



# CITY OF MILWAUKEE'S REVENUE STRUCTURE

PUBLIC POLICY FORUM

IMPARTIAL RESEARCH. INFORMED DEBATE.



CITY OF MILWAUKEE'S FISCAL CONDITION:  
**MAKING ENDS MEET**  
AN INDEPENDENT THIRD-PARTY ANALYSIS

PUBLIC POLICY FORUM



**ON THE MONEY?**  
THE CITY OF MILWAUKEE'S UNCOMMON REVENUE  
STRUCTURE AND HOW IT COMPARES TO PEER CITIES



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# MILWAUKEE VS PEER CITIES



# PROPERTY TAX SHARE OF LOCAL TAX REVENUES

Peer Cities  
Milwaukee  
Median (52%)

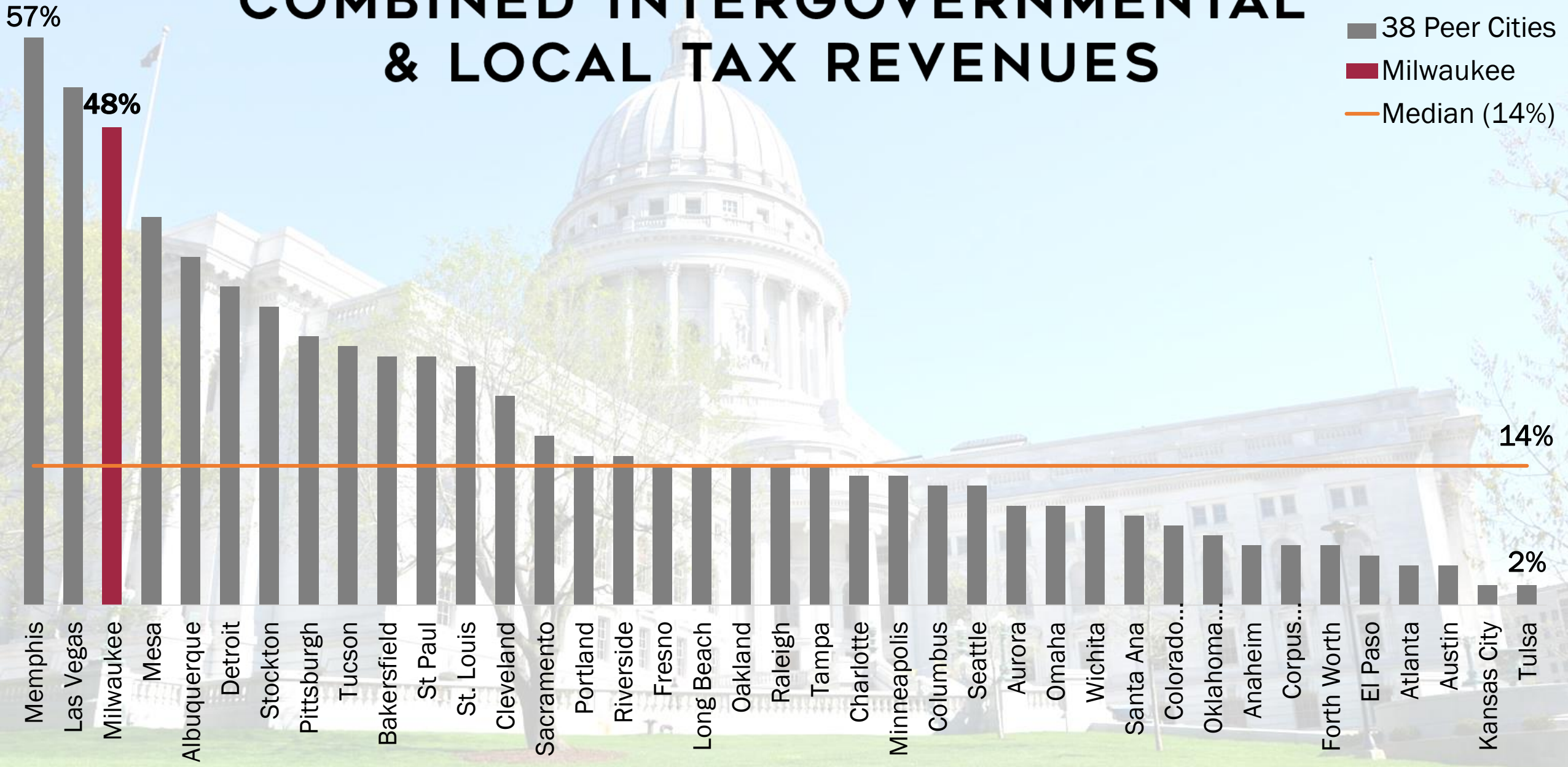
96%

52%

6%



# STATE FUNDING SHARE OF COMBINED INTERGOVERNMENTAL & LOCAL TAX REVENUES



# PER CAPITA LOCAL TAX REVENUE

Cities*	Property	Total Sales	Income	Other	Total Local
1. St Louis	\$233	\$816	\$581	\$76	\$1,706
2. Kansas City	\$268	\$734	\$459	\$148	\$1,608
3. Seattle	\$639	\$727	\$0	\$103	\$1,469
4. Oakland	\$821	\$286	\$0	\$333	\$1,440
5. Atlanta	\$724	\$340	\$0	\$143	\$1,207
6. Minneapolis	\$869	\$240	\$0	\$76	\$1,185
7. Pittsburgh	\$444	\$372	\$244	\$108	\$1,167
8. Cleveland	\$143	\$81	\$790	\$54	\$1,068
9. Detroit	\$377	\$315	\$331	\$44	\$1,068
10. Portland	\$719	\$124	\$0	\$188	\$1,031
<b>34. Milwaukee</b>	<b>\$484</b>	<b>\$0</b>	<b>\$0</b>	<b>\$22</b>	<b>\$507</b>

\* Of 39 peer cities

# MILWAUKEE'S PEER RANKINGS

<b>State revenue as percentage of total intergov/local taxes</b>	<b>3rd</b>
<b>Property tax as percentage of local taxes</b>	<b>1st</b>
<b>Sales tax as percentage of local taxes</b>	<b>39th</b>
<b>Per capita local taxes</b>	<b>34th</b>
<b>Per capita total local + intergovernmental</b>	<b>19th</b>

*Note: Of 39 peer cities*

# TAKEAWAYS

## **Our tax structure is unique in the Midwest.**

We're the only Midwestern state that limits its muni's to the property tax and one of the only where the largest city has the same tax structure as others.

## **Our absence of sales taxes is striking.**

30 of 38 peer cities have a general sales tax; each of the remaining eight generates substantial revenue from other taxes besides the property tax, including selective sales taxes.

## **Larger cities use more sales tax and less property tax.**

Sales taxes comprise > 40% of local taxes in cities w/populations over 300,000, but 28% for those between 150,000 -300,000; there are good reasons why.

## **State aid is a minor source of revenue for most peer cities.**

State funding represented 14% or less of total combined intergovernmental and local taxes for half of the peers.





