

SHARED REVENUE AND TAX RELIEF

GOVERNOR'S BUDGET RECOMMENDATIONS

| Source of Funds | FY17 Adjusted Base | FY18 Recommended | % Change Over FY17 | FY19 Recommended | % Change Over FY18 |
|-----------------|--------------------|------------------|--------------------|------------------|--------------------|
| GPR | 2,233,080,600 | 2,313,309,400 | 3.6 | 2,394,429,100 | 3.5 |
| PR-S | 69,700,000 | 69,700,000 | 0.0 | 82,700,000 | 18.7 |
| SEG-O | 213,898,500 | 219,590,500 | 2.7 | 221,247,300 | 0.8 |
| TOTAL | 2,516,679,100 | 2,602,599,900 | 3.4 | 2,698,376,400 | 3.7 |

FULL-TIME EQUIVALENT POSITION SUMMARY

| Source of Funds | FY17 Adjusted Base | FY18 Recommended | FTE Change Over FY17 | FY19 Recommended | FTE Change Over FY18 |
|-----------------|--------------------|------------------|----------------------|------------------|----------------------|
| 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.

Shared Revenue and Tax Relief

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.

SHARED REVENUE AND TAX RELIEF

GOVERNOR'S BUDGET RECOMMENDATIONS

RECOMMENDATIONS

1. Elimination of State-Levied Property Tax
2. School Levy Tax Credit Increase
3. EITC Rate Increase
4. TANF Funding for EITC
5. EITC Marriage Penalty Reduction
6. EITC for Noncustodial Parents
7. Homestead Credit Reforms
8. Homestead Credit Indexing
9. Loss Limitations for Homestead and EITC Filers
10. Young Adult Employment Assistance Tax Credit
11. Enterprise Zone Credit Limits
12. Levy Limit Adjustment for Pre-2005 Debt
13. Volkswagen Settlement Reduction of Milwaukee County Shared Revenue
14. Local Government Department Consolidation
15. Direct Payment of Property Tax Credits to Municipalities
16. Sum Sufficient Reestimates

Shared Revenue and Tax Relief

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

| | ACTUAL FY16 | ADJUSTED BASE FY17 | AGENCY REQUEST | | GOVERNOR'S RECOMMENDATION | |
|-------------------------|----------------|--------------------------|----------------|---------------|------------------------------|---------------|
| | | | FY18 | FY19 | FY18 | FY19 |
| GENERAL PURPOSE REVENUE | \$2,099,490.1 | \$2,233,080.6 | \$2,231,840.1 | \$2,225,419.1 | \$2,313,309.4 | \$2,394,429.1 |
| State Operations | 0.0 | 0.0 | 0.0 | 0.0 | 88,759.3 | 91,695.6 |
| Local Assistance | 1,827,877.4 | 1,934,425.6 | 1,936,840.8 | 1,938,942.1 | 1,936,840.8 | 2,023,992.1 |
| Aids to Ind. & Org. | 271,612.7 | 298,655.0 | 294,999.3 | 286,477.0 | 287,709.3 | 278,741.4 |
| PROGRAM REVENUE (2) | \$67,600.0 | \$69,700.0 | \$69,700.0 | \$69,700.0 | \$69,700.0 | \$82,700.0 |
| Aids to Ind. & Org. | 67,600.0 | 69,700.0 | 69,700.0 | 69,700.0 | 69,700.0 | 82,700.0 |
| SEGREGATED REVENUE (3) | \$209,095.2 | \$213,898.5 | \$215,621.5 | \$216,133.6 | \$219,590.5 | \$221,247.3 |
| Local Assistance | 209,095.2 | 213,898.5 | 215,621.5 | 216,133.6 | 219,590.5 | 221,247.3 |
| TOTALS - ANNUAL | \$2,376,185.4 | \$2,516,679.1 | \$2,517,161.6 | \$2,511,252.7 | \$2,602,599.9 | \$2,698,376.4 |
| State Operations | 0.0 | 0.0 | 0.0 | 0.0 | 88,759.3 | 91,695.6 |
| Local Assistance | 2,036,972.6 | 2,148,324.1 | 2,152,462.3 | 2,155,075.7 | 2,156,431.3 | 2,245,239.4 |
| Aids to Ind. & Org. | 339,212.7 | 368,355.0 | 364,699.3 | 356,177.0 | 357,409.3 | 361,441.4 |

