

LOCALS GIVE WHEEL TAXES THE GAS

Collections from local vehicle registration fees 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, though many other communities also added or increased fees. With property taxes and state aid limited, these fees represent one of the few sources of new revenue for local governments. They are also an emerging cost for vehicle owners, though Wisconsin's fees remain competitive with neighboring states, particularly for newer cars.

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.

Revenue from these fees imposed by local governments on vehicles kept within their boundaries has risen more than threefold since 2017 (see Figure 1). The funds must be used for transportation needs such as streets but can offset property taxes, allowing those dollars to be used for other purposes such as public safety, libraries, or parks.

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 have played out, more

and more local governments have turned to wheel taxes in recent years.

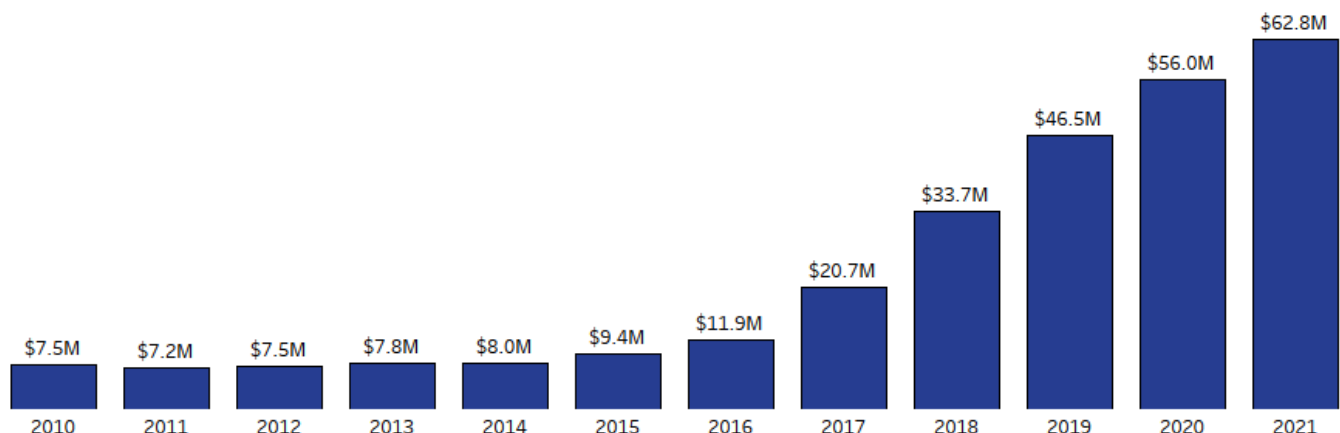
WHEEL TAXES ROLL ACROSS STATE

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 (13 counties, 22 cities, eight villages, and one town). In addition to the state's largest city, the list now includes Milwaukee and Dane counties and the cities of Madison, Green Bay, and Appleton (see Figure 2 on page 2).

The average fee per vehicle has also risen over time. Some smaller communities still limit their fee to \$10 or \$20 per year as all communities did a decade ago. Yet a handful of local governments now impose fees of \$30 per year and even \$40 in the case of the city of Madison. In January, the city of Janesville will double its

Figure 1: Wheel Taxes Undergo Swift Growth

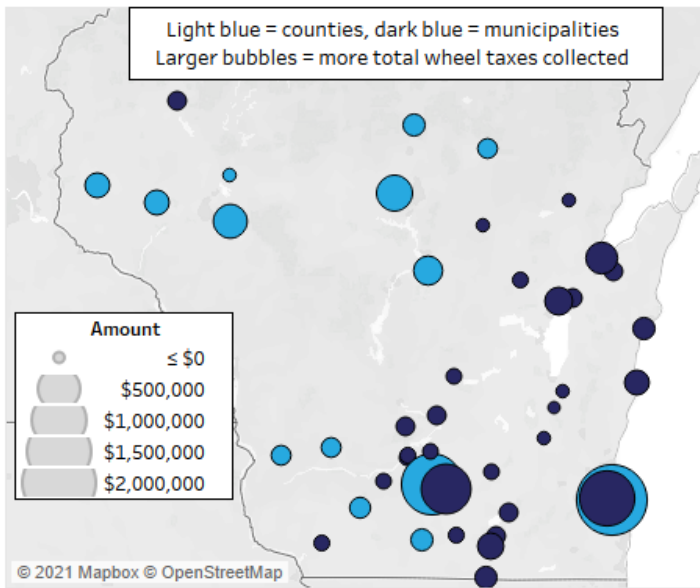
Local vehicle registration fee revenues* in Wisconsin, fiscal 2010-2021



Source: Wisconsin Department of Transportation; *revenues do not include portion retained by DOT for administration.