# MIDWESTERN PEER CITIES



# MILWAUKEE

POPULATION: 600,155

GOVERNMENTAL FUND REVENUES: \$834,022,000

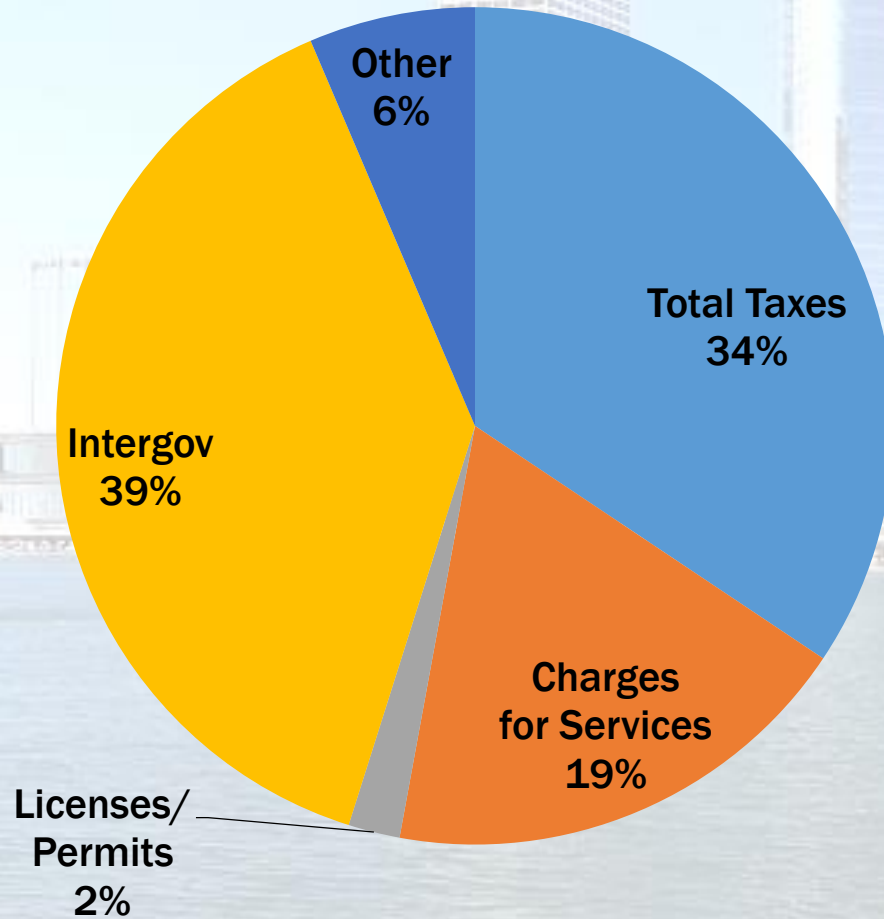


# MILWAUKEE

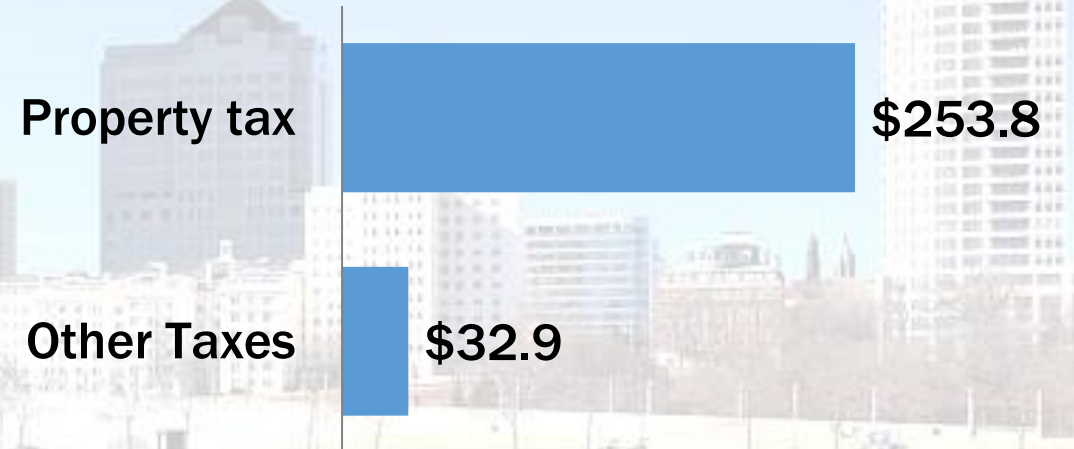
POPULATION: 600,155

GOVERNMENTAL FUND REVENUES: \$834,022,000

### Governmental Fund Revenue Sources



### Largest Local Taxes



# PITTSBURGH

POPULATION: 304,391

GOVERNMENTAL FUND REVENUES: \$573,396,431

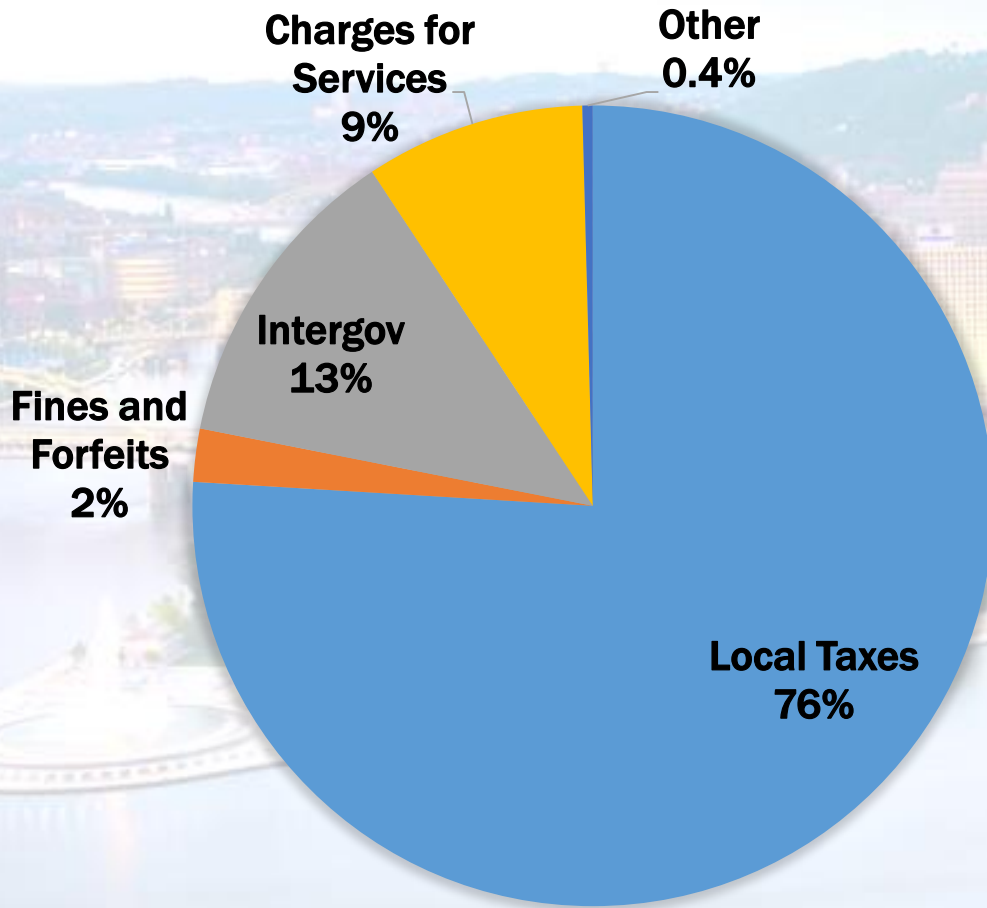


# PITTSBURGH

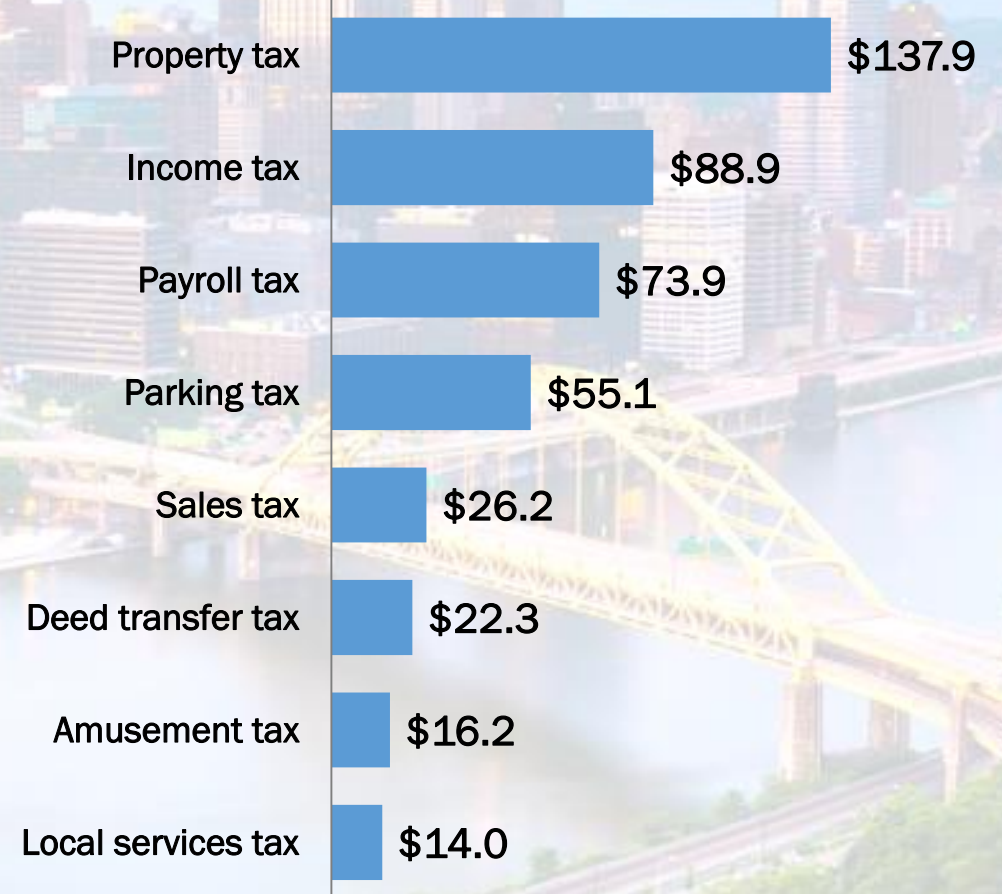
POPULATION: 304,391

GOVERNMENTAL FUND REVENUES: \$573,396,431

## Governmental Fund Revenue Sources



## Largest Local Taxes



# PITTSBURGH TAKEAWAYS

**Balance**



**Reliability**



**Equity**



**Simplicity**



# CLEVELAND

POPULATION: 388,072

GOVERNMENTAL FUND REVENUES: \$706,891,000

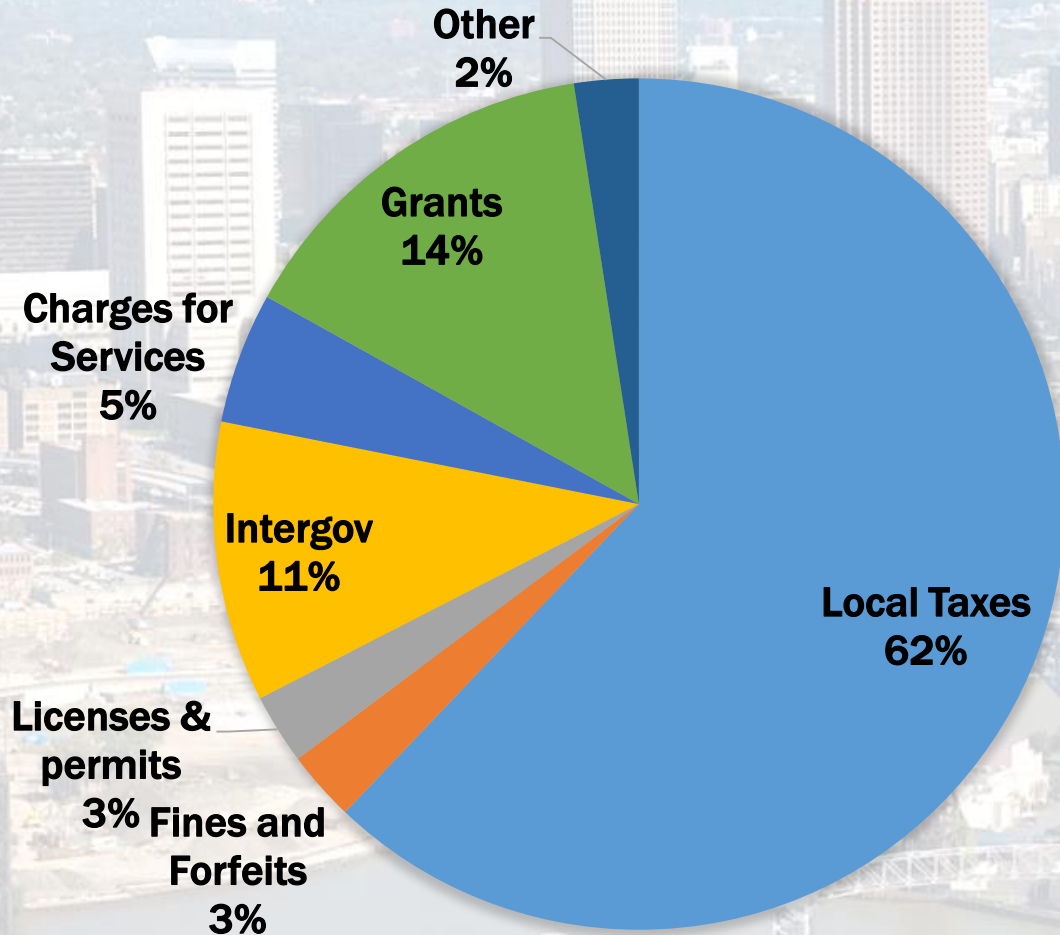


# CLEVELAND

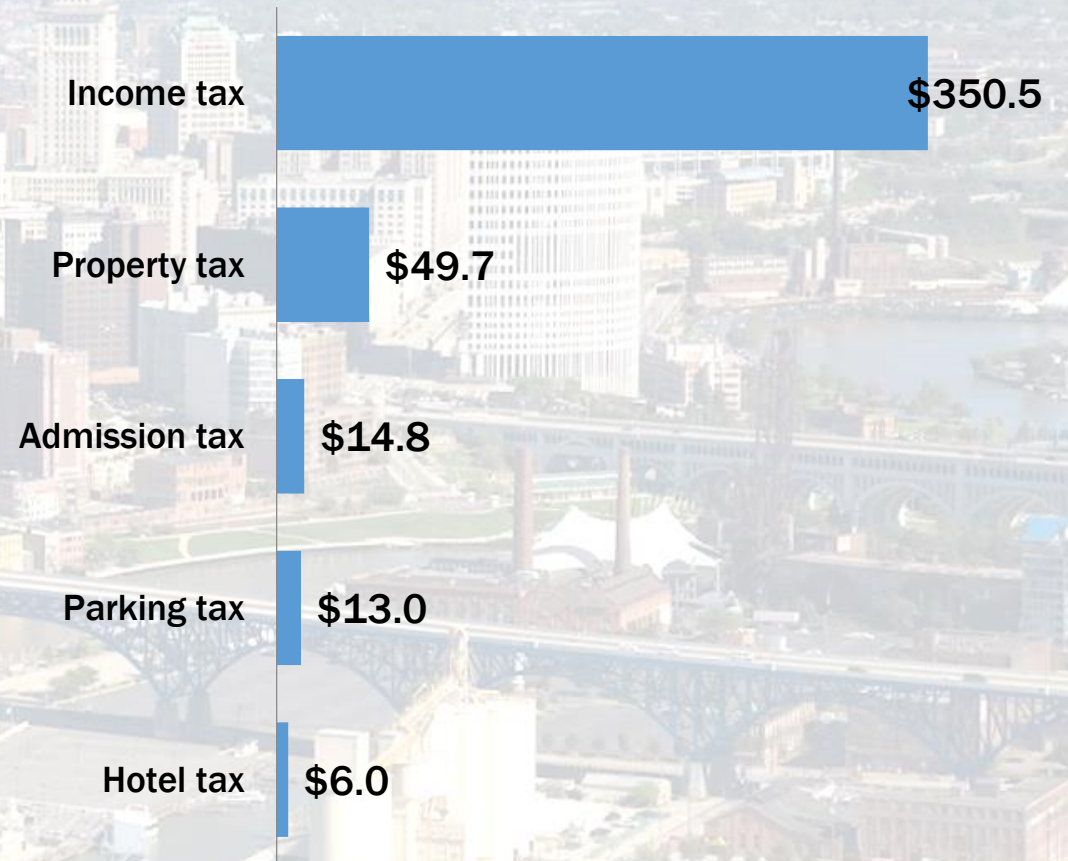
POPULATION: 388,072

GOVERNMENTAL FUND REVENUES: \$706,891,000