(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 FY16 | ADJUSTED BASE FY17 | AGENCY REQUEST | | GOVERNOR'S RECOMMENDATION | |
|------------------------------|----------------|--------------------------|----------------|---------------|------------------------------|---------------|
| | | | FY18 | FY19 | FY18 | FY19 |
| 1. Shared revenue payments | \$964,864.5 | \$965,021.4 | \$967,146.6 | \$969,247.9 | \$967,146.6 | \$967,297.9 |
| 2. Tax relief | \$339,212.7 | \$368,375.0 | \$364,709.3 | \$356,187.0 | \$357,419.3 | \$361,451.4 |
| 3. State property tax relief | \$1,053,523.9 | \$1,164,698.5 | \$1,166,721.5 | \$1,167,233.6 | \$1,259,449.8 | \$1,351,042.9 |
| 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 | \$2,376,185.4 | \$2,516,679.1 | \$2,517,161.6 | \$2,511,252.7 | \$2,602,599.9 | \$2,698,376.4 |

Shared Revenue and Tax Relief

1. Elimination of State-Levied Property Tax

| Source of Funds | Agency Request | | | | Governor's Recommendations | | | |
|-----------------|----------------|-----------|---------|-----------|----------------------------|-----------|------------|-----------|
| | FY18 | | FY19 | | FY18 | | FY19 | |
| | Dollars | Positions | Dollars | Positions | Dollars | Positions | Dollars | Positions |
| GPR | 0 | 0.00 | 0 | 0.00 | 88,759,300 | 0.00 | 91,695,600 | 0.00 |
| TOTAL | 0 | 0.00 | 0 | 0.00 | 88,759,300 | 0.00 | 91,695,600 | 0.00 |

The Governor recommends repealing the state-levied portion of the property tax beginning with the 2017-18 property tax year. The Governor also recommends creating a GPR sum sufficient appropriation equal to 0.1697 mills multiplied by the total state equalized value that will be transferred to the forestry account in the conservation fund. The amount of this appropriation is projected to be \$88,759,300 in FY18 and \$91,695,600 in FY19. See Department of Natural Resources, Item #10.

2. School Levy Tax Credit Increase

| Source of Funds | Agency Request | | | | Governor's Recommendations | | | |
|-----------------|----------------|-----------|---------|-----------|----------------------------|-----------|------------|-----------|
| | FY18 | | FY19 | | FY18 | | FY19 | |
| | Dollars | Positions | Dollars | Positions | Dollars | Positions | Dollars | Positions |
| GPR | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 87,000,000 | 0.00 |
| TOTAL | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 87,000,000 | 0.00 |

The Governor recommends increasing the school levy tax credit by \$87,000,000 beginning with the 2017-18 property tax year.

3. EITC Rate Increase

| Source of Funds | Agency Request | | | | Governor's Recommendations | | | |
|-----------------|----------------|-----------|---------|-----------|----------------------------|-----------|------------|-----------|
| | FY18 | | FY19 | | FY18 | | FY19 | |
| | Dollars | Positions | Dollars | Positions | Dollars | Positions | Dollars | Positions |
| GPR | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 20,800,000 | 0.00 |
| TOTAL | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 20,800,000 | 0.00 |

The Governor recommends increasing the Wisconsin earned income tax credit for those with one dependent child from 4 percent of the federal credit to 11 percent of the federal credit beginning with tax year 2018. This item is part of the Wisconsin Works for Everyone initiative.

Shared Revenue and Tax Relief

4. TANF Funding for EITC

| Source of Funds | Agency Request | | | | Governor's Recommendations | | | |
|-----------------|----------------|-------------|----------|-------------|----------------------------|-------------|-------------|-------------|
| | FY18 | | FY19 | | FY18 | | FY19 | |
| | Dollars | Positions | Dollars | Positions | Dollars | Positions | Dollars | Positions |
| GPR | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | -13,000,000 | 0.00 |
| PR-S | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 13,000,000 | 0.00 |
| TOTAL | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |

The Governor recommends increasing the amount of temporary assistance for needy families program funding used to support refunds due to eligible taxpayers who claim the state earned income tax credit, which reduces the amount of GPR needed to support the credit. See Department of Children and Families, Item #7. This item is part of the Wisconsin Works for Everyone initiative.

