b>Housing units, 2000</b>	<b>249,225</b>	228,149	495,832	163,366	237,307	270,524	209,609
<b>Homeownership rate, 2000</b>	<b>45.3%</b>	59.4%	60.7%	52.1%	55.8%	48.4%	53.40%
<b>Median value of owner-occupied housing units, 2000</b>	<b>\$80,400</b>	\$80,300	\$112,600	\$59,700	\$154,900	\$259,600	\$96,300
<b>Households, 2000</b>	<b>232,188</b>	204,434	465,834	143,739	223,737	258,499	192,891
<b>Median household income, 1999</b>	<b>\$32,216</b>	\$34,947	\$41,207	\$28,588	\$40,146	\$45,736	\$30,981
<b>Per capita money income, 1999</b>	<b>\$16,181</b>	\$19,098	\$19,833	\$18,816	\$22,643	\$30,306	\$16,322
<b>Persons below poverty, percent, 1999</b>	<b>21.3%</b>	16.0%	15.8%	20.4%	13.1%	11.8%	18.40%
<b>Retail sales, 2002 (\$1,000)</b>	<b>\$3,594,429</b>	\$6,250,285	\$13,623,483	\$3,561,046	\$6,859,207	\$9,029,268	\$6,591,356
<b>Retail sales per capita, 2002</b>	<b>\$6,094</b>	\$12,057	\$9,960	\$10,872	\$12,758	\$15,833	\$13,152
<b>Total Revenue for General Budget (\$ millions)*</b>	<b>\$591.09</b>	\$ 373 .50	\$948.00	\$447.07	\$451.81	\$923.00	\$443.00

\*Revenue from each city's 2011 general budget

Source: U.S. Census, QuickFacts

## APPENDIX D – INCOME TAX CALCULATION

**Table D1: Income tax calculation**

(A) Household Income Bracket	(B) Estimated AGI	(C) # of Households	(D) Personal exemption	(E) Deduction	(F) Taxable income per household	(G) Total Taxable Income	(H) Tax rate	(I) Net Tax
<b>In-City</b>								
Less than \$10,000	\$5,000	25,488	\$700	\$8,460	(\$4,160)	(\$106,030,080)	1.0%	\$0
\$10,000 to \$14,999	\$12,000	19,124	\$700	\$8,460	\$2,840	\$54,312,160	1.0%	\$543,122
\$15,000 to \$24,999	\$19,000	33,755	\$700	\$8,460	\$9,840	\$332,149,200	1.0%	\$3,321,492
\$25,000 to \$34,999	\$30,000	30,767	\$700	\$8,460	\$20,840	\$641,184,280	1.0%	\$6,411,843
\$35,000 to \$49,999	\$42,000	37,674	\$700	\$8,460	\$32,840	\$1,237,214,160	1.0%	\$12,372,142
\$50,000 to \$74,999	\$63,000	42,648	\$700	\$8,460	\$53,840	\$2,296,168,320	1.0%	\$22,961,683
\$75,000 to \$99,999	\$88,000	20,613	\$700	\$8,460	\$78,840	\$1,625,128,920	1.0%	\$16,251,289
\$100,000 to \$149,999	\$125,000	14,673	\$700	\$0	\$124,300	\$1,823,853,900	1.0%	\$18,238,539
\$150,000 to \$199,999	\$175,000	3,116	\$700	\$0	\$174,300	\$543,118,800	1.0%	\$5,431,188
\$200,000 or more	\$200,000	2,168	\$700	\$0	\$199,300	\$432,082,400	1.0%	\$4,320,824
<b>Total in city</b>								<b>\$89,852,121</b>
<b>Out of the city</b>								
	\$45,000	81,760	\$700	\$8,460	\$35,840	\$2,930,278,400	0.5%	\$14,651,392
<b>Total out of city</b>								<b>\$14,651,392</b>
<b>Total income tax</b>								<b>\$104,503,513</b>

### One percent income tax on residents of Milwaukee

The total number of households in the City of Milwaukee separated by income bracket (columns A and C) comes from the American Communities Survey.<sup>56</sup> The estimated adjusted gross income, or AGI, per household within each income bracket (column B) is the mid-point of the bracket.

Column D is the personal exemption for a single person with one child (\$700 in 2006) and column E is the maximum standard deduction of \$8,460, which phases out to zero at incomes

<sup>56</sup>U.S. Census Bureau, *Milwaukee (city), Wisconsin*, 2005-2009 American Community Survey 5-year estimates, 2009 Selected Economic Statistics.

above \$92,500.<sup>57</sup> This taxable income per household (column F) equals the estimated AGI minus the personal exemption and standard deduction.

The total taxable income (column G) is the product of the taxable income per household multiplied by the number of households. Applying the 1% tax rate (column H) to the total taxable income results in the net tax (column I). The sum of the net tax for each income bracket equals the total estimated local income tax revenue for City of Milwaukee residents, or \$89.9 million.