### Governmental Fund Revenue Sources



### Largest Local Taxes





# CLEVELAND TAKEAWAYS

**Balance**



**Reliability**



**Equity**



**Simplicity**



# MINNEAPOLIS

POPULATION: 410,939

GOVERNMENTAL FUND REVENUES: \$743,458,000

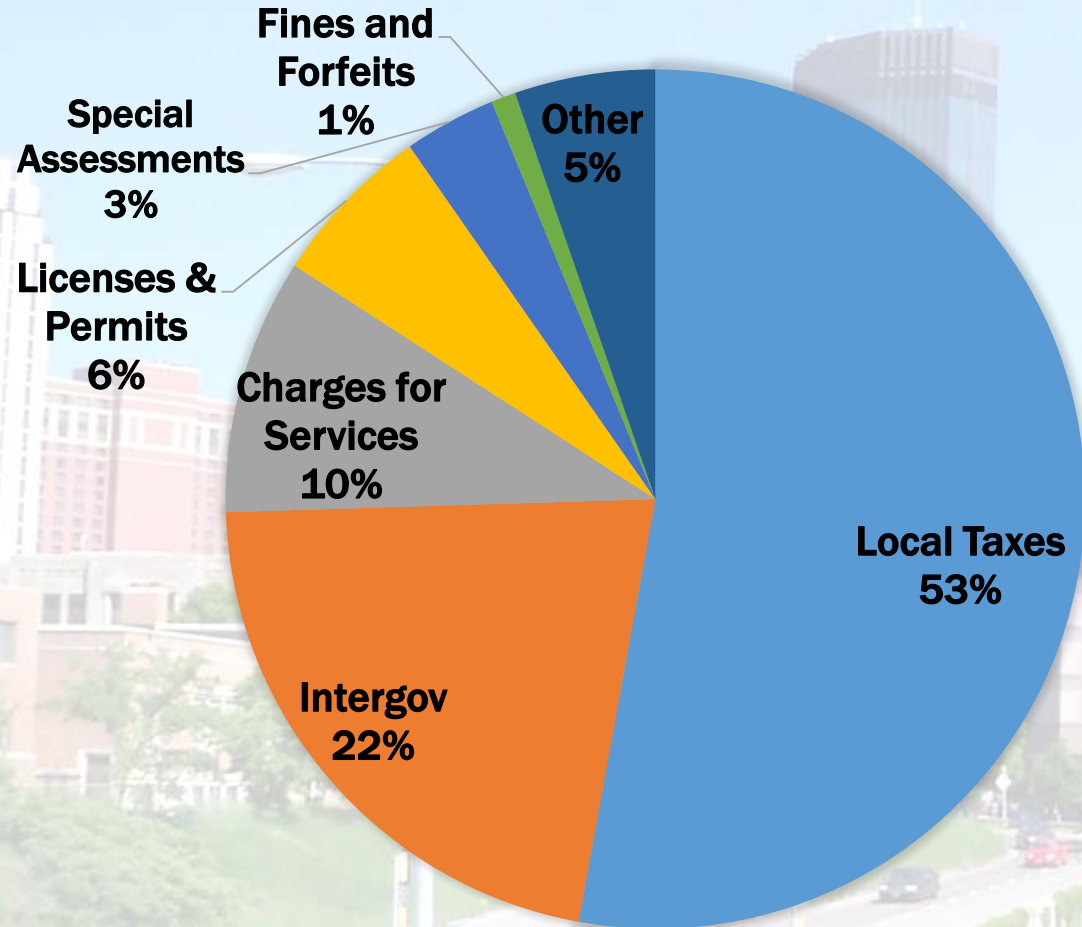


# MINNEAPOLIS

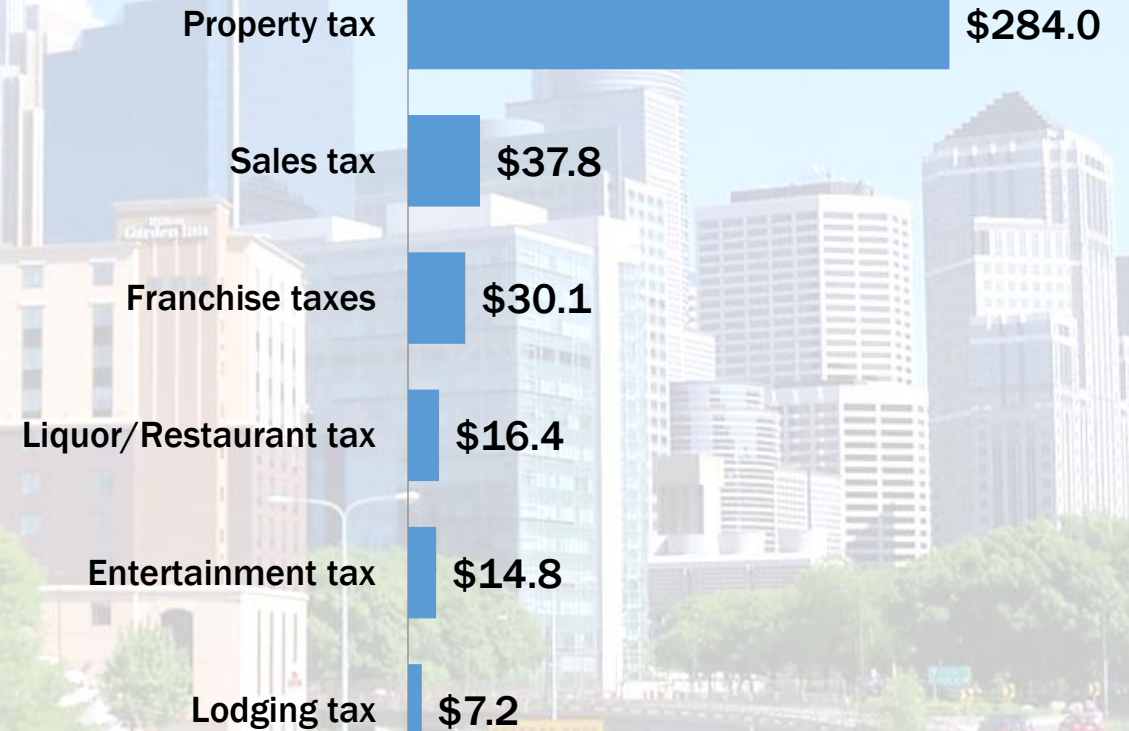
POPULATION: 410,939

GOVERNMENTAL FUND REVENUES: \$743,458,000

### Governmental Fund Revenue Sources



### Largest Local Taxes



# MINNEAPOLIS TAKEAWAYS

**Balance**



**Reliability**



**Equity**



**Simplicity**



# KANSAS CITY

POPULATION: 475,378

GOVERNMENTAL FUND REVENUES: \$1,018,076,000

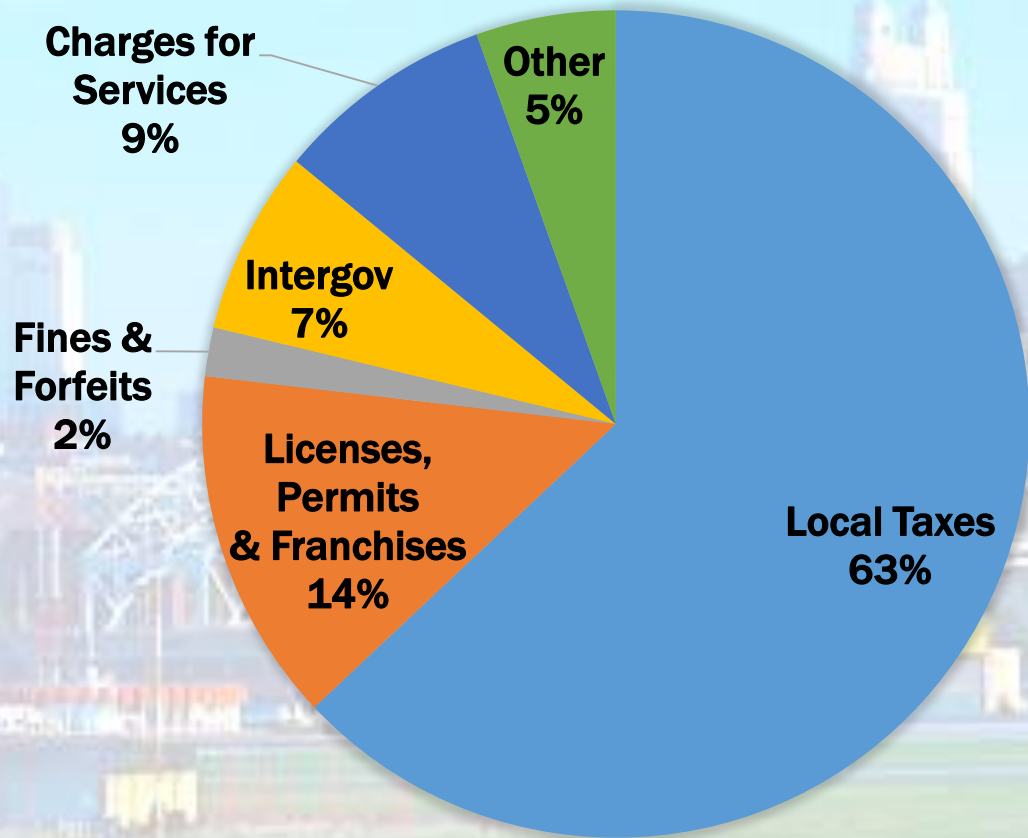


# KANSAS CITY

POPULATION: 475,378

GOVERNMENTAL FUND REVENUES: \$1,018,076,000

### Governmental Fund Revenue Sources



### Largest Local Taxes



# KANSAS CITY TAKEAWAYS

**Balance**



**Reliability**



**Equity**



**Simplicity**



# MILWAUKEE TAKEAWAYS

When viewed against our four Midwestern peers, Milwaukee's revenue structure falls short. Our structure is:

