

SHARED REVENUE AND TAX RELIEF

GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY15 Adjusted Base	FY16 Recommended	% Change Over FY15	FY17 Recommended	% Change Over FY16
GPR	2,147,065,600	2,142,747,100	-0.2	2,351,865,600	9.8
PR-S	62,500,000	62,500,000	0.0	62,500,000	0.0
SEG-O	196,547,800	213,392,700	8.6	214,860,300	0.7
TOTAL	2,406,113,400	2,418,639,800	0.5	2,629,225,900	8.7

FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY15 Adjusted Base	FY16 Recommended	FTE Change Over FY15	FY17 Recommended	FTE Change Over FY16
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 tax exempt property appropriation provides annual payments to all local governments to offset the loss of tax base caused by the property tax exemption for computer equipment. An additional appropriation under this program directs 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. Enterprise zone jobs 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.

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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. School Levy Tax Credit Funding Increase
2. Business Tax Credit Reform
3. Property Assessment Reform
4. Enterprise Zone Jobs Credit Allocation
5. Jobs Tax Credit Sum Sufficient Appropriation
6. Delete Obsolete Development Zones Appropriations
7. Property Tax Bill Referendum Disclosure
8. Sum Sufficient Reestimates

ITEMS NOT APPROVED

9. Department of Children and Families TANF Request

Shared Revenue and Tax Relief

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

	ACTUAL FY14	ADJUSTED BASE FY15	AGENCY REQUEST FY16	AGENCY REQUEST FY17	GOVERNOR'S RECOMMENDATION FY16	GOVERNOR'S RECOMMENDATION FY17
GENERAL PURPOSE REVENUE	\$2,097,673.5	\$2,147,065.6	\$2,145,546.4	\$2,201,000.7	\$2,142,747.1	\$2,351,865.6
Local Assistance	1,818,730.8	1,826,515.6	1,830,374.9	1,834,499.9	1,830,375.6	2,045,700.6
Aids to Ind. & Org.	278,942.8	320,550.0	315,171.5	366,500.8	312,371.5	306,165.0
PROGRAM REVENUE (2)	\$62,500.0	\$62,500.0	\$62,500.0	\$6,664.2	\$62,500.0	\$62,500.0
Aids to Ind. & Org.	62,500.0	62,500.0	62,500.0	6,664.2	62,500.0	62,500.0
SEGREGATED REVENUE (3)	\$220,998.2	\$196,547.8	\$213,392.7	\$214,860.3	\$213,392.7	\$214,860.3
Local Assistance	220,998.2	196,547.8	213,392.7	214,860.3	213,392.7	214,860.3
TOTALS - ANNUAL	\$2,381,171.8	\$2,406,113.4	\$2,421,439.1	\$2,422,525.2	\$2,418,639.8	\$2,629,225.9
Local Assistance	2,039,729.0	2,023,063.4	2,043,767.6	2,049,360.2	2,043,768.3	2,260,560.9
Aids to Ind. & Org.	341,442.8	383,050.0	377,671.5	373,165.0	374,871.5	368,665.0

(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 FY14	ADJUSTED BASE FY15	AGENCY REQUEST FY16	AGENCY REQUEST FY17	GOVERNOR'S RECOMMENDATION FY16	GOVERNOR'S RECOMMENDATION FY17
1. Shared revenue payments	\$957,032.1	\$963,521.4	\$966,480.7	\$970,295.7	\$966,481.4	\$970,296.4
2. Tax relief	\$341,442.8	\$383,060.0	\$377,681.5	\$373,185.0	\$374,881.5	\$368,685.0
3. State property tax credits	\$1,064,112.7	\$1,040,947.8	\$1,058,692.7	\$1,060,460.3	\$1,058,692.7	\$1,271,660.3
5. Payments in lieu of taxes	\$18,584.2	\$18,584.2	\$18,584.2	\$18,584.2	\$18,584.2	\$18,584.2
TOTALS	\$2,381,171.8	\$2,406,113.4	\$2,421,439.1	\$2,422,525.2	\$2,418,639.8	\$2,629,225.9

Shared Revenue and Tax Relief

1. School Levy Tax Credit Funding Increase

Source of Funds	Agency Request				Governor's Recommendations			
	FY16		FY17		FY16		FY17	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	0	0.00	211,200,000	0.00
TOTAL	0	0.00	0	0.00	0	0.00	211,200,000	0.00

The Governor recommends providing an increase in the school levy tax credit of \$211.2 million in FY17. Of this amount, \$105.6 million pertains to the 2015-16 property tax year and \$105.6 million pertains to the 2016-17 property tax year in order to pay for the new property tax relief in the same fiscal year in which it is incurred in FY17 and in future years.