### **Half percent income tax on non-residents who work in Milwaukee**

U.S. Census data indicate that the total population of the City of Milwaukee increases by 14% each day due to suburban commuters coming into the city for work, or about 82,000 individuals (column C).<sup>58</sup> The average adjusted gross income per Wisconsin household of \$45,000 is used to estimate the annual income of those individuals (column B).<sup>59</sup> The taxable income per household (column F) is thus the estimated AGI minus the personal exemption and standard deduction.

The total taxable income (column G) results from multiplying the taxable income per person by the total number of commuters. Finally, the total taxable income is multiplied by the hypothetical tax rate of .5% (column H) to result in the net income tax from non-Milwaukee residents working in Milwaukee, or \$14.7 million.

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<sup>57</sup> Wisconsin Department of Revenue, Division of Research and Policy, *The Wisconsin Individual Income Tax*, November 20, 2006. See this source for additional information on the process of calculating the income tax liability.

<sup>58</sup> Estimated Daytime Population, U.S. Census Bureau, 2000.

<http://www.census.gov/population/www/socdemo/daytime/daytimepop.html>

<sup>59</sup> Wisconsin Department of Revenue, Division of Research and Policy, *The Wisconsin Individual Income Tax*, November 20, 2006. For this calculation, we apply the household average to individuals.

## APPENDIX E – TAX BURDEN

**Table E1: Tax burden for family of three – household income \$25,000**

City	Taxes				Tax Burden	
	Income	Property	Sales	Auto	Amount	Percent
Boston	\$228	\$2,424	\$288	\$173	\$3,113	12.5%
Columbus	\$751	\$1,512	\$570	\$185	\$3,018	12.1%
Phoenix	\$116	\$1,642	\$992	\$161	\$2,911	11.6%
Des Moines	\$421	\$1,332	\$715	\$377	\$2,845	11.4%
Seattle	\$0	\$1,793	\$796	\$241	\$2,830	11.3%
Denver	\$164	\$1,783	\$670	\$211	\$2,828	11.3%
Memphis	\$0	\$1,574	\$1,025	\$138	\$2,737	10.9%
Oklahoma City	\$158	\$1,464	\$915	\$182	\$2,719	10.9%
Portland	\$51	\$1,711	\$396	\$220	\$2,378	9.5%
<b>Milwaukee</b>	<b>\$0</b>	<b>\$1,512</b>	<b>\$564</b>	<b>\$241</b>	<b>\$2,317</b>	<b>9.3%</b>

Source: Government of the District of Columbia, *Tax Rates and Tax Burdens, A Nationwide Comparison, 2009*.

<http://www.scstatehouse.gov/citizensinterestpage/TRAC/091010Meeting/TRACTaxRatesandTaxBurdenANationwideComparison2008.pdf>

**Table E2: Tax burden for family of three – household income \$50,000**

City	Taxes				Burden	
	Income	Property	Sales	Auto	Amount	Percent
Columbus	\$1,985	\$2,141	\$836	\$221	\$5,183	10.4%
<b>Milwaukee</b>	<b>\$1,292</b>	<b>\$2,660</b>	<b>\$824</b>	<b>\$281</b>	<b>\$5,057</b>	<b>10.1%</b>
Boston	\$1,656	\$2,519	\$445	\$277	\$4,897	9.8%
Des Moines	\$998	\$2,315	\$1,060	\$473	\$4,846	9.7%
Seattle	\$0	\$2,331	\$1,153	\$305	\$3,789	7.6%
Portland	\$1,691	\$1,794	\$0	\$187	\$3,672	7.3%
Oklahoma City	\$1,164	\$970	\$1,289	\$204	\$3,627	7.3%
Denver	\$789	\$1,157	\$977	\$353	\$3,276	6.6%
Memphis	\$0	\$1,396	\$1,443	\$166	\$3,005	6.0%
Phoenix	\$488	\$834	\$1,363	\$277	\$2,962	5.9%

Source: Government of the District of Columbia, *Tax Rates and Tax Burdens, A Nationwide Comparison, 2009*.

<http://www.scstatehouse.gov/citizensinterestpage/TRAC/091010Meeting/TRACTaxRatesandTaxBurdenANationwideComparison2008.pdf>

**Table E3: Tax burden for family of three – household income \$75,000**

City	Taxes				Burden	
	Income	Property	Sales	Auto	Amount	Percent
Columbus	\$3,492	\$2,493	\$1,193	\$337	\$7,515	10.0%
Des Moines	\$2,177	\$2,846	\$1,492	\$811	\$7,326	9.8%
<b>Milwaukee</b>	<b>\$2,866</b>	<b>\$2,761</b>	<b>\$1,151</b>	<b>\$446</b>	<b>\$7,224</b>	<b>9.6%</b>
Boston	\$2,938	\$2,723	\$622	\$474	\$6,757	9.0%
Oklahoma City	\$2,535	\$1,290	\$1,741	\$335	\$5,901	7.9%
Portland	\$3,446	\$2,156	\$0	\$284	\$5,886	7.8%
Denver	\$1,854	\$1,290	\$1,363	\$548	\$5,055	6.7%
Seattle	\$0	\$2,762	\$1,630	\$473	\$4,865	6.5%
Phoenix	\$1,109	\$967	\$1,842	\$409	\$4,327	5.8%
Memphis	\$0	\$1,945	\$1,958	\$252	\$4,155	5.5%

Source: Government of the District of Columbia, *Tax Rates and Tax Burdens, A Nationwide Comparison*, 2009.