**Poorly balanced with low reliability and no revenue diversification.**

Milwaukee lacks the ability to offset the effects of economic swings with revenue sources that vary in response to economic factors.

**Inequitable in its reliance only on property-based taxes and fees.**

Milwaukee's property owners and residents bear the bulk of the financial burden for Wisconsin's flagship city.

**Far too reliant on State aid.**

State aids have clear benefit to cities, but Milwaukee's have not grown over time; lack of local taxation options provides little ability to address revenue gaps and to take advantage of Milwaukee's economic attributes.





# MODELING ALTERNATIVE REVENUE STRUCTURES



# **MODIFIED PROPERTY TAX MODEL**

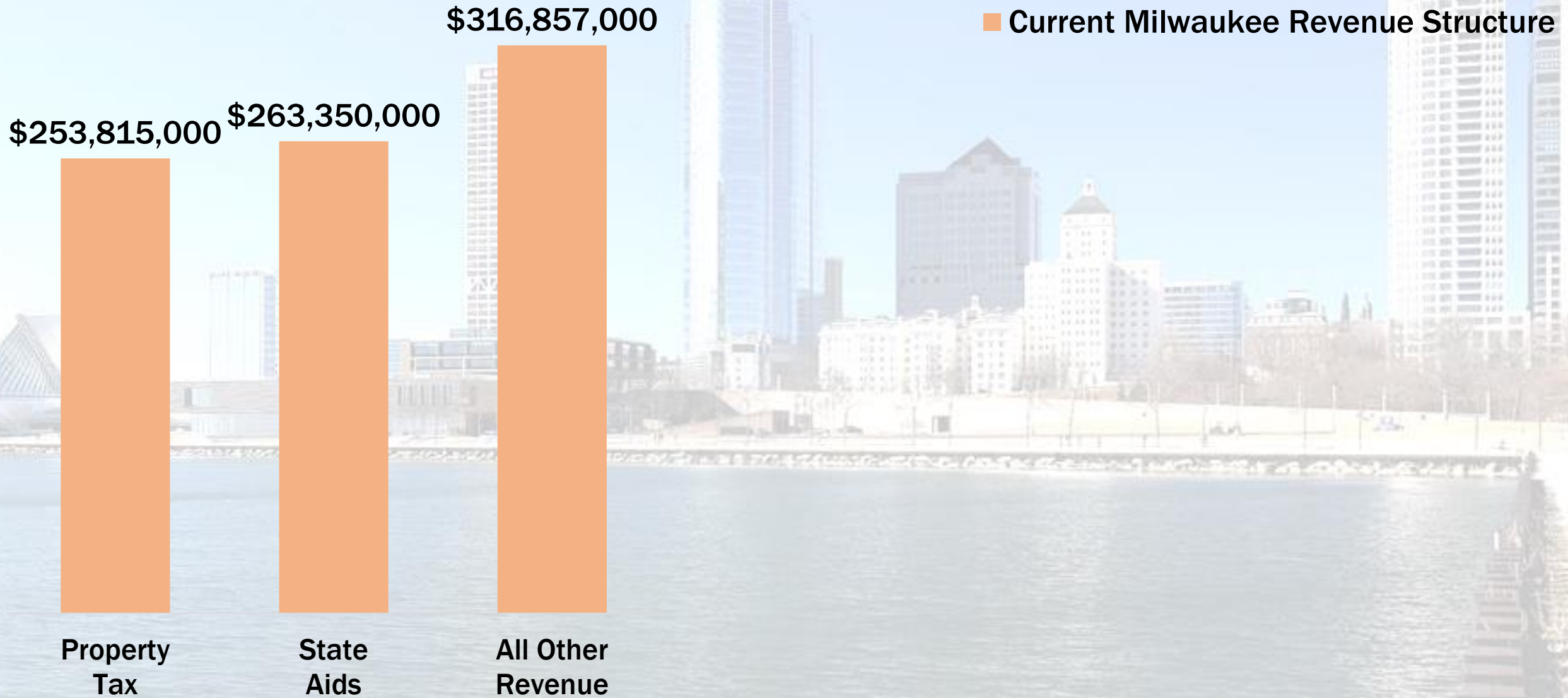
**Continued Reliance on Property Tax & State  
Aids w/Greater Diversification**

