

## SHARED REVENUE AND TAX RELIEF

### GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY07 Adjusted Base	FY08 Recommended	% Change Over FY07	FY09 Recommended	% Change Over FY08
GPR	1,615,503,600	1,740,556,900	7.7	1,762,436,500	1.3
PR-S	59,532,000	30,616,700	-48.6	25,004,700	-18.3
SEG-O	139,033,600	247,041,900	77.7	255,849,400	3.6
<b>TOTAL</b>	<b>1,814,069,200</b>	<b>2,018,215,500</b>	<b>11.3</b>	<b>2,043,290,600</b>	<b>1.2</b>

### FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY07 Adjusted Base	FY08 Recommended	FTE Change From FY07	FY09 Recommended	FTE Change From FY08
<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 have a municipal tax rate that 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 tax 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 tribes 70 percent of all cigarette tax collected on cigarettes sold to non-Native Americans on Native American 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. Shared Revenue
2. First Dollar Credit
3. County Aid Fund
4. Levy Limit Adjustments
5. Levy Restraint Program
6. Homestead Tax Credit Indexing
7. Tax Incremental Financing Extension
8. Premier Resort Area Tax for Milwaukee
9. Sum Sufficient Reestimate for Earned Income Tax Credit
10. Fund Statutory Amount
11. Current Law Sum-Sufficient Reestimates

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

	ACTUAL FY06	ADJUSTED BASE FY07	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY08	FY09	FY08	FY09
GENERAL PURPOSE REVENUE	\$1,682,019.6	\$1,615,503.6	\$1,803,396.1	\$1,809,896.7	\$1,740,556.9	\$1,762,436.5
Local Assistance	1,505,672.0	1,442,552.6	1,630,510.1	1,631,457.7	1,524,455.6	1,531,270.2
Aids to Ind. & Org.	176,347.6	172,951.0	172,886.0	178,439.0	216,101.3	231,166.3
PROGRAM REVENUE (2)	53,201.5	59,532.0	59,532.0	59,532.0	30,616.7	25,004.7
Aids to Ind. & Org.	53,201.5	59,532.0	59,532.0	59,532.0	30,616.7	25,004.7
SEGREGATED REVENUE (3)	133,296.1	139,033.6	140,987.4	140,661.9	247,041.9	255,849.4
Local Assistance	119,827.1	124,033.6	125,987.4	125,661.9	232,041.9	240,849.4
Aids to Ind. & Org.	13,469.0	15,000.0	15,000.0	15,000.0	15,000.0	15,000.0
TOTALS-ANNUAL	1,868,517.2	1,814,069.2	2,003,915.5	2,010,090.6	2,018,215.5	2,043,290.6
Local Assistance	1,625,499.1	1,566,586.2	1,756,497.5	1,757,119.6	1,756,497.5	1,772,119.6
Aids to Ind. & Org.	243,018.1	247,483.0	247,418.0	252,971.0	261,718.0	271,171.0

(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 FY06	ADJUSTED BASE FY07	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY08	FY09	FY08	FY09
1. Shared revenue payments	\$1,014,368.2	\$951,248.8	\$1,015,451.3	\$1,016,398.9	\$1,015,451.3	\$1,031,398.9
2. Tax relief	243,018.1	247,483.0	247,428.0	252,981.0	261,728.0	271,181.0
3. State property tax credits	589,132.1	593,338.6	719,037.4	718,711.9	719,037.4	718,711.9
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	1,868,517.2	1,814,069.2	2,003,915.5	2,010,090.6	2,018,215.5	2,043,290.6

**1. Shared Revenue**

Source of Funds	Agency Request				Governor's Recommendation			
	FY08		FY09		FY08		FY09	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	0	0.00	15,000,000	0.00
TOTAL	0	0.00	0	0.00	0	0.00	15,000,000	0.00

The Governor recommends increasing shared revenue payments to counties and municipalities by \$15 million in calendar year 2008. The Governor further recommends that the increase be distributed to all counties and municipalities in the same proportion as the current distribution. See Department of Revenue, Item #9.

**2. First Dollar Credit**

The Governor recommends creating the first dollar credit by increasing the school levy tax credit by \$100,000,000 and distributing the increase to property owners based on local K-12 school district mill rates. The first dollar credit is estimated to exempt from the property tax the first \$6,300 dollars on real property improvements. The Department of Revenue will determine the actual value of the first dollar credit based on the amount necessary to expend the full \$100 million.

