

## SHARED REVENUE AND TAX RELIEF

### GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY05 Adjusted Base	FY06 Recommended	% Change Over FY05	FY07 Recommended	% Change Over FY06
GPR	1,469,358,800	1,657,319,000	12.8	1,591,035,000	-4.0
PR-S	59,532,000	59,532,000	0.0	59,532,000	0.0
SEG-O	306,696,600	132,342,500	-56.8	135,109,400	2.1
<b>TOTAL</b>	<b>1,835,587,400</b>	<b>1,849,193,500</b>	<b>0.7</b>	<b>1,785,676,400</b>	<b>-3.4</b>

### FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY05 Adjusted Base	FY06 Recommended	FTE Change From FY05	FY07 Recommended	FTE Change From FY06
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

### AGENCY DESCRIPTION

Shared revenue and tax relief appropriations provide significant tax relief through unrestricted state aid to local governments and through tax credits to individuals.

The Shared Revenue Program delivers state aid primarily to municipal and county governments to provide property tax relief, offset the impact of exempt property on local tax bases and supply additional payments for certain municipalities that limit spending. The county and municipal aid account is the largest appropriation under this program. This account distributes unrestricted state funds to counties and municipalities and is the successor program to shared revenue equalization payments. The expenditure restraint program account directs state aid to municipalities that restrain local spending growth and whose municipal tax rate exceeds five mills. The computer aid appropriation provides annual payments to all local governments to offset the loss of tax base caused by the property tax exemption for computer equipment. Two additional appropriations under this program direct payments to municipalities and counties hosting power plants and other utility property.

The Tax Relief Program contains a variety of tax credit appropriations. The homestead tax credit provides property tax relief to homeowners and renters. The farmland preservation and farmland tax relief credits provide property tax relief to owners of farm property. Wisconsin's earned income credit provides low-income workers with children a refundable credit based on their earnings. Development zone credits provide incentives for businesses to operate in certain designated areas. The appropriation for cigarette tax refunds pays to the Native American Tribal Council 70 percent of all cigarette tax collected on cigarettes sold to non-Indians on Indian reservations.

The State Property Tax Credits Program contains the two credits reflected on taxpayers' property tax bills. The school levy tax credit provides relief for all taxpayers based on their taxation district's proportion of the state's total school levy. The lottery credit distributes lottery proceeds to homeowners.

The Payments in Lieu of Taxes Program consists of payments for municipal services. This appropriation provides payments to municipalities to offset the costs of certain local services provided to state-owned buildings located within their boundaries.

## **SHARED REVENUE AND TAX RELIEF**

### **GOVERNOR'S BUDGET RECOMMENDATIONS**

#### **RECOMMENDATIONS**

1. Property Tax Relief
2. County and Municipal Levy Limits
3. Expenditure Restraint Reform and Expansion
4. School Levy Credit
5. County and Municipal Aid Funding Sources
6. Shared Revenue Utility Payments
7. Computer Aid
8. Local Revenue Sharing Agreements
9. Earned Income Tax Credit
10. Homestead Credit
11. Farmland Preservation Credit
12. Cigarette Tax Refunds
13. Real Estate Transfer Fee in First Class Cities
14. Lottery and Gaming Credit
15. Lottery and Gaming Credit – Late Applications

**Table 1  
Department Budget Summary by Funding Source (in thousands of dollars)**

	ACTUAL FY04	ADJUSTED BASE FY05	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY06	FY07	FY06	FY07
GENERAL PURPOSE REVENUE	\$1,325,811.8	\$1,469,358.8	\$1,669,233.1	\$1,668,681.4	\$1,657,319.0	\$1,591,035.0
Local Assistance	1,163,518.8	1,314,927.6	1,517,493.1	1,520,491.4	1,506,551.0	1,444,867.0
Aids to Ind. & Org.	162,293.0	154,431.2	151,740.0	148,190.0	150,768.0	146,168.0
FEDERAL REVENUE (1)	182,392.9					
Local Assistance	182,392.9					
PROGRAM REVENUE (2)	57,991.5	59,532.0	59,532.0	59,532.0	59,532.0	59,532.0
Local Assistance	99.5					
Aids to Ind. & Org.	57,892.0	59,532.0	59,532.0	59,532.0	59,532.0	59,532.0
SEGREGATED REVENUE (3)	379,203.4	306,696.6	129,836.8	120,336.8	132,342.5	135,109.4
Local Assistance	365,951.0	291,459.8	114,600.0	105,100.0	117,342.5	120,109.4
Aids to Ind. & Org.	13,252.4	15,236.8	15,236.8	15,236.8	15,000.0	15,000.0
TOTALS-ANNUAL	1,945,399.6	1,835,587.4	1,858,601.9	1,848,550.2	1,849,193.5	1,785,676.4
Local Assistance	1,711,962.2	1,606,387.4	1,632,093.1	1,625,591.4	1,623,893.5	1,564,976.4
Aids to Ind. & Org.	233,437.4	229,200.0	226,508.8	222,958.8	225,300.0	220,700.0