5. EITC Marriage Penalty Reduction

| Source of Funds | Agency Request | | | | Governor's Recommendations | | | |
|-----------------|----------------|-------------|----------|-------------|----------------------------|-------------|------------------|-------------|
| | FY18 | | FY19 | | FY18 | | FY19 | |
| | Dollars | Positions | Dollars | Positions | Dollars | Positions | Dollars | Positions |
| GPR | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 1,500,000 | 0.00 |
| TOTAL | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 1,500,000 | 0.00 |

The Governor recommends allowing couples who have married in a tax year to claim, for purposes of the state earned income tax credit, the larger of what they could claim in that tax year or what they claimed in the previous tax year beginning in tax year 2018. Eligible couples can continue this treatment for up to three years. This item is part of the Wisconsin Works for Everyone initiative.

6. EITC for Noncustodial Parents

| Source of Funds | Agency Request | | | | Governor's Recommendations | | | |
|-----------------|----------------|-------------|----------|-------------|----------------------------|-------------|----------------|-------------|
| | FY18 | | FY19 | | FY18 | | FY19 | |
| | Dollars | Positions | Dollars | Positions | Dollars | Positions | Dollars | Positions |
| GPR | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 230,000 | 0.00 |
| TOTAL | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 230,000 | 0.00 |

The Governor recommends providing a state earned income tax credit for noncustodial parents who meet their obligated levels of child support payments. The credit will equal 7.5 percent of the federal credit for filers with one dependent child. This item is part of the Wisconsin Works for Everyone initiative.

Shared Revenue and Tax Relief

7. Homestead Credit Reforms

| Source of Funds | Agency Request | | | | Governor's Recommendations | | | |
|-----------------|----------------|-----------|---------|-----------|----------------------------|-----------|-------------|-----------|
| | FY18 | | FY19 | | FY18 | | FY19 | |
| | Dollars | Positions | Dollars | Positions | Dollars | Positions | Dollars | Positions |
| GPR | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | -12,200,000 | 0.00 |
| TOTAL | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | -12,200,000 | 0.00 |

The Governor recommends modifying the homestead tax credit to limit the credit to those age 62 or older and those with disabilities, and requiring other taxpayers to have earned income in order to claim the credit. For taxpayers subject to the earned income requirement, the credit shall be equal to 80 percent of the lesser of the claimant's property taxes, \$1,460, or 20 percent of the claimant's earned income. These modifications will take effect for tax year 2018. This item is part of the Wisconsin Works for Everyone initiative.

8. Homestead Credit Indexing

| Source of Funds | Agency Request | | | | Governor's Recommendations | | | |
|-----------------|----------------|-----------|---------|-----------|----------------------------|-----------|-----------|-----------|
| | FY18 | | FY19 | | FY18 | | FY19 | |
| | Dollars | Positions | Dollars | Positions | Dollars | Positions | Dollars | Positions |
| GPR | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 2,500,000 | 0.00 |
| TOTAL | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 2,500,000 | 0.00 |

The Governor recommends indexing the homestead tax credit for seniors and those with disabilities beginning with tax year 2018 in order to preserve the value of the credit for those with fixed incomes. This item is part of the Wisconsin Works for Everyone initiative.

9. Loss Limitations for Homestead and EITC Filers

| Source of Funds | Agency Request | | | | Governor's Recommendations | | | |
|-----------------|----------------|-----------|---------|-----------|----------------------------|-----------|------------|-----------|
| | FY18 | | FY19 | | FY18 | | FY19 | |
| | Dollars | Positions | Dollars | Positions | Dollars | Positions | Dollars | Positions |
| GPR | 0 | 0.00 | 0 | 0.00 | -1,290,000 | 0.00 | -1,290,000 | 0.00 |
| TOTAL | 0 | 0.00 | 0 | 0.00 | -1,290,000 | 0.00 | -1,290,000 | 0.00 |

The Governor recommends prohibiting taxpayers with business and investment losses larger than \$15,000 in a tax year from claiming either the homestead credit or the earned income tax credit in that tax year to ensure that these credits only go to their intended recipients. The Governor also recommends exempting farmers with gross receipts under \$250,000 from this prohibition. This item is part of the Wisconsin Works for Everyone initiative.