2. Business Tax Credit Reform

The Governor recommends consolidating the jobs tax credit and the economic development tax credit into a single tax credit called the business development tax credit. The new tax credit may be awarded on the basis of the following activities: (a) for jobs created or retained, up to 10 percent of eligible wages for positions meeting state's definition of full-time employment, plus a 5 percent bonus for projects in "distressed" counties, provided that these jobs be maintained for five years and offer health insurance; (b) 50 percent of eligible training costs for enhancing employees' knowledge and skills in the workplace; (c) 3 percent of eligible capital investment in personal property or 5 percent of capital investment in real property; or (d) costs related to relocating or retaining a headquarters in Wisconsin. The Governor also recommends providing \$10 million annually in award authority beginning in 2016 and allowing reallocations from unused qualified new business venture credit authority subject to the approval by the Joint Committee on Finance. The Governor further recommends removing all remaining economic development tax credit authority after June 30, 2015. The estimated fiscal effect is a revenue gain of \$2.25 million in FY16 and \$7.5 million in FY17 from the elimination of remaining economic development tax credit authority. See Wisconsin Economic Development Corporation, Item #3.

3. Property Assessment Reform

The Governor recommends beginning the transition from the current system of municipal property assessment to countywide property assessment in 2016 and requiring completion of the transition for the 2017 property assessment year. All properties will be required to be assessed at 100 percent of fair market value by the 2017 assessment year. Multiple counties may form consolidated assessment regions at their discretion. First and second class cities may choose to maintain municipal assessment provided that they meet certain requirements. Counties or multicounty regions will conduct the assessment process in their jurisdictions and report assessment data to the Department of Revenue. Boards of review, except in excluded municipalities, will be consolidated at the county level. The department will continue to license assessors and audit the county assessments to ensure that properties are being valued at 100 percent of fair market value. If counties fail to do so, the department may conduct supervised assessments in those counties. See Department of Revenue, Item #6.

Shared Revenue and Tax Relief

4. Enterprise Zone Jobs Credit Allocation

The Governor recommends increasing the enterprise zone jobs credit program allocation cap from 20 zones to 30 zones. See Wisconsin Economic Development Corporation, Item #6.

5. Jobs Tax Credit Sum Sufficient Appropriation

The Governor recommends converting the jobs tax credit from a continuing appropriation to a sum sufficient appropriation.

6. Delete Obsolete Development Zones Appropriations

The Governor recommends repealing the obsolete development zone investment credit, location credit, environmental remediation credit, research credit, jobs credit and sales tax credit. All of these credits have been expired for at least 15 years and can no longer be claimed on amended returns.

7. Property Tax Bill Referendum Disclosure

The Governor recommends increasing transparency for property taxpayers by requiring property tax bills to disclose debt service and fees from each taxing jurisdiction and their respective property tax bill impacts. The Governor also recommends that property tax bills explicitly inform taxpayers of the impacts of additional amounts levied pursuant to a referendum to exceed a tax levy limitation.

8. Sum Sufficient Reestimates

Source of Funds	Agency Request				Governor's Recommendations			
	FY16		FY17		FY16		FY17	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	-1,519,200	0.00	-1,900,700	0.00	-4,318,500	0.00	-6,400,000	0.00
SEG-O	16,844,900	0.00	18,312,500	0.00	16,844,900	0.00	18,312,500	0.00
TOTAL	15,325,700	0.00	16,411,800	0.00	12,526,400	0.00	11,912,500	0.00

The Governor recommends reestimating the following appropriations to reflect anticipated utilization: county and municipal aid account, public utility distribution account, state aid for tax exempt property, claim of right credit, woody biomass harvesting and processing credit, homestead tax credit, enterprise zone jobs credit, farmland preservation credit, veterans and surviving spouses property tax credit, cigarette and tobacco product tax refunds, earned income tax credit, lottery and gaming credit, and lottery and gaming late credit applications.

Shared Revenue and Tax Relief

ITEMS NOT APPROVED

The following requests are not included in the Governor's budget recommendations for Shared Revenue and Tax Relief.

Decision Item	Source of Funds	FY16		FY17	
		Dollars	Positions	Dollars	Positions
9. Department of Children and Families TANF Request	GPR	0	0.00	55,835,800	0.00
	PR-S	0	0.00	-55,835,800	0.00
TOTAL OF ITEMS NOT APPROVED	GPR	0	0.00	55,835,800	0.00
	PR-S	0	0.00	-55,835,800	0.00

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