(1) Includes Program Revenue-Federal and Segregated Revenue-Federal

(2) Includes Program Revenue-Service and Program Revenue-Other

(3) Includes Segregated Revenue-Service, Segregated Revenue-Other and Segregated Revenue-Local

**Table 3  
Department Budget Summary by Program (in thousands of dollars)**

	ACTUAL FY04	ADJUSTED BASE FY05	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY06	FY07	FY06	FY07
1. Shared revenue payments	\$1,102,207.9	\$1,013,623.8	\$1,026,189.3	\$1,029,187.6	\$1,015,247.2	\$953,563.2
2. Tax relief	233,437.4	229,200.0	226,508.8	222,958.8	225,300.0	220,700.0
3. State property tax credits	587,656.0	570,764.8	583,905.0	574,405.0	586,647.5	589,414.4
4. County and local taxes	99.5					
5. Payments in lieu of taxes	21,998.8	21,998.8	21,998.8	21,998.8	21,998.8	21,998.8
TOTALS	1,945,399.6	1,835,587.4	1,858,601.9	1,848,550.2	1,849,193.5	1,785,676.4

**1. Property Tax Relief**

The Governor recommends providing substantial property tax relief through a package of rational levy limits, incentives, bonuses and state aid. This package will provide property tax relief, enhance Wisconsin's schools and enhance local governments' ability to encourage economic growth. See Items #2 through #4 and Department of Public Instruction, Item #1.

**2. County and Municipal Levy Limits**

The Governor recommends establishing county and municipal levy limits for levies collected in 2006 and 2007. The limits will allow these local governments to increase property taxes by no more than inflation plus a growth factor related to new construction. For municipalities, the growth factor will be calculated on a regional basis. Debt service and tax increments are excluded from the limit. A locality may exceed the limit by referendum.

**3. Expenditure Restraint Reform and Expansion**

The Governor recommends expanding the expenditure restraint program to include counties and restructuring the program to focus on limiting property taxes rather than expenditures. For qualifying municipalities (with mill rates over five) and for all counties, the Governor recommends rewarding localities if they limit property tax increases to no more than 85 percent of the sum of inflation plus a growth factor based on new construction. The Governor further recommends that bonus payments be provided to municipalities and counties that increase their levies by less than the maximum allowed. Local governments will need to limit levy increases beginning with December 2005 tax bills to be eligible for the new payments beginning in 2007.

**4. School Levy Credit**

The Governor recommends increasing the school levy credit by \$150,000,000 GPR beginning in 2007. This increase will be paid in July of each year unless additional revenues are available in the 2005-07 biennium to pay all or a portion of the increase in June. Unlike the existing mechanism for distributing the school levy credit, this additional amount will be distributed in proportion to each school district's share of general school aids. Consequently, this recommendation provides tax relief while also enhancing the state's equalization effort.

**5. County and Municipal Aid Funding Sources**

Source of Funds	Agency Request				Governor's Recommendation			
	FY06		FY07		FY06		FY07	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	200,000,000	0.00	200,000,000	0.00	195,000,000	0.00	195,000,000	0.00
SEG-O	-190,000,000	0.00	-190,000,000	0.00	-190,000,000	0.00	-190,000,000	0.00
<b>TOTAL</b>	<b>10,000,000</b>	<b>0.00</b>	<b>10,000,000</b>	<b>0.00</b>	<b>5,000,000</b>	<b>0.00</b>	<b>5,000,000</b>	<b>0.00</b>

The Governor recommends increasing GPR funding for the county and municipal aid account as follows:  
 (a) \$170,000,000 in each year to reflect the termination of utilization of transportation fund dollars;  
 (b) \$20,000,000 in each year to reflect the termination of utilization of utility public benefits dollars; and  
 (c) \$5,000,000 in each year to reduce the estimated amount of the county and municipal aid account to be paid through the Medical Assistance program. These modifications make no changes to either the total amount or distribution of county and municipal aid paid to local governments.

**6. Shared Revenue Utility Payments**

Source of Funds	Agency Request				Governor's Recommendation			
	FY06		FY07		FY06		FY07	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	2,125,000	0.00	5,125,000	0.00	2,623,400	0.00	8,839,400	0.00
TOTAL	2,125,000	0.00	5,125,000	0.00	2,623,400	0.00	8,839,400	0.00

The Governor recommends reestimating shared revenue utility payments to \$34,498,400 in FY06 and \$40,714,400 in FY07. Of these amounts, \$32,412,000 in FY06 and \$32,500,000 in FY07 are estimated to be paid according to the value of utility property. The remaining \$2,086,400 in FY06 and \$8,214,400 in FY07 are estimated to be paid as location incentives or on the megawatt capacity of power plants.

