*Fiscal Facts by Wisconsin Policy Forum*

**Locals give wheel taxes the gas**

Collections from local vehicle registration fees in Wisconsin rose rapidly in recent years, with revenues tripling between 2017 and 2021. The trend was driven by new fees approved in Madison as well as Milwaukee and Dane counties, but many other communities also added or increased fees.

Wheel taxes represent one of the few local revenues the state’s city, village, town, and county officials can raise at their discretion. Though state road aids have grown in recent years, the state has placed property taxes under strict state limits and kept most other forms of aid relatively flat. As these trends unfolded, more and more local governments have turned to wheel taxes.

Revenue from these fees — imposed by local governments on vehicles kept within their boundaries — must be used for transportation needs such as streets but can offset property taxes, allowing those dollars to be used for other purposes.

Local wheel tax collections rose by 12.1% over the past year, marking their seventh year in a row of double-digit growth. Local governments in Wisconsin collected $62.8 million in vehicle registration fees in fiscal year 2021 (the 12 months ended on June 30), which was up from $56 million in fiscal 2020.

As recently as December 2011, only four communities in Wisconsin imposed a local wheel tax and only one — the city of Milwaukee — had more than 85,000 people. By February 2022, there will be 44 local governments in Wisconsin with a vehicle registration fee. The list now includes Milwaukee and Dane counties and the cities of Madison, Green Bay, and Appleton. The average fee per vehicle has also risen over time.

Notably, the cost of vehicle ownership from all state and local registration fees, taxes on fuel, and environmental fees remains favorable in Wisconsin compared to neighboring states. Data from the Wisconsin Department of Transportation show the owner of a 2020 Toyota Camry who lives in Milwaukee and drives 10,000 miles per year pays state and local governments $248 in annual fees and taxes. That was well below fees and taxes for the same car and driver in the largest cities in Illinois, Minnesota, Michigan, or Iowa.

Yet the story is different when we take the same hypothetical driver but substitute an older 2008 Camry — here the Milwaukee motorist’s costs are higher than their counterparts in Minneapolis and Detroit.

The main reason for this difference is Wisconsin’s state and local wheel taxes (as well as those in Illinois) are flat fees that do not change with the vehicle’s value. Registration fees in Minnesota, Michigan, and Iowa vary according to a vehicle’s starting value, current age, and in Iowa, vehicle weight.

As a result, the fees in Wisconsin amount to a relatively regressive form of taxation compared to those neighboring states and pose a greater difficulty for low-income motorists. As these fees grow, so will their impact.

*This information is provided to Wisconsin Newspaper Association members as a service of the Wisconsin Policy Forum, the state’s leading resource for nonpartisan state and local government research and civic education. Learn more at wispolicyforum.org.*