

## DEPARTMENT OF REVENUE

### GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY21 Adjusted Base	FY22 Recommended	% Change Over FY21	FY23 Recommended	% Change Over FY22
GPR	191,127,100	194,869,100	2.0	193,649,200	-0.6
PR-O	14,088,100	14,449,900	2.6	14,522,600	0.5
PR-S	7,425,200	7,386,700	-0.5	7,386,700	0.0
SEG-O	15,660,200	22,229,200	41.9	22,431,100	0.9
<b>TOTAL</b>	<b>228,300,600</b>	<b>238,934,900</b>	<b>4.7</b>	<b>237,989,600</b>	<b>-0.4</b>

### FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY21 Adjusted Base	FY22 Recommended	FTE Change Over FY21	FY23 Recommended	FTE Change Over FY22
GPR	953.08	972.08	19.00	971.08	-1.00
PR-O	124.30	124.30	0.00	124.30	0.00
PR-S	12.20	12.20	0.00	12.20	0.00
SEG-O	92.45	93.45	1.00	93.45	0.00
<b>TOTAL</b>	<b>1,182.03</b>	<b>1,202.03</b>	<b>20.00</b>	<b>1,201.03</b>	<b>-1.00</b>

### AGENCY DESCRIPTION

The department is headed by a secretary who is appointed by the Governor with the advice and consent of the Senate. The department advises the Governor and Legislature on tax policy; administers the state's tax laws, lottery and unclaimed property program; distributes property tax relief and local unrestricted aid payments; and oversees general administration of the property tax system. The department's activities are organized into the following four major program areas:

- The Division of Income, Sales and Excise Tax collects taxes through accepting tax payments and processing tax returns, enforces tax laws and collects taxes through audit and compliance activities, provides taxpayer assistance, conducts criminal investigations, and administers the state's debt collection and unclaimed property programs;
- The Division of State and Local Finance administers state policy and programs affecting local government finance and the state's property tax system, including establishing equalized values, supervising general administration of the local property tax, and assessing the value of manufacturing property statewide;
- The Lottery Division administers the lottery program that provides funding for the property tax credit; and

- The administrative services area includes the Secretary's Office, Office of General Counsel, Division of Enterprise Services, Division of Technology Services, and Division of Research and Policy, and provides the Executive Office and Legislature with detailed analyses of revenue and tax policy options.

The tax programs administered by the department provide revenue for the state's general fund and other segregated funds. In addition, programs administered by the department provide revenue to counties and local tax districts. The department also administers the homestead, farmland preservation, earned income and other credits, which are paid to eligible applicants from the general fund.

## MISSION

The department administers Wisconsin's tax system to provide revenue to fund state and local government services. The department strives to provide taxpayers with clear information about tax laws, promote voluntary compliance and assure tax collection fairness.

## PROGRAMS, GOALS, OBJECTIVES AND ACTIVITIES

Note: Goals, objectives and activities have been revised.

### Program 1: Collection of Taxes

Goal: Ensure accountability through enforcement of tax laws.

Objective/Activity: Delinquent tax collections per fiscal year.

Objective/Activity: Collect debts owed to state agencies, courts, the Legislature, state authorities and local units of government (Statewide Debt Collection Program).

Objective/Activity: Use analytics to detect and prevent fraudulent returns or credits, including corrections to amount claimed for Earned Income Tax and Homestead Credits.

Objective/Activity: Enforcement cost per dollar collected.

Goal: Promote efficiency and integrity.

Objective/Activity: Growth in individual income, corporate franchise/income, and sales/use tax returns received electronically.

Objective/Activity: Average processing time for tax returns.

Goal: Provide excellent customer service.

Objective/Activity: Average hold time and answer rate for customer service call centers.

Objective/Activity: Department employees are considered professional and knowledgeable by customers.

**Program 2: State and Local Finance**

Goal: Ensure equitable tax compliance, collection and property valuation.

Objective/Activity: Increase availability of electronic means of doing business.

Objective/Activity: Detect and prevent incorrect real estate transfer fee exemptions claimed, including corrections during audit to the amount claimed (fiscal year dollar amount assessed).

Objective/Activity: Minimize the number of local governments not electronically filing the Municipal Financial Report on a timely basis.

Objective/Activity: Maintain a passing percentage of 60 percent for assessor certification exams.

