

SHARED REVENUE AND TAX RELIEF

GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY11 Adjusted Base	FY12 Recommended	% Change Over FY11	FY13 Recommended	% Change Over FY12
GPR	2,196,487,400	2,188,182,600	-0.4	2,131,795,600	-2.6
PR-S	6,664,200	43,664,200	555.2	43,664,200	0.0
SEG-O	194,200,400	187,661,800	-3.4	189,795,300	1.1
TOTAL	2,397,352,000	2,419,508,600	0.9	2,365,255,100	-2.2

FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY11 Adjusted Base	FY12 Recommended	FTE Change From FY11	FY13 Recommended	FTE Change From FY12
TOTAL	0.00	0.00	0.00	0.00	0.00

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 program encourages owners of farm property to meet farmland preservation and soil and water conservation standards. 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 three 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 first dollar credit reduces property taxes on improved parcels based upon the applicable school tax rate.

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.

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GOVERNOR'S BUDGET RECOMMENDATIONS

RECOMMENDATIONS

1. Aids to Counties and Municipalities
2. Property Tax Levy Changes
3. Expenditure Restraint Inflation Factor
4. Repeal Homestead Tax Credit Inflation Indexing
5. Earned Income Tax Credit
6. Refundable Credits to Continuing
7. Jobs Tax Credit
8. Current Law Sum Sufficient and Tax Credit Reestimates

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

	ACTUAL FY10	ADJUSTED BASE FY11	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY12	FY13	FY12	FY13
GENERAL PURPOSE REVENUE	\$2,041,221.0	\$2,196,487.4	\$2,225,962.9	\$2,260,558.8	\$2,188,182.6	\$2,131,795.6
Local Assistance	1,741,497.4	1,857,687.3	1,871,772.1	1,875,616.5	1,874,856.0	1,783,217.5
Aids to Ind. & Org.	299,723.6	338,800.1	354,190.8	384,942.3	313,326.6	348,578.1
PROGRAM REVENUE (2)	\$25,904.9	\$6,664.2	\$6,664.2	\$6,664.2	\$43,664.2	\$43,664.2
Aids to Ind. & Org.	25,904.9	6,664.2	6,664.2	6,664.2	43,664.2	43,664.2
SEGREGATED REVENUE (3)	\$193,354.9	\$194,200.4	\$192,188.2	\$193,889.8	\$187,661.8	\$189,795.3
Local Assistance	179,024.2	194,200.4	192,188.2	193,889.8	187,661.8	189,795.3
Aids to Ind. & Org.	14,330.7	0.0	0.0	0.0	0.0	0.0
TOTALS - ANNUAL	\$2,260,480.8	\$2,397,352.0	\$2,424,815.3	\$2,461,112.8	\$2,419,508.6	\$2,365,255.1
Local Assistance	1,920,521.6	2,051,887.7	2,063,960.3	2,069,506.3	2,062,517.8	1,973,012.8
Aids to Ind. & Org.	339,959.2	345,464.3	360,855.0	391,606.5	356,990.8	392,242.3

(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 FY10	ADJUSTED BASE FY11	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY12	FY13	FY12	FY13
1. Shared revenue payments	\$967,007.7	\$1,020,511.5	\$1,029,596.3	\$1,033,440.7	\$1,028,898.3	\$938,001.2
2. Tax relief	\$339,961.8	\$345,474.3	\$360,865.0	\$391,616.5	\$357,000.8	\$392,252.3
3. State property tax credits	\$932,862.1	\$1,010,717.0	\$1,013,704.8	\$1,015,406.4	\$1,015,025.3	\$1,016,417.4
5. Payments in lieu of taxes	\$20,649.2	\$20,649.2	\$20,649.2	\$20,649.2	\$18,584.2	\$18,584.2
TOTALS	\$2,260,480.8	\$2,397,352.0	\$2,424,815.3	\$2,461,112.8	\$2,419,508.6	\$2,365,255.1

1. Aids to Counties and Municipalities

Source of Funds	Agency Request				Governor's Recommendation			
	FY12		FY13		FY12		FY13	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-2,065,000	0.00	-98,065,000	0.00
TOTAL	0	0.00	0	0.00	-2,065,000	0.00	-98,065,000	0.00

The Governor recommends reducing funding for county and municipal aid by \$96,000,000 for calendar year 2012. Aids to municipalities would be reduced by \$59,500,000 with reductions apportioned by population tier limited to valuation levels that increase with population or a maximum reduction of 50 percent, whichever is less. Aids to counties would be reduced by \$36,500,000 apportioned on a per capita basis, limited to 0.15 mills in equalized value or 50 percent, whichever is less. The Governor also recommends reducing payments for municipal services by 10 percent in each year.