<http://www.scstatehouse.gov/citizensinterestpage/TRAC/091010Meeting/TRACTaxRatesandTaxBurdenANationwideComparison2008.pdf>

**Table E4: Tax burden for family of three – household income \$100,000**

City	Taxes				Burden	
	Income	Property	Sales	Auto	Amount	Percent
Columbus	\$5,238	\$2,890	\$1,713	\$355	\$10,196	10.2%
Des Moines	\$3,598	\$3,333	\$2,059	\$952	\$9,942	9.9%
<b>Milwaukee</b>	<b>\$4,556</b>	<b>\$3,213</b>	<b>\$1,664</b>	<b>\$465</b>	<b>\$9,898</b>	<b>9.9%</b>
Boston	\$4,292	\$2,811	\$909	\$775	\$8,787	8.8%
Oklahoma City	\$3,888	\$1,548	\$2,389	\$355	\$8,180	8.2%
Portland	\$5,438	\$2,306	\$0	\$299	\$8,042	8.0%
Denver	\$2,988	\$1,399	\$1,949	\$988	\$7,324	7.3%
Phoenix	\$1,821	\$1,149	\$2,605	\$714	\$6,289	6.3%
Seattle	\$0	\$2,777	\$2,332	\$526	\$5,635	5.6%
Memphis	\$25	\$2,245	\$2,658	\$265	\$5,193	5.2%

Source: Government of the District of Columbia, *Tax Rates and Tax Burdens, A Nationwide Comparison*, 2009.

<http://www.scstatehouse.gov/citizensinterestpage/TRAC/091010Meeting/TRACTaxRatesandTaxBurdenANationwideComparison2008.pdf>

**Table E5: Tax burden for family of three – household income \$150,000**

City	Taxes				Burden	
	Income	Property	Sales	Auto	Amount	Percent
Columbus	\$8,898	\$3,673	\$2,009	\$341	\$14,921	9.9%
Des Moines	\$6,413	\$4,375	\$2,397	\$1,069	\$14,254	9.5%
<b>Milwaukee</b>	<b>\$7,748</b>	<b>\$3,994</b>	<b>\$1,949</b>	<b>\$450</b>	<b>\$14,141</b>	<b>9.4%</b>
Portland	\$9,823	\$2,668	\$0	\$287	\$12,778	8.5%
Boston	\$6,986	\$3,047	\$1,047	\$939	\$12,019	8.0%
Oklahoma City	\$6,583	\$2,073	\$2,785	\$347	\$11,788	7.9%
Denver	\$5,212	\$1,650	\$2,250	\$1,226	\$10,338	6.9%
Phoenix	\$3,389	\$1,489	\$3,016	\$893	\$8,787	5.9%
Memphis	\$221	\$2,914	\$3,083	\$255	\$6,473	4.3%
Seattle	\$0	\$3,025	\$2,702	\$547	\$6,274	4.2%

Source: Government of the District of Columbia, *Tax Rates and Tax Burdens, A Nationwide Comparison*, 2009.

<http://www.scstatehouse.gov/citizensinterestpage/TRAC/091010Meeting/TRACTaxRatesandTaxBurdenANationwideComparison2008.pdf>

## APPENDIX F – SALES TAX CALCULATIONS

### 0.5% tax could raise \$40.2 million

The City of Milwaukee is home to 59.7% of the population of Milwaukee County;<sup>60</sup> therefore, if the city could raise 59.7% of the revenue raised by the 0.5% county sales tax, it would raise an estimated \$40.3 million. In 2009, Milwaukee County raised \$67,435,903 in sales tax revenue with a 0.5% county sales tax.<sup>61</sup>

$$0.597 \times \$67,435,903 = \$40,295,755$$

### 1.0% tax could raise \$80.4 million

A 1.0% sales tax in the City of Milwaukee would likely raise about double the revenue of a 0.5% tax.

$$\$40,295,755 \times 2 = \$80,591,510$$

### 0.1% tax could raise \$10 million

A 0.1% sales tax in the City of Milwaukee would likely raise about 20% (.001/.005) of the revenue of a 0.5% tax.

$$\$40,295,755 \times (.001 / .005) = \$8,059,151$$

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<sup>60</sup> U.S. Census

<sup>61</sup> [http://county.milwaukee.gov/ImageLibrary/User/bpariseau/09AdoptedOperatingBudget/1996County\\_Sales\\_Tax\\_Revenue.pdf](http://county.milwaukee.gov/ImageLibrary/User/bpariseau/09AdoptedOperatingBudget/1996County_Sales_Tax_Revenue.pdf)