**Program 3: Administrative Services and Space Rental**

Goal: Maintain a positive work environment.

Objective/Activity: Percentage of target group members in agency workforce.

**Program 4: Unclaimed Property Program**

Goal: Promote efficiency and integrity.

Objective/Activity: Process unclaimed property claims within 90-day statutory limit.

**Program 8: Lottery**

Goal: Achieve the highest possible revenue for property tax relief by offering entertaining and socially responsible games, while ensuring integrity and public trust.

Objective/Activity: Increase the amount available for property tax relief over the prior year.

## PERFORMANCE MEASURES

### 2019 AND 2020 GOALS AND ACTUALS

Prog. No.	Performance Measure	Goal 2019	Actual 2019	Goal 2020	Actual 2020
1.	Collection of delinquent taxes.	\$290 million	\$322.2 million	\$290 million	\$328.4 million
1.	Enforcement cost per dollar impact.	\$0.095	\$0.0827	\$0.095	\$0.0716
1.	Fraudulent returns stopped, incorrect refunds/credits reduced or denied.	\$47.2 million	\$37.3 million	\$47.2 million	\$51.4 million
1.	Statewide debt collection program.	\$37.39 million	\$65.4 million	\$37.39 million	\$65.3 million
1.	Percentage of individual income (II), sales tax (ST) and corporate (C) returns received electronically.	85% (II) 95% (ST) 90% (C)	87% (II) 95% (ST) 81% (C)	85% (II) 95% (ST) 90% (C)	88% (II) 95% (ST) 85% (C)
1.	Taxpayer survey results (percent of customers who rate customer service agents as professional or knowledgeable).	95% professional  95% knowledgeable	98.8% professional  98.9% knowledgeable	95% professional  95% knowledgeable	99.2% professional  99.1% knowledgeable
1.	Average processing time for individual income tax returns.	7 days	4.9 days	7 days	3.6 days
1.	Average hold time/answer rate for customer service call center.	90 second hold time  98% answer rate	55 second hold time  98.5% answer rate	90 second hold time  98% answer rate	45 second hold time  99.2% answer rate
2.	Percentage of forms and reports received electronically.	95%	99%	95%	99%
3.	Percentage of target group members in agency workforce.	14.5%	15.4%	14.5%	17.5%
4.	Process unclaimed property claims within 90 days.	100%	100%	100%	100%
8.	Percent change in funds distributed for property tax relief from prior year.	1%	37.96%	1%	15.12%

Note: Based on fiscal year.

## 2021, 2022 AND 2023 GOALS

Prog. No.	Performance Measure	Goal 2021 <sup>1</sup>	Goal 2022	Goal 2023
1.	Collection of delinquent taxes.	\$322 million	\$328 million	\$328 million
1.	Enforcement cost per dollar impact.	\$0.095	\$0.095	\$0.095
1.	Fraudulent returns stopped, incorrect refunds/credits reduced or denied.	\$47.2 million	\$47.2 million	\$47.2 million
1.	Statewide debt collection program.	\$54.9 million	\$54.9 million	\$54.9 million
1.	Percentage of individual income (II), sales tax (ST) and corporate (C) returns received electronically.	85% (II) 95% (ST) 90% (C)	85% (II) 95% (ST) 90% (C)	85% (II) 95% (ST) 90% (C)
1.	Taxpayer survey results.	95% professional  95% knowledgeable	95% professional  95% knowledgeable	95% professional  95% knowledgeable
1.	Average processing time for individual income tax returns.	8 days	8 days	8 days
1.	Average hold time/answer rate for customer service call center.	90 second hold time  97.8% answer rate	90 second hold time  97.8% answer rate	90 second hold time  97.8% answer rate
2.	Dollar amounts assessed from real estate transfer fee audits. <sup>2</sup>	\$750,000	\$750,000	\$750,000
2.	Number of local governments not timely electronically filing the Municipal Financial Report. <sup>2</sup>	15	10	10
2.	Percent of assessors passing certification exams on first attempt. <sup>2</sup>	60%	60%	60%
3.	Percentage of target group members in agency workforce.	18.5%	20%	20%
4.	Process unclaimed property claims within 90 days.	100%	100%	100%
8.	Percent change in funds distributed for property tax relief from prior year.	1%	1%	1%

Note: Based on fiscal year.