2. Property Tax Levy Changes

Source of Funds	Agency Request				Governor's Recommendation			
	FY12		FY13		FY12		FY13	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	0	0.00	-2,439,500	0.00
TOTAL	0	0.00	0	0.00	0	0.00	-2,439,500	0.00

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 0 percent or the increase in equalized value due to net new construction. The Governor also recommends not allowing local governments to carry forward unused levy capacity. The Governor further recommends providing a negative debt service adjustment for debt issued prior to July 1, 2005, if debt service would be lower in the current year than in the prior year. In addition, the Governor recommends adjusting payments under the state aid for tax exempt property program to reflect lower rates of levy increases due to levy controls implemented for counties, municipalities, school districts and technical college districts.

3. Expenditure Restraint Inflation Factor

The Governor recommends reducing the minimum inflation factor for calculation of the expenditure restraint payment eligibility to 0 percent from 3 percent.

4. Repeal Homestead Tax Credit Inflation Indexing

Source of Funds	Agency Request				Governor's Recommendation			
	FY12		FY13		FY12		FY13	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-2,000,000	0.00	-6,100,000	0.00
TOTAL	0	0.00	0	0.00	-2,000,000	0.00	-6,100,000	0.00

The Governor recommends repealing the indexing of the homestead tax credit beginning with tax year 2011.

5. Earned Income Tax Credit

Source of Funds	Agency Request				Governor's Recommendation			
	FY12		FY13		FY12		FY13	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-57,300,000	0.00	-58,000,000	0.00
PR-S	0	0.00	0	0.00	37,000,000	0.00	37,000,000	0.00
TOTAL	0	0.00	0	0.00	-20,300,000	0.00	-21,000,000	0.00

The Governor recommends adjusting the percentages of the federal earned income credit that are claimable for Wisconsin income tax purposes to 5 percent for a filer with one child, 8 percent for a filer with two children, and 40 percent for a filer with three or more children. The Governor also recommends increasing the amount of Temporary Assistance for Needy Families funds transferred to Shared Revenue and Tax Relief for the purposes of paying the state earned income tax credit (EITC). See Department of Children and Families, Item #4.

6. Refundable Credits to Continuing

The Governor recommends changing appropriations to make payments under the dairy manufacturing facility investment credit and jobs tax credit from annual to continuing to better reflect the timing of claims.

7. Jobs Tax Credit

The Governor recommends increasing the level of eligible wages that can be claimed under the jobs tax credit. See Wisconsin Economic Development Corporation, Item #2.

8. Current Law Sum Sufficient and Tax Credit Reestimates

Source of Funds	Agency Request				Governor's Recommendation			
	FY12		FY13		FY12		FY13	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	29,475,500	0.00	64,071,400	0.00	53,060,200	0.00	99,912,700	0.00
SEG-O	-2,012,200	0.00	-310,600	0.00	-6,538,600	0.00	-4,405,100	0.00
TOTAL	27,463,300	0.00	63,760,800	0.00	46,521,600	0.00	95,507,600	0.00

The Governor recommends reestimating the sum sufficient appropriations for the shared revenue account, public utility distribution account, state aid for tax exempt property, interest payments on overassessments of manufacturing property, homestead tax credit, enterprise zone credit, veterans and surviving spouses property tax credit, cigarette and tobacco product tax refunds, jobs tax credit, earned income tax credit, lottery and gaming credit, lottery and gaming late credit applications, and county and municipal aid account. The Governor also recommends providing \$5,000,000 GPR in each year to fund the increase enacted in 2009 Wisconsin Act 28 in payments under the first dollar credit.