**Fiscal Facts: Property Taxes shoot up, but tax credits cushion the blow**

On bills being mailed out this month, gross property taxes in Wisconsin will climb by the largest amount since the Great Recession. This comes in spite of the current state budget, which delivered historic aid increases to municipalities and counties.

State tax credits will help hold down the net tax that property owners actually pay. But the increase highlights the impact of inflation on taxpayers and school districts, and raises the question of whether the state could do more to address it.

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.

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.

The state budget also increased two state tax credits that lower the net amount owed by homeowners and businesses. 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.

After being frozen for two years, this budget increased state caps on school revenues by much more than the amount of additional state aid provided to districts. That left local school officials with the authority to raise property taxes substantially.

Since 2011, the state has kept relatively tight limits on K-12 and other local property taxes. The current state budget seeks to assist local governments by providing substantial increases in aid for local services such as education and public safety. At the same time, however, inflation and employee turnover have pushed up the wages of some local workers such as teachers by as much as 8% this year. Looking ahead, pressures on local governments and property taxpayers are unlikely to dissipate, as 2024 marks the end of federal pandemic funding for services such as K-12 education and local transit.

The state expects to close its current budget in 2025 with $4 billion left in its general fund and nearly $2 billion in its rainy day fund. State officials seem to be focused on using these funds for income tax cuts or child care funding. They may also wish to consider what will be needed for local leaders to limit increases in property taxes while maintaining local services.

*This information is 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*](https://wispolicyforum.org/research/state-tax-burden-up-but-overall-burden-still-falling/)*.*