<sup>1</sup>Some goals for 2021 have been revised.

<sup>2</sup>New Program 2 performance measures for the upcoming biennium. A performance measure for Program 2 was also removed.

**DEPARTMENT OF REVENUE**  
**GOVERNOR'S BUDGET RECOMMENDATIONS**

**RECOMMENDATIONS**

1. Manufacturing and Agriculture Credit Limitation
2. Capital Gains Exclusion Limitation
3. Internal Revenue Code Update
4. Caregiver Tax Credit
5. Marijuana Legalization and Community Reinvestment
6. Earned Income Tax Credit Expansion
7. Homestead Tax Credit Expansion
8. Work Opportunity Tax Credit
9. Broker Dealer Apportionment
10. Child and Dependent Care Credit
11. Veterans and Surviving Spouses Credit for Renters
12. Refundable Tax Credits for Pass-Through Entities
13. Medical Care Insurance Subtraction for Self-Employed Individuals
14. Private School Tuition Deduction Limitation
15. National Guard and Reserve Subtraction Expansion
16. E-Cigarette Excise Tax
17. Excise Tax on Little Cigars
18. Sales Tax Exemption for Prairie or Wetland Planning Services
19. Sales Tax Exemption for Diapers
20. Sales Tax Exemption for Battery Storage for Renewable Energy Systems
21. Sales Tax Exemption for Sweetened Dried Fruit
22. First-Time Homebuyer Accounts
23. Flood Insurance Premiums Tax Credit
24. AmeriCorps Education Award Income Tax Deduction
25. Dividends Received Deduction Limitation
26. Automatic Adoption of Federal Changes to College Savings Accounts
27. Repeal Net Operating Loss Carryback
28. State Housing Tax Credit Increase
29. Elimination of Game Birds Sales Tax Exemption
30. Elimination of the Farm-Raised Deer Sales Tax Exemption
31. State and Local Debt Collection
32. Unclaimed Property Project Positions
33. Lottery Product Information Budget
34. Lottery Draw Staff
35. Lottery Multijurisdictional Games
36. Lottery Administrative Expenses
37. Utility Taxes Certified Mail
38. Manufacturing Charge to Local Governments
39. Vapor Products Municipal Licensing Requirement
40. Placement of Tobacco Products
41. Manufacturer's List Price for Tobacco and Related Products
42. Municipal Issued Liquor Licenses to be Listed on Department Web Site
43. Agency Equity Officer
44. Standard Budget Adjustments

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

	ACTUAL FY20	ADJUSTED BASE FY21	AGENCY REQUEST FY22	AGENCY REQUEST FY23	GOVERNOR'S RECOMMENDATION FY22	GOVERNOR'S RECOMMENDATION FY23
GENERAL PURPOSE REVENUE	\$176,252.5	\$191,127.1	\$191,569.3	\$191,558.1	\$194,869.1	\$193,649.2
State Operations	176,252.5	191,127.1	191,569.3	191,558.1	194,869.1	193,649.2
PROGRAM REVENUE (2)	\$14,673.1	\$21,513.3	\$21,257.7	\$21,170.5	\$21,836.6	\$21,909.3
State Operations	14,673.1	21,513.3	21,257.7	21,170.5	21,836.6	21,909.3
SEGREGATED REVENUE (3)	\$16,339.0	\$15,660.2	\$16,016.8	\$16,034.1	\$22,229.2	\$22,431.1
State Operations	16,339.0	15,660.2	16,016.8	16,034.1	22,229.2	22,431.1
TOTALS - ANNUAL	\$207,264.6	\$228,300.6	\$228,843.8	\$228,762.7	\$238,934.9	\$237,989.6
State Operations	207,264.6	228,300.6	228,843.8	228,762.7	238,934.9	237,989.6

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

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

**Table 2**  
**Department Position Summary by Funding Source (in FTE positions) (4)**

	ADJUSTED BASE FY21	AGENCY REQUEST FY22	AGENCY REQUEST FY23	GOVERNOR'S RECOMMENDATION FY22	GOVERNOR'S RECOMMENDATION FY23
GENERAL PURPOSE REVENUE	953.08	953.08	952.08	972.08	971.08
PROGRAM REVENUE (2)	136.50	134.50	126.50	136.50	136.50
SEGREGATED REVENUE (3)	92.45	92.45	92.45	93.45	93.45
TOTALS - ANNUAL	1,182.03	1,180.03	1,171.03	1,202.03	1,201.03