Figure 2: Local Wheel Taxes by Community

Monthly fee revenue by municipality or county for June 2021



Source: WI Department of Transportation; amounts include state administrative fee.

fee to \$40 annually and the village of Port Edwards will put a new \$35 fee in place. State law requires local governments to charge the same amount regardless of the value, age, or weight of the vehicle.

In the near term, growth in wheel tax collections could slow. Despite the pandemic, local property and sales tax revenues have been relatively stable and communities throughout the state have benefited from federal relief funds that helped address budget challenges in areas such as transit, public health, room tax collections, and parking revenues. A potential federal infrastructure bill may provide further assistance. In addition, some of the state's largest communities have already approved a substantial vehicle fee, which may make further increases in the near term less likely.

Wheel taxes also remain a relatively small part of local government finances. Revenues from these local fees amount to less than 1% of all local property tax revenues and only 13% of county sales tax revenues.

Yet, as Figure 2 shows, these fees have spread rapidly around the state in recent years and over the long term are likely to continue to grow. As the Forum [has made clear](#) in [recent reports](#), local governments have few sources of tax revenue besides the tightly limited property tax. As a soon-to-be-released Forum report will show, the main form of state aid for local roads has outpaced inflation over the past generation but other forms of state aid such as shared revenue have not.

Recently, a few local governments have experimented with creating a “transportation utility” that treats local roads as a utility and charges property owners in the jurisdiction a fee based on the estimated amount of traffic generated by the parcel. Transportation utilities date back to the 1980s in Oregon and have also been used in cities in Washington, Idaho, Utah, Colorado, Texas, Missouri, and Florida, [according to the U.S. Department of Transportation](#).

In Wisconsin, however, a legal challenge has been made to the utility created by the Town of Buchanan in Outagamie County and its outcome remains uncertain. If transportation utilities are ultimately upheld, they may eventually compete with wheel taxes as a financing mechanism for local roads.

Many municipal officials and some lawmakers also argue for letting cities levy sales taxes, but the Legislature has yet to approve the idea. That leaves vehicle fees as one of the few revenues local officials can raise at will without a referendum, though in 2019 some lawmakers [unsuccessfully sought](#) to require voter approval for wheel taxes. Once federal relief funds are exhausted, more local governments may turn to wheel taxes to cover the rising costs of maintaining streets and providing other essential services.

VEHICLE FEES IN MILWAUKEE, MADISON

The impact of vehicle registration fees on motorists – particularly low-wage workers – has grown. For its part, the state increased its annual vehicle registration fee from \$55 in 2007 to \$75 in 2008 and \$85 in 2019. That does not include additional yearly fees of \$100 for electric vehicles and \$75 for hybrids.

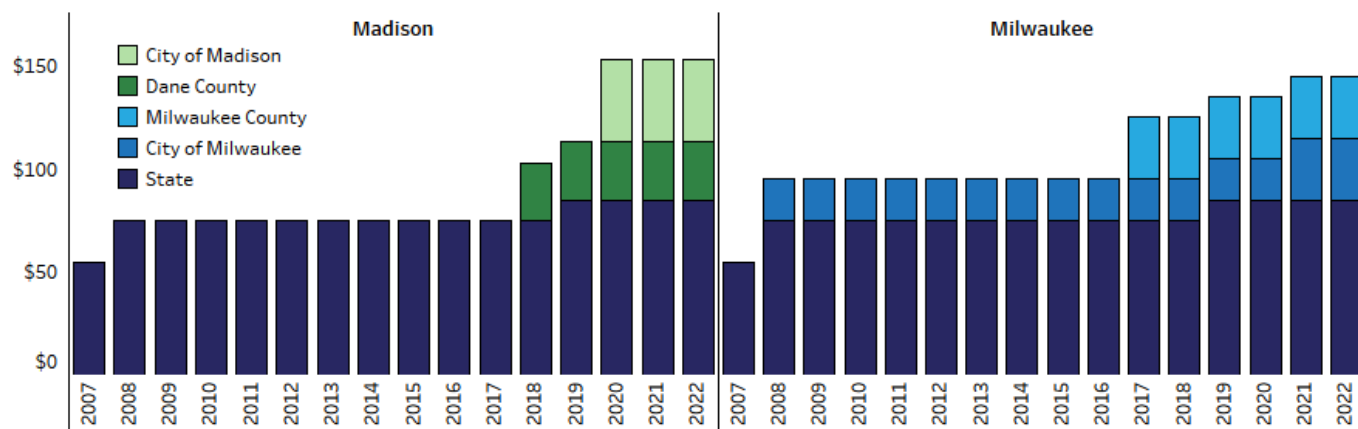
In addition to these state fees, motorists in many of Wisconsin's largest cities now pay either a municipal or a county wheel tax and in some cases both. As Figure 3 shows, motorists in Madison now pay at least \$153 per vehicle per year (\$85 to the state, \$40 to the city, and \$28 to Dane County). In the city of Milwaukee, motorists pay at least \$145 per vehicle per year (\$85 to the state, \$30 to the city, and \$30 to Milwaukee County).