**7. Computer Aid**

Source of Funds	Agency Request				Governor's Recommendation			
	FY06		FY07		FY06		FY07	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	440,500	0.00	438,800	0.00	-6,000,000	0.00	-73,900,000	0.00
TOTAL	440,500	0.00	438,800	0.00	-6,000,000	0.00	-73,900,000	0.00

The Governor recommends moving the date for computer aid payments from the first Monday in May to the fourth Monday in July beginning in 2007. The Governor further recommends reestimating the 2006 payment to \$67,900,000. Computer aid compensates local governments for the reduction in the tax base caused by the exemption of computer equipment from the property tax. The recommended payment date maintains the state's commitment to fully pay the foregone property taxes by the final property tax payment date of July 31st. In addition, it matches the payment date with the existing school levy credit, which also pays a portion of property taxes that would otherwise be collected from property taxpayers.

**8. Local Revenue Sharing Agreements**

The Governor recommends providing local governments with expanded authority to encourage growth and gain efficiencies by allowing counties to enter into revenue sharing agreements with municipalities or other counties and by expanding the scope of revenues that may be allocated under local revenue sharing agreements to include state payments and fees.

**9. Earned Income Tax Credit**

Source of Funds	Agency Request				Governor's Recommendation			
	FY06		FY07		FY06		FY07	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	-4,991,200	0.00	-4,541,200	0.00	-4,863,200	0.00	-4,263,200	0.00
SEG-O	0	0.00	0	0.00	-236,800	0.00	-236,800	0.00
<b>TOTAL</b>	<b>-4,991,200</b>	<b>0.00</b>	<b>-4,541,200</b>	<b>0.00</b>	<b>-5,100,000</b>	<b>0.00</b>	<b>-4,500,000</b>	<b>0.00</b>

The Governor recommends reestimating the total expenditures for the earned income tax credit to \$73,700,000 in FY06 and \$74,300,000 in FY07. The Governor further recommends that the amount of funding for the credit from the federal Temporary Assistance for Needy Families block grant be maintained at \$59,532,000 PR-S in each year and that funding for the credit from the utility public benefits fund be eliminated (-\$236,800 SEG in each year). The amount estimated to be paid by GPR for the credit is \$14,168,000 in FY06 and \$14,768,000 in FY07.

**10. Homestead Credit**

Source of Funds	Agency Request				Governor's Recommendation			
	FY06		FY07		FY06		FY07	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	1,100,000	0.00	-3,100,000	0.00	1,200,000	0.00	-4,000,000	0.00
<b>TOTAL</b>	<b>1,100,000</b>	<b>0.00</b>	<b>-3,100,000</b>	<b>0.00</b>	<b>1,200,000</b>	<b>0.00</b>	<b>-4,000,000</b>	<b>0.00</b>

The Governor recommends reestimating the sum sufficient for homestead credits to \$109,800,000 in FY06 and \$104,600,000 in FY07.

**11. Farmland Preservation Credit**

Source of Funds	Agency Request				Governor's Recommendation			
	FY06		FY07		FY06		FY07	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	-500,000	0.00	-300,000	0.00	-1,700,000	0.00	-1,700,000	0.00
<b>TOTAL</b>	<b>-500,000</b>	<b>0.00</b>	<b>-300,000</b>	<b>0.00</b>	<b>-1,700,000</b>	<b>0.00</b>	<b>-1,700,000</b>	<b>0.00</b>

The Governor recommends reestimating the sum sufficient for farmland preservation credits to \$13,600,000 in each year.

**12. Cigarette Tax Refunds**

Source of Funds	Agency Request				Governor's Recommendation			
	FY06		FY07		FY06		FY07	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	1,700,000	0.00	1,700,000	0.00	1,700,000	0.00	1,700,000	0.00
TOTAL	1,700,000	0.00	1,700,000	0.00	1,700,000	0.00	1,700,000	0.00

The Governor recommends reestimating the sum sufficient for cigarette tax refunds to \$13,200,000 in each year.

**13. Real Estate Transfer Fee in First Class Cities**

The Governor recommends that the portion of the real estate transfer fee retained by a county be transmitted to a first class city if the fee is collected in conjunction with the transfer of real estate in a first class city. This provision will reallocate revenue from Milwaukee County to the City of Milwaukee to reflect respective property administration duties in the county.

**14. Lottery and Gaming Credit**

Source of Funds	Agency Request				Governor's Recommendation			
	FY06		FY07		FY06		FY07	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
SEG-O	13,090,200	0.00	3,590,200	0.00	15,832,700	0.00	18,599,600	0.00
TOTAL	13,090,200	0.00	3,590,200	0.00	15,832,700	0.00	18,599,600	0.00

The Governor recommends reestimating proceeds available for the lottery and gaming credit to \$117,142,500 in FY06 and \$119,909,400 in FY07.

**15. Lottery and Gaming Credit – Late Applications**

Source of Funds	Agency Request				Governor's Recommendation			
	FY06		FY07		FY06		FY07	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
SEG-O	50,000	0.00	50,000	0.00	50,000	0.00	50,000	0.00
TOTAL	50,000	0.00	50,000	0.00	50,000	0.00	50,000	0.00

The Governor recommends reestimating late applications for lottery and gaming credits to \$200,000 in each year.