**3. County Aid Fund**

Source of Funds	Agency Request				Governor's Recommendation			
	FY08		FY09		FY08		FY09	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-106,054,500	0.00	-115,187,500	0.00
SEG-O	0	0.00	0	0.00	106,054,500	0.00	115,187,500	0.00
TOTAL	0	0.00	0	0.00	0	0.00	0	0.00

The Governor recommends creating the county aid fund to supplement aid to Circuit Courts, Youth Aids, affordable housing programs, and county shared revenue. See Circuit Courts, Item #1, Department of Commerce, Item #8, Department of Corrections, Item #11, and Department of Revenue, Item #9.

**4. Levy Limit Adjustments**

The Governor recommends extending municipal and county levy limits by two years and allowing these local government levies to be increased by the greater of four percent or the increase due to net new construction. The Governor further recommends making the following technical corrections to levy limits: (a) allow local governments to carryforward unused levy capacity; (b) create exemptions for joint fire departments, county bridge and culvert aids, county library reimbursements, and revenue bond debt; (c) establish a threshold for small penalties; (d) allow the Department of Revenue to carryforward large penalties; and (e) allow the Department of Revenue to forgive technical errors.

**5. Levy Restraint Program**

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 above 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 2007 tax bills to be eligible for the new payments beginning in 2009. New funding of \$30 million GPR annually is provided in calendar year 2009/FY10 for these programs.

**6. Homestead Tax Credit Indexing**

Source of Funds	Agency Request				Governor's Recommendation			
	FY08		FY09		FY08		FY09	
Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions	
GPR	0	0.00	0	0.00	4,000,000	0.00	8,000,000	0.00
TOTAL	0	0.00	0	0.00	4,000,000	0.00	8,000,000	0.00

The Governor recommends indexing the income portion of the the homestead tax credit to inflation to maintain its value.

**7. Tax Incremental Financing Extension**

The Governor recommends allowing first class cities to extend a tax incremental financing district by 12 months after all costs have been paid, on the condition that up to 75 percent of the increments earned during the 12-month extension are used to support affordable housing in the city and the remainder is used to improve the quality of the city's existing housing stock.

**8. Premier Resort Area Tax for Milwaukee**

The Governor recommends allowing first class cities to enact an ordinance or adopt a resolution declaring a contiguous region not greater than four square miles within the city boundaries to be a premier resort area even if less than 40 percent of the equalized assessed value of the taxable property within the region is used by tourism-related retailers.

**9. Sum Sufficient Reestimate for Earned Income Tax Credit**

Source of Funds	Agency Request				Governor's Recommendation			
	FY08		FY09		FY08		FY09	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	28,915,300	0.00	34,527,300	0.00
PR-S	0	0.00	0	0.00	-28,915,300	0.00	-34,527,300	0.00
<b>TOTAL</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>

The Governor recommends decreasing the amount of Temporary Assistance for Needy Families (TANF) funds transferred to the Department of Revenue for the purposes of paying the state earned income tax credit (EITC). The resulting balance of EITC costs will be covered by additional GPR. This measure will free up funding in the TANF budget to fund such priorities as Wisconsin Works and the Wisconsin Shares child care subsidy. See Department of Workforce Development, Item #2.

**10. Fund Statutory Amount**

Source of Funds	Agency Request				Governor's Recommendation			
	FY08		FY09		FY08		FY09	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	189,045,000	0.00	189,045,000	0.00	189,045,000	0.00	189,045,000	0.00
<b>TOTAL</b>	<b>189,045,000</b>	<b>0.00</b>	<b>189,045,000</b>	<b>0.00</b>	<b>189,045,000</b>	<b>0.00</b>	<b>189,045,000</b>	<b>0.00</b>

The Governor recommends adjusting the current law sum sufficient estimates to fund the amounts for computer aids and the school levy tax credit, as specified in Chapter 79.

**11. Current Law Sum-Sufficient Reestimates**

Source of Funds	Agency Request				Governor's Recommendation			
	FY08		FY09		FY08		FY09	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	-1,152,500	0.00	5,348,100	0.00	9,147,500	0.00	15,548,100	0.00
SEG-O	1,953,800	0.00	1,628,300	0.00	1,953,800	0.00	1,628,300	0.00
<b>TOTAL</b>	<b>801,300</b>	<b>0.00</b>	<b>6,976,400</b>	<b>0.00</b>	<b>11,101,300</b>	<b>0.00</b>	<b>17,176,400</b>	<b>0.00</b>

The Governor recommends reestimating current law sum sufficients for the shared revenue account, public utility distribution amount, state aid for tax exempt property, film production services credits, interest payments on overassessments of manufacturing property, homestead tax credits, enterprise zone credits, farmland preservation credits, veterans and surviving spouses property tax credit, cigarette tax refunds, earned income tax credits, lottery and gaming credit, and lottery and gaming credit late applications.