For drivers overall, the cost of vehicle ownership from any state and local registration fees, taxes on motor fuel, and environmental fees remains favorable in Wisconsin compared to our neighboring states. [Data from the Wisconsin Department of Transportation](#) (DOT)



Figure 3: Madison, Milwaukee Motorists See Fees More than Double

Combined yearly state and local registration fees* per vehicle, calendar 2007-2022



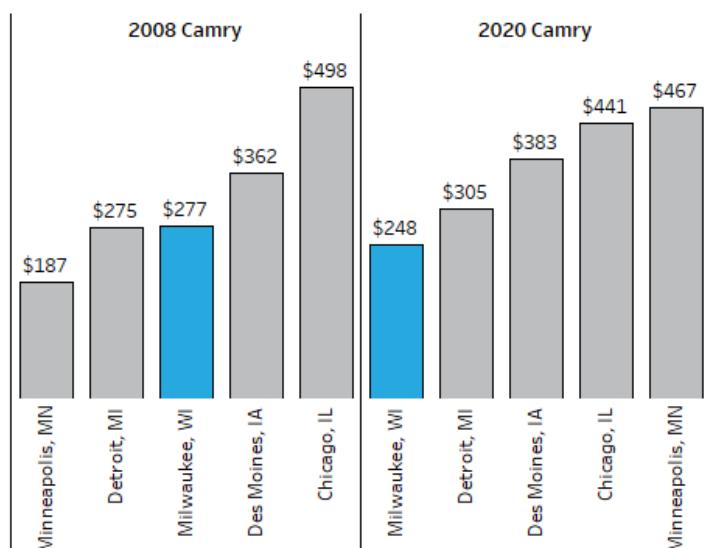
Sources: Legislative Fiscal Bureau, local governments. *Does not include state one-time title fee, which increased from \$36 in 2007 to \$164.50 today, and the additional annual hybrid vehicle registration fee of \$75 and electric vehicle fee of \$100 - both added in 2018.

show the owner of a 2020 Toyota Camry who lives in the city of Milwaukee and drives 10,000 miles per year pays state and local governments \$248 in annual fees and taxes (see Figure 4). That was well below similar fees and taxes for the same car and driver in the largest city in Illinois, Minnesota, Michigan, or Iowa – even without counting the additional highway tolls paid in some other states such as Illinois.

Yet as the chart shows, the story is somewhat different when we take the same hypothetical driver but substitute an older 2008 Camry. Here the Milwaukee motorist's costs are somewhat higher than their counterparts in Minneapolis and Detroit.

Fig. 4: Wis. Costs Low - Particularly for New Car Owners

Annual state and local gas and any sales taxes, vehicle registration fees, and environmental fees by vehicle after 10,000 miles



Source: Wisconsin Department of Transportation; annual costs do not include tolls.

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. In contrast, registration fees in Minnesota, Michigan, and Iowa vary according to a vehicle's starting value and current age (and weight in the case of Iowa). 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.

At the same time, the [National Conference of State Legislatures has found](#) that 25 states use a simple flat vehicle registration fee as Wisconsin does – more than any other approach. Wheel taxes in Wisconsin also still contain an element of progressivity because they are not charged to citizens who cannot afford a vehicle and those with additional vehicles pay more. Revenues from a flat fee may also be more progressive in terms of their use – for example, Madison's fee helps to fund transit services, providing a benefit to all its riders, particularly low-income workers. Madison also essentially reimburses certain low-income families for the cost of the fee through a gift card. However, this step involves additional administrative work and the gift card is not available to all low-income families.

CONCLUSION

If the state continues to limit other sources of new revenue for local governments in Wisconsin, they may turn increasingly to vehicle registration fees to help cover the growth in their ongoing costs. Currently, state law provides local governments with few options in how to impose and administer those fees.



Going forward, state lawmakers may wish to consider whether to adopt a new approach to determining vehicle fees at the state level – such as basing them on a vehicle’s age and value – and whether to give local governments similar flexibility. If legislators would prefer to avoid large increases in wheel taxes altogether, they could limit the maximum local wheel tax while providing some additional revenues in the form of state aid or new local options such as a municipal sales tax. Lawmakers also could seek ways to hold down road maintenance and construction costs and to ensure that state road aids are delivered fairly and effectively to the communities most in need of them.

Wheel taxes often generate controversy during local government budget debates and a handful of communities, such as Chippewa County, have even eliminated their fees after imposing them for several years. Yet, without significant changes at the state level, more motorists in Wisconsin will likely find additional charges when future vehicle registration renewals hit their mailboxes.