**0.5% General City Sales Tax**

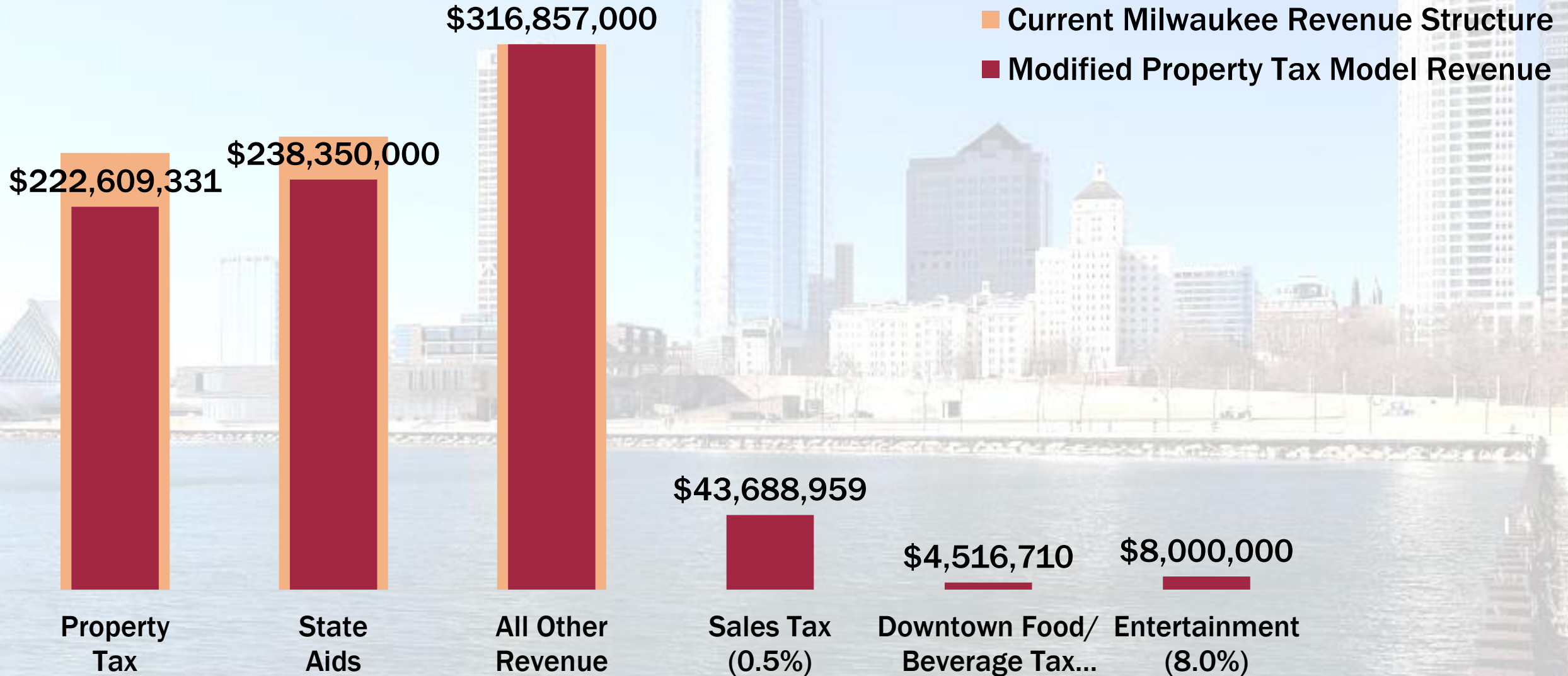
**8.0% Entertainment Tax**

**2.5% Downtown Food & Beverage Tax**

# MODIFIED PROPERTY TAX MODEL

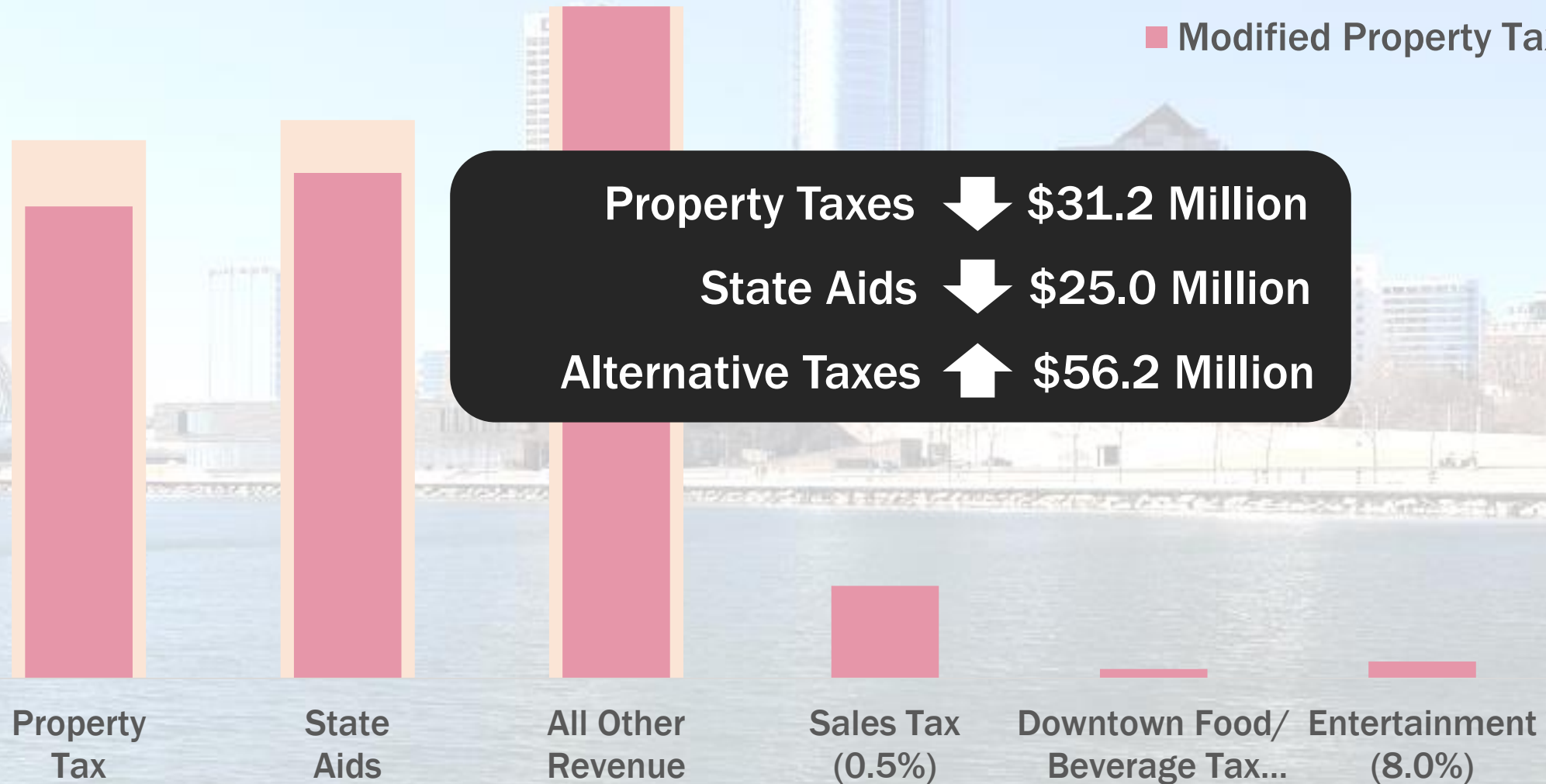


# MODIFIED PROPERTY TAX MODEL



# MODIFIED PROPERTY TAX MODEL

Current Milwaukee Revenue Structure  
Modified Property Tax Model Revenue



# MODIFIED PROPERTY TAX MODEL

Property tax relief for median home value of \$114,000

	Gross Tax Rate	Property Tax Payment
<b>Current Milwaukee Structure</b>	<b>\$29.97</b>	<b>\$3,417</b>
<b>Modified Property Tax Model</b>	<b>\$28.55</b>	<b>\$3,255</b>

# MODIFIED PROPERTY TAX MODEL

## Pros

**Adds diversity to the City tax base**

Eases reliance on State aids

General sales tax spreads cost across a wider base

Takes advantage of growth of Downtown

Provides greater potential for revenue growth

Relatively easy to administer

Sales taxes involve only a small added cost

## Cons

**General sales tax could shift purchases out of city**

Sales taxes are regressive

Decreased use of restaurants, bars, entertainment

Sales tax revenue diminishes in recessed economy

# **PROPERTY & GENERAL SALES TAX MODEL**

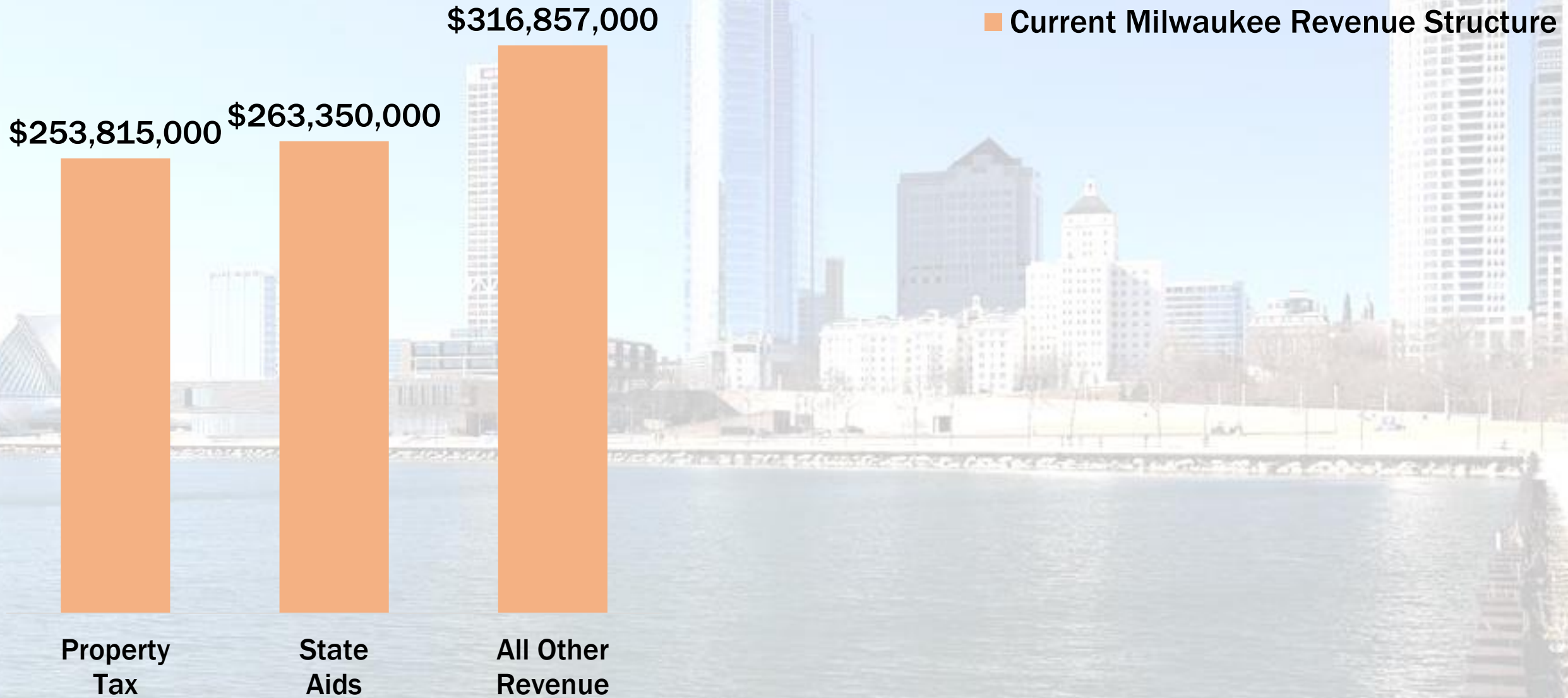
**Equal Dependence on Sales & Property  
Tax, Reduced Reliance on State Aids**