Shared Revenue and Tax Relief

10. Young Adult Employment Assistance Tax Credit

| Source of Funds | Agency Request | | | | Governor's Recommendations | | | |
|-----------------|----------------|-----------|---------|-----------|----------------------------|-----------|---------|-----------|
| | FY18 | | FY19 | | FY18 | | FY19 | |
| | Dollars | Positions | Dollars | Positions | Dollars | Positions | Dollars | Positions |
| GPR | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 724,400 | 0.00 |
| TOTAL | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 724,400 | 0.00 |

The Governor recommends creating a refundable tax credit to assist young adults between the ages of 18 and 20 who have aged out of foster care and supplemental security income. The credit equals 125 percent of the amount of the federal earned income credit for childless adults provided that the federal credit could be claimed if the claimants met the age requirements for the federal credit. This item is part of the Wisconsin Works for Everyone initiative.

11. Enterprise Zone Credit Limits

The Governor recommends allowing the Wisconsin Economic Development Corporation to reallocate enterprise zones that have been decertified or have expired to maximize the potential benefits of this program. See Wisconsin Economic Development Corporation, Item #5.

12. Levy Limit Adjustment for Pre-2005 Debt

The Governor recommends modifying county and municipal levy limits to require municipalities and counties to reduce their levy limit authority by the amount that debt service on debt issued before July 1, 2005, would decrease in the current year compared to the prior year.

13. Volkswagen Settlement Reduction of Milwaukee County Shared Revenue

| Source of Funds | Agency Request | | | | Governor's Recommendations | | | |
|-----------------|----------------|-----------|---------|-----------|----------------------------|-----------|------------|-----------|
| | FY18 | | FY19 | | FY18 | | FY19 | |
| | Dollars | Positions | Dollars | Positions | Dollars | Positions | Dollars | Positions |
| GPR | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | -1,950,000 | 0.00 |
| TOTAL | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | -1,950,000 | 0.00 |

The Governor recommends reducing Milwaukee County's county and municipal aid payment beginning in FY19 by \$1,950,000 each year for 10 years (from 2018 through 2027) in recognition of the \$26,000,000 of Volkswagen emissions settlement funds to be made available to the county for the replacement of eligible vehicles. See Miscellaneous Appropriations, Item #1.

Shared Revenue and Tax Relief

14. Local Government Department Consolidation

The Governor recommends allowing two or more municipalities the authority to enter into contracts to establish joint agencies or commissions to carry out a certain function that will fulfill each of the participating local governments' obligation to establish such an agency or commission for that function.

15. Direct Payment of Property Tax Credits to Municipalities

The Governor recommends beginning with distributions in 2018, allowing municipalities which receive in total at least \$3 million from the sum of the school levy tax credit, first dollar credit and lottery credit to make one ongoing request, rather than annual requests, to receive these payments directly from the state, instead of through the county.

16. Sum Sufficient Reestimates

| Source of Funds | Agency Request | | | | Governor's Recommendations | | | |
|-----------------|----------------|-------------|-------------------|-------------|----------------------------|-------------|-------------------|-------------|
| | FY18 | | FY19 | | FY18 | | FY19 | |
| | Dollars | Positions | Dollars | Positions | Dollars | Positions | Dollars | Positions |
| GPR | -1,240,500 | 0.00 | -7,661,500 | 0.00 | -7,240,500 | 0.00 | -14,661,500 | 0.00 |
| SEG-O | 1,723,000 | 0.00 | 2,235,100 | 0.00 | 5,692,000 | 0.00 | 7,348,800 | 0.00 |
| TOTAL | 482,500 | 0.00 | -5,426,400 | 0.00 | -1,548,500 | 0.00 | -7,312,700 | 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