**1.5% General City Sales Tax**

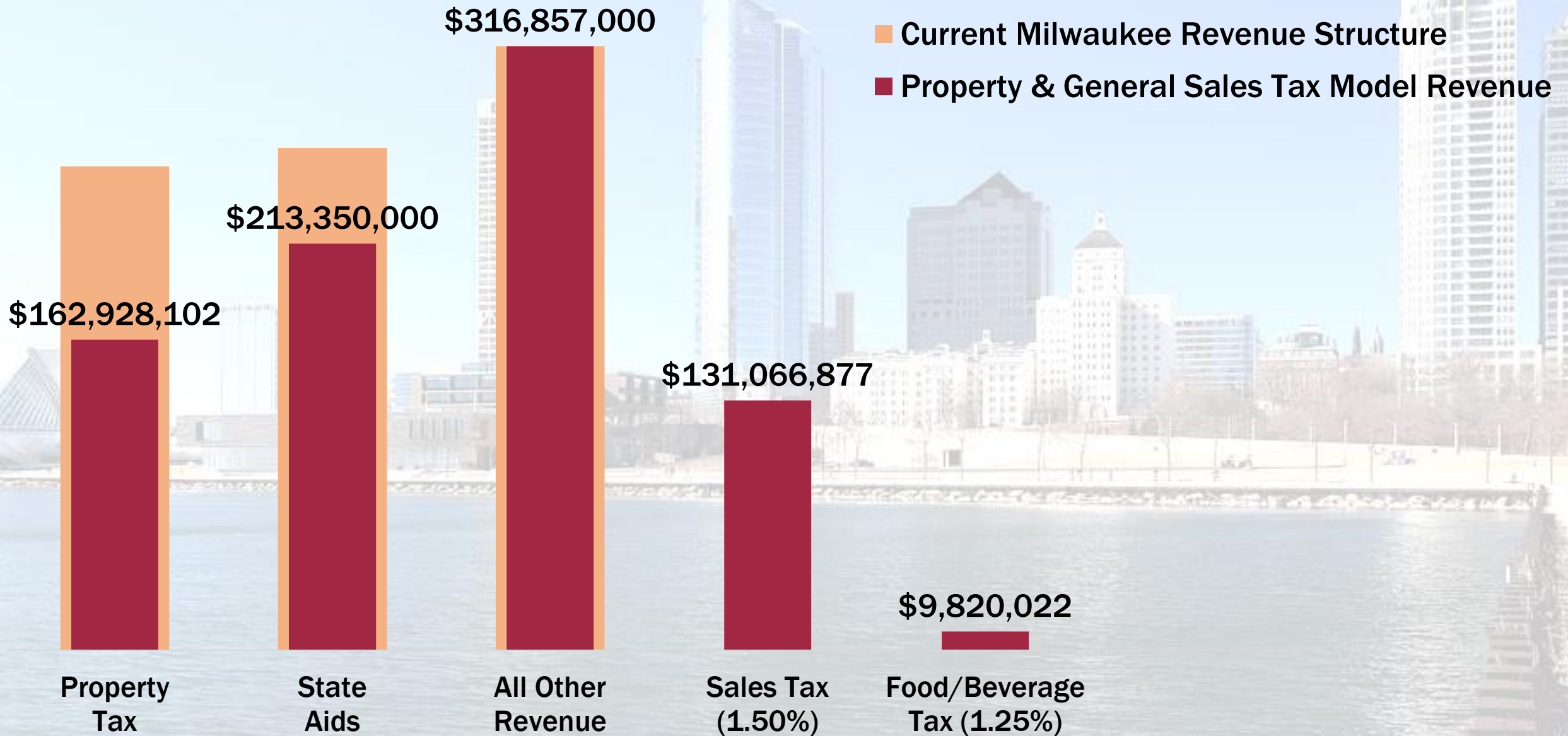
**1.5% Food & Beverage Tax**



# PROPERTY & GENERAL SALES TAX MODEL

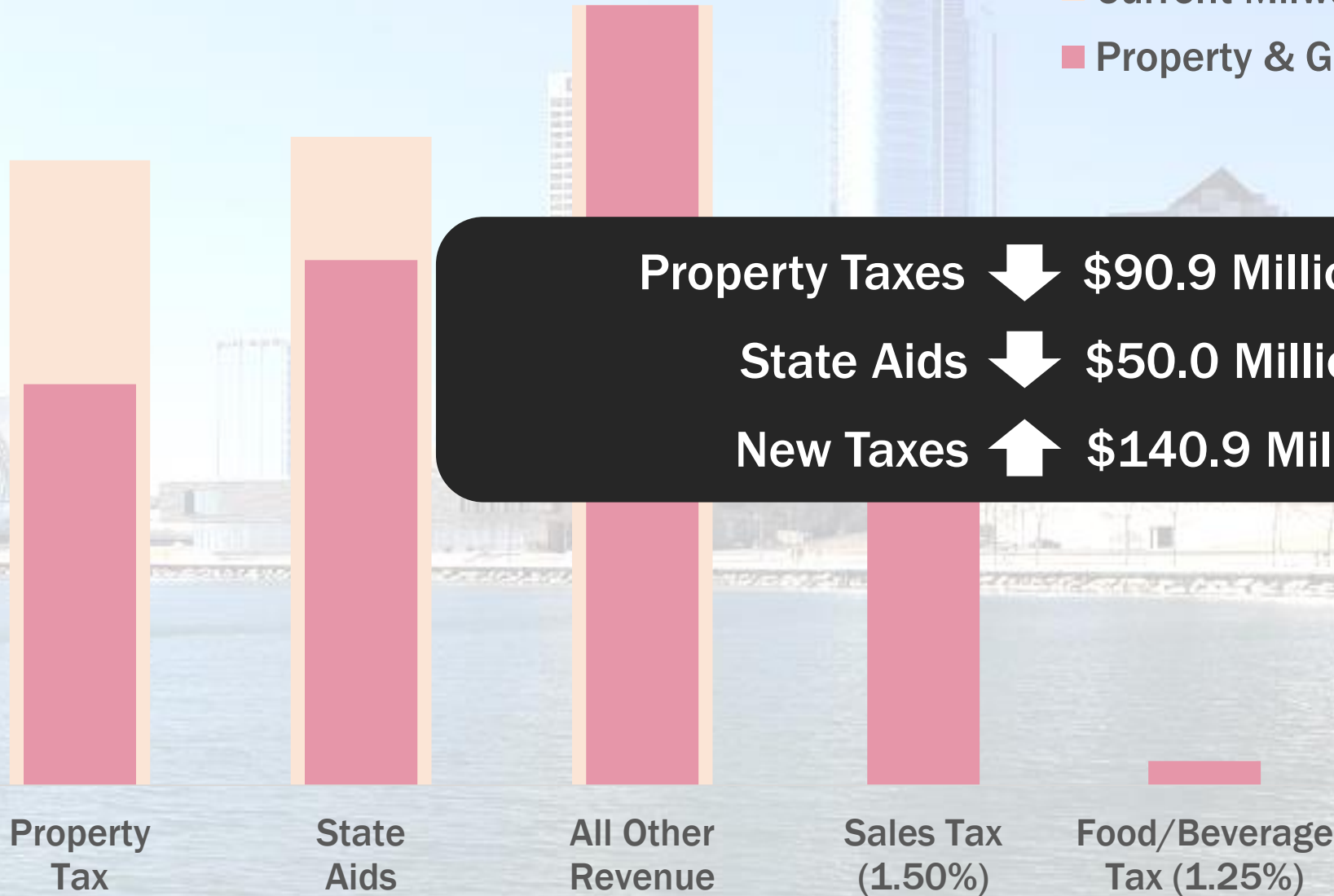


# PROPERTY & GENERAL SALES TAX MODEL



# PROPERTY & GENERAL SALES TAX MODEL

- Current Milwaukee Revenue Structure
- Property & General Sales Tax Model Revenue



Property Taxes ↓ \$90.9 Million  
State Aids ↓ \$50.0 Million  
New Taxes ↑ \$140.9 Million

# PROPERTY & GENERAL SALES TAX MODEL

Property tax relief for median home value of \$114,000

	Gross Tax Rate	Property Tax Payment
Current Milwaukee Structure	\$29.97	\$3,417
Property & General Sales Tax Model	\$26.06	\$2,971

# PROPERTY & GENERAL SALES TAX MODEL

## Pros

Significantly diversifies the City tax base

**Provides substantial property tax relief**

Reduced reliance on state aids

General sales tax applies to a wider base

Takes advantage of growth of Downtown

Provides greater potential for revenue growth

Relatively easy to administer

Sales tax involves only a small added cost

Transparent and easy to understand

## Cons

**Large general sales tax may create tax island**

Sales taxes are regressive

Decreased use of restaurants, bars, entertainment?

Sales tax revenue diminishes in recessed economy

# **INCOME TAX MODEL**

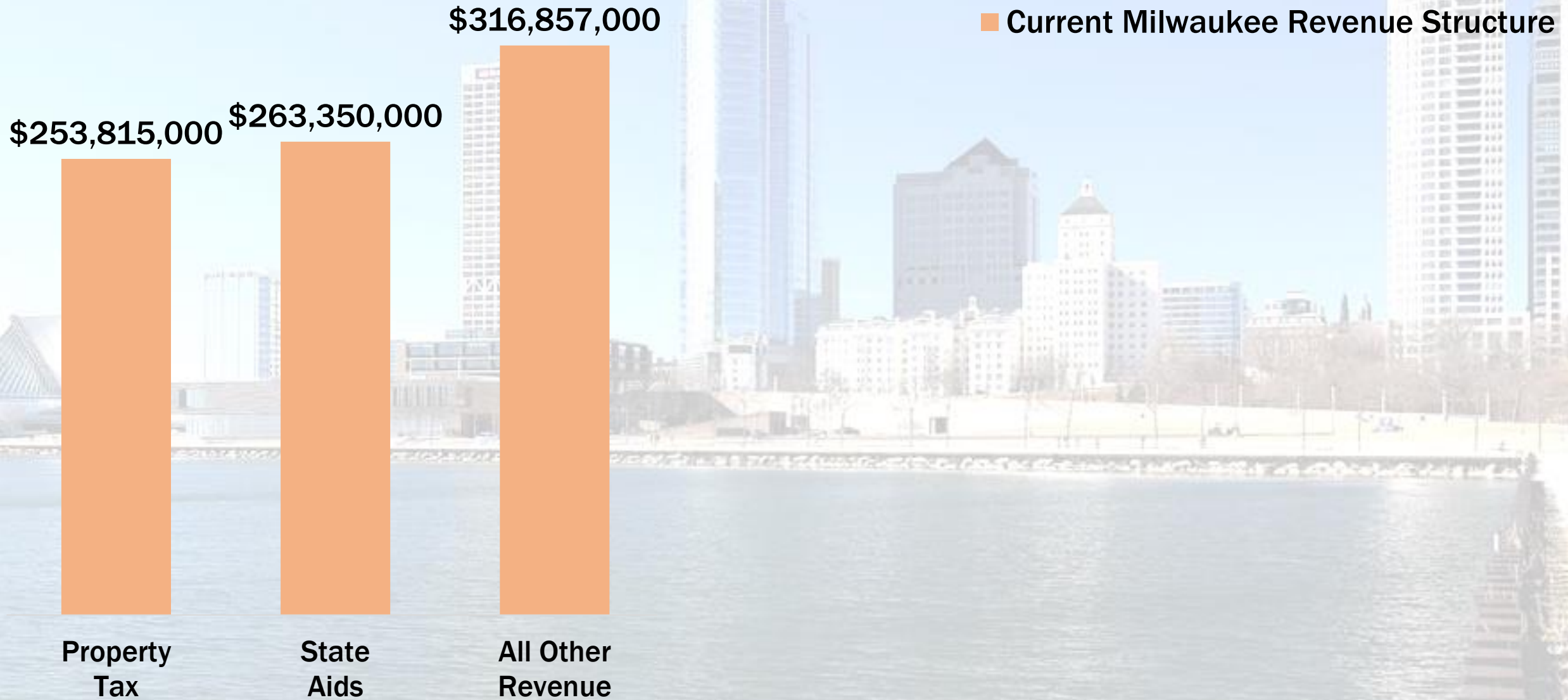
**Income Tax as Primary Local Source,  
Reduced Reliance on State Aids**

**2.5% Income Tax**

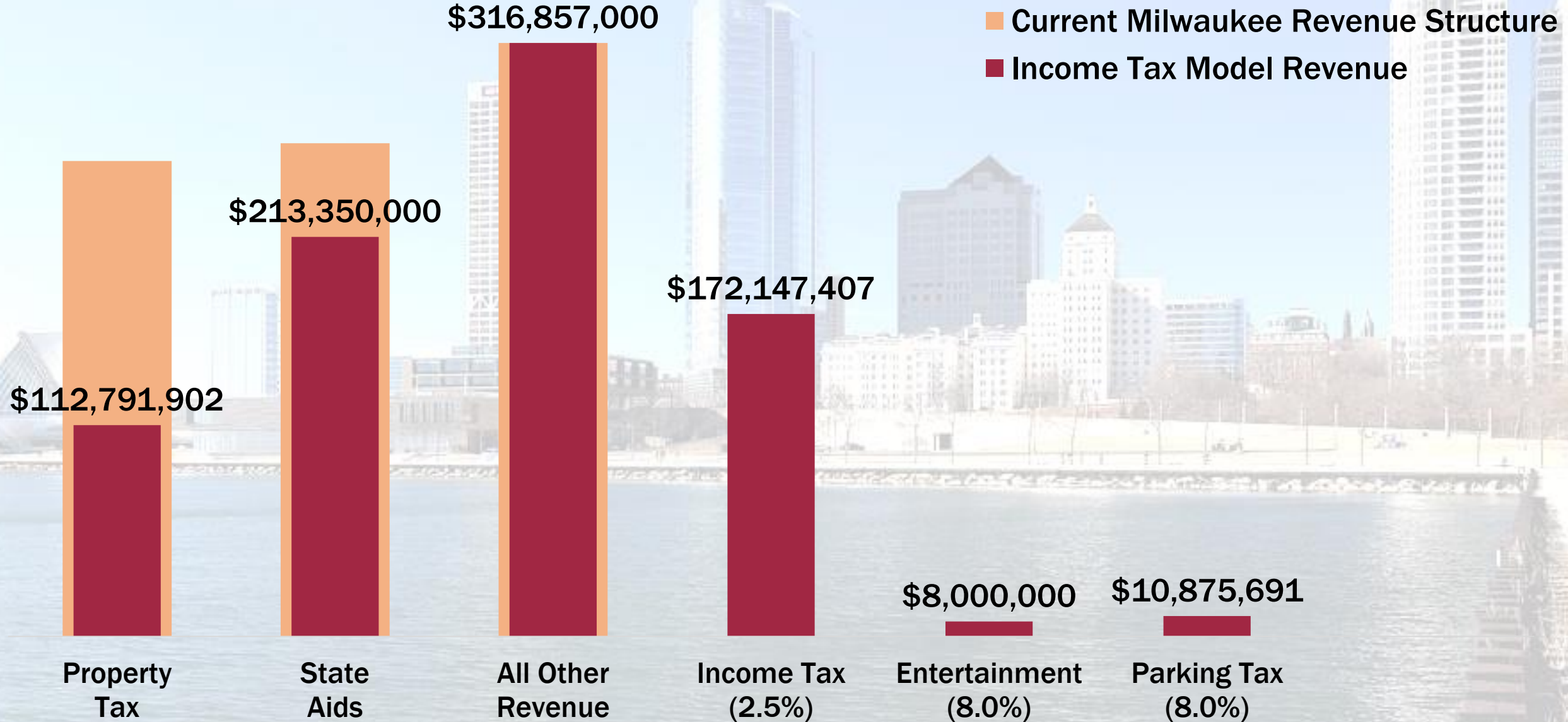
**8.0% Entertainment Tax**

**8.0% Parking Tax**

# INCOME TAX MODEL



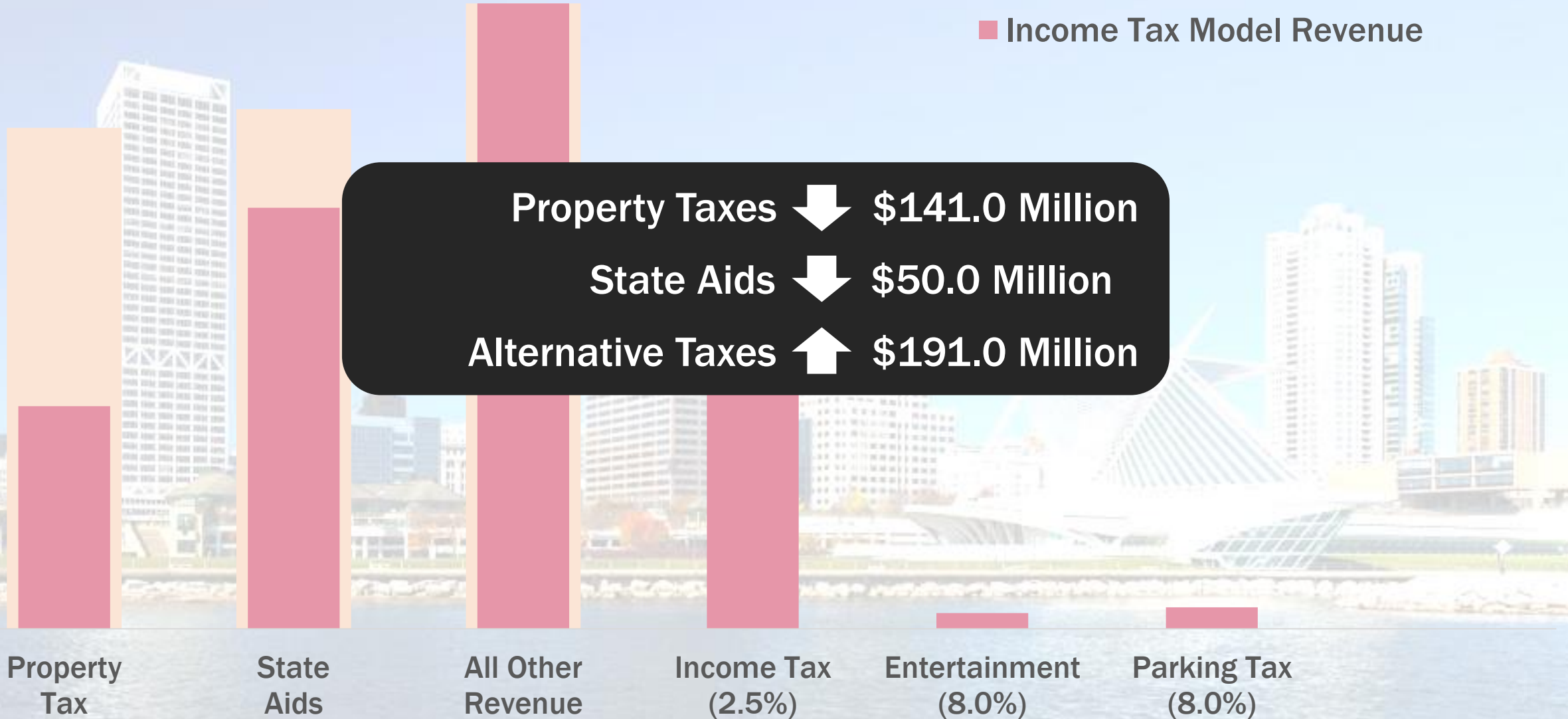
# INCOME TAX MODEL





# INCOME TAX MODEL

■ Current Milwaukee Revenue Structure  
■ Income Tax Model Revenue



# INCOME TAX MODEL

Property tax relief for median home value of \$114,000

	Gross Tax Rate	Property Tax Payment
Current Milwaukee Structure	\$29.97	\$3,417
Income Tax Model	\$23.97	\$2,732

# INCOME TAX MODEL

## Pros

Progressive form of taxation

**A sizeable portion levied on non-residents**

A sizeable portion levied on corporate income

Relatively small rate raises considerable revenue

Reduced reliance on state aids

## Cons

Would reduce disposable income

Produces administrative responsibility for taxpayers

**Could make Milwaukee less attractive**

Wisconsin already has a relatively high income tax

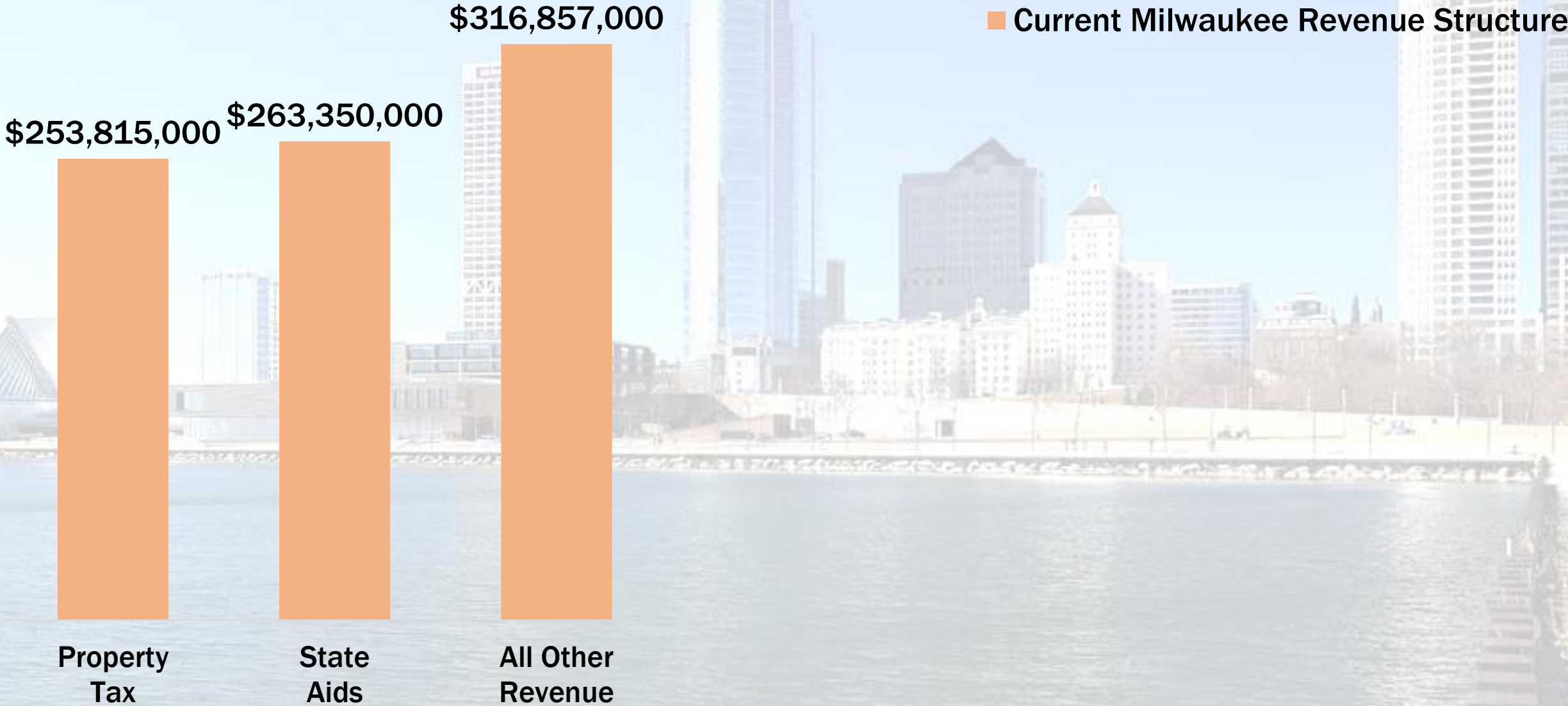
Dampened demand for entertainment & parking

# DIVERSIFIED TAX MODEL

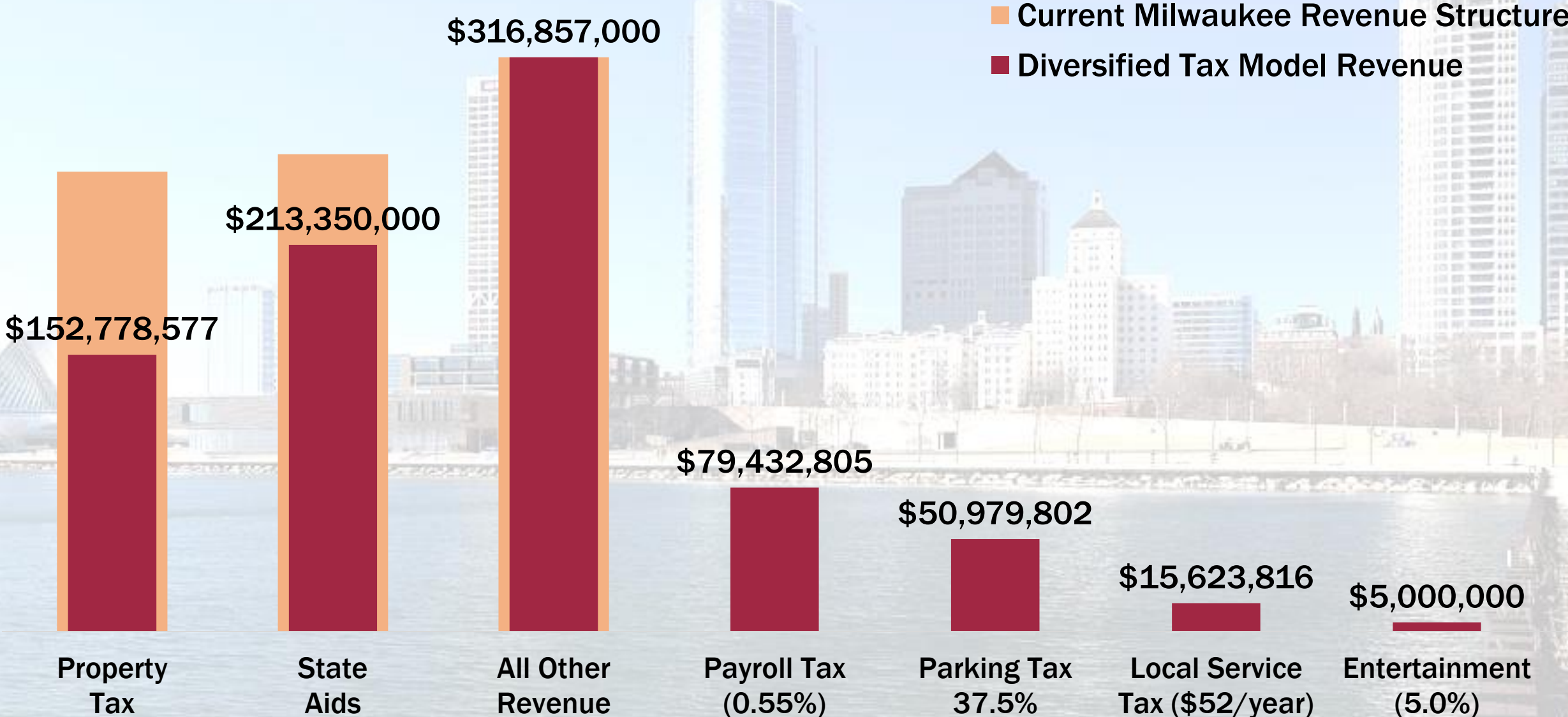
Several Forms of Local Taxes, Reduced  
Reliance on State Aids

<b>0.55%</b>	<b>Payroll Tax</b>
<b>5.0%</b>	<b>Entertainment Tax</b>
<b>37.5%</b>	<b>Parking Tax</b>
<b>\$52/Year</b>	<b>Local Service Tax</b>

# DIVERSIFIED TAX MODEL



# DIVERSIFIED TAX MODEL



# DIVERSIFIED TAX MODEL

Current Milwaukee Revenue Structure  
Diversified Tax Model Revenue

Property Taxes ↓ \$101.0 Million  
State Aids ↓ \$50.0 Million  
Alternative Taxes ↑ \$151.0 Million

Property Tax

State Aids

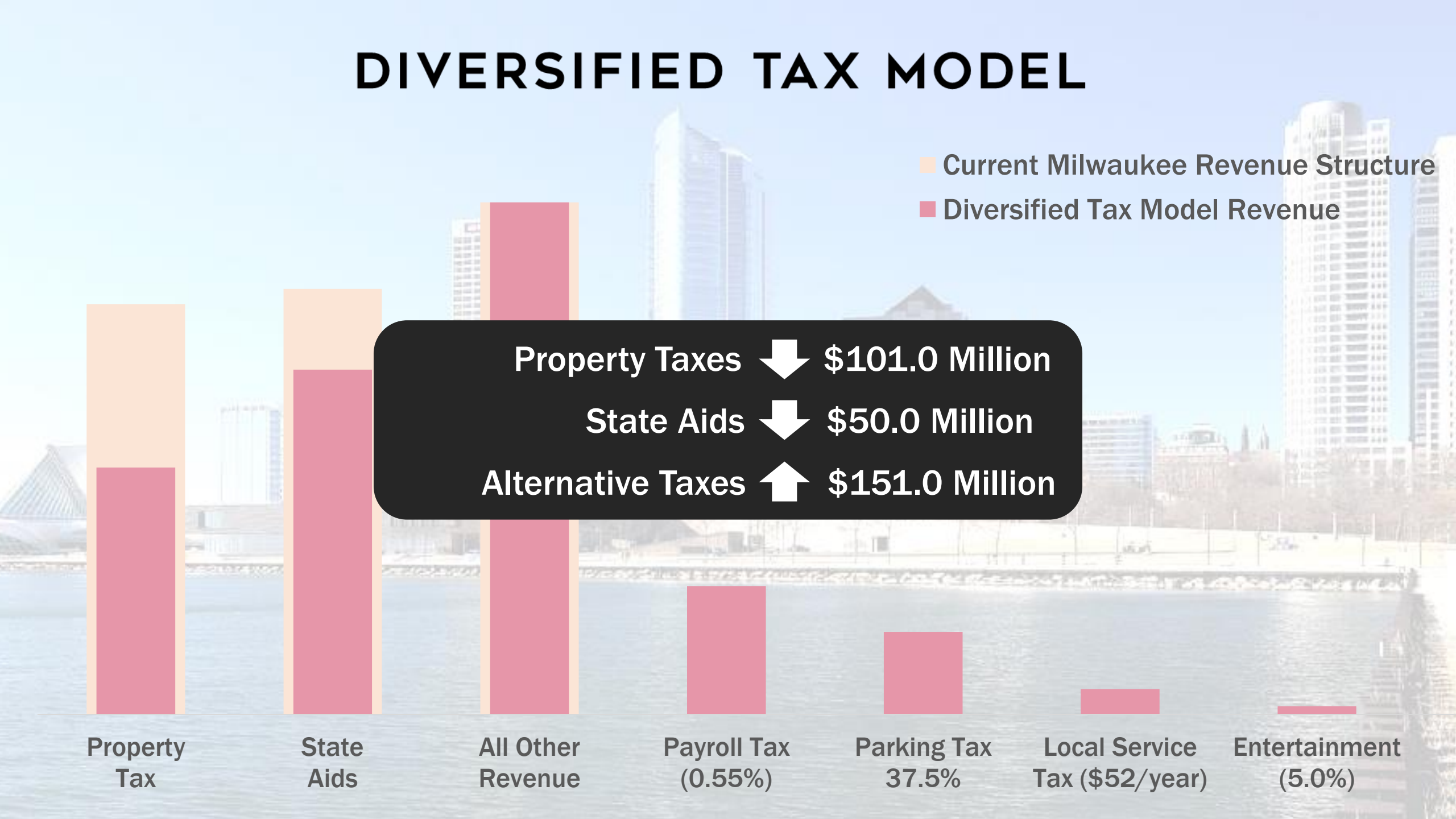
All Other Revenue

Payroll Tax (0.55%)

Parking Tax 37.5%

Local Service Tax (\$52/year)

Entertainment (5.0%)



# DIVERSIFIED TAX MODEL

Property tax relief for median home value of \$114,000

	Gross Tax Rate	Property Tax Payment
Current Milwaukee Structure	\$29.97	\$3,417
Diversified Tax Model	\$26.12	\$2,922



# DIVERSIFIED TAX MODEL

## Pros

Some protection from local economic distress

**Diversifies & spreads revenue responsibilities**

Modest levels of taxation for many uses and users

Reduced reliance on state aids

## Cons

**Several different taxes more difficult to administer**

Dampened demand for entertainment & parking

Payroll tax and parking tax could discourage employers from locating/staying in city

# CONCLUSION

**We should initially put aside whether the City needs *more* revenue and focus on the changes needed to promote equity and reliability.**

**Each potential new tax has drawbacks; dozens of different combinations could be considered; questions about voter approval, earmarking, and sunseting need to be answered.**

**State's Premier Resort Area Tax or county sales tax option could be utilized immediately to improve diversification and tap into Downtown's renaissance.**

**Whether to pursue a comprehensive overhaul or a measured approach is debatable; but it is indisputable that *some* change is needed, and that Milwaukee can and should have greater control of its own financial destiny.**

# QUESTIONS/COMMENTS?

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