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

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

(4) All positions are State Operations unless otherwise specified

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

	ACTUAL FY20	ADJUSTED BASE FY21	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY22	FY23	FY22	FY23
1. Collection of taxes	\$75,306.1	\$85,406.6	\$85,814.4	\$85,744.5	\$89,505.2	\$88,368.7
2. State and local finance	\$11,185.3	\$13,245.3	\$13,210.4	\$13,194.1	\$13,210.4	\$13,194.1
3. Administrative services and space rental	\$34,471.5	\$39,811.6	\$40,012.3	\$40,017.4	\$40,075.5	\$40,098.4
4. Unclaimed property program	\$1,470.9	\$3,852.6	\$3,754.7	\$3,754.7	\$3,879.4	\$3,879.4
8. Lottery	\$84,830.7	\$85,984.5	\$86,052.0	\$86,052.0	\$92,264.4	\$92,449.0
<b>TOTALS</b>	<b>\$207,264.6</b>	<b>\$228,300.6</b>	<b>\$228,843.8</b>	<b>\$228,762.7</b>	<b>\$238,934.9</b>	<b>\$237,989.6</b>

**Table 4**  
**Department Position Summary by Program (in FTE positions) (4)**

	ADJUSTED BASE FY21	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
		FY22	FY23	FY22	FY23
1. Collection of taxes	832.03	832.03	824.03	850.03	850.03
2. State and local finance	113.00	113.00	112.00	113.00	112.00
3. Administrative services and space rental	161.35	161.35	161.35	162.35	162.35
4. Unclaimed property program	5.95	3.95	3.95	5.95	5.95
8. Lottery	69.70	69.70	69.70	70.70	70.70
<b>TOTALS</b>	<b>1,182.03</b>	<b>1,180.03</b>	<b>1,171.03</b>	<b>1,202.03</b>	<b>1,201.03</b>

(4) All positions are State Operations unless otherwise specified



### **1. Manufacturing and Agriculture Credit Limitation**

The Governor recommends limiting the amount of qualified production activities income that may be claimed by manufacturing firms under the manufacturing and agriculture credit to \$300,000 per tax year. The Governor also recommends leaving the agricultural portion of the credit unchanged compared to current law. The fiscal impact is an estimated increase in tax revenue of \$258.9 million in FY22 and \$228.5 million in FY23.

### **2. Capital Gains Exclusion Limitation**

The Governor recommends preserving the current law 30 percent long-term capital gains exclusion for single filers with federal adjusted gross income below \$400,000 and below \$533,000 for married-joint filers while eliminating it for taxpayers above those income levels. Taxpayers with noncapital gains income below those thresholds could claim capital gains income that, when combined with other sources, would stay within those limits for purposes of the exclusion, but not those amounts above the income limits. These modifications will preserve the exclusion for low- and middle-income investors while creating greater equity in the tax treatment of different sources of income for higher-income taxpayers. These modifications do not affect the 60 percent capital gains exclusion for farm assets. The fiscal impact is an estimated increase in tax revenue of \$202.1 million in FY22 and \$148.4 million in FY23.

### **3. Internal Revenue Code Update**

The Governor recommends modifying state statutes to conform with changes made to the federal Internal Revenue Code. The net fiscal impact of these changes is an increase in tax revenue of \$264.2 million in FY22 and \$275.9 million in FY23.

### **4. Caregiver Tax Credit**

The Governor recommends creating a nonrefundable individual income tax credit for qualified expenses incurred by a family caregiver to assist a qualified family member. For the purposes of the credit, a qualified family member must be at least 18 years of age, must require assistance with one or more daily living activities as certified by a physician, and must be the credit claimant's spouse or related by blood, marriage or adoption within the third degree of kinship. The credit is equal to 50 percent of qualified expenses in the taxable year and is limited to \$500 for most filers and \$250 for married-separate filers. The credit is subject to income limits that phase out the credit between \$75,000 and \$85,000 in income for single and head of household filers and \$150,000 and \$170,000 in income for married-joint filers. The credit first applies to taxable years beginning after December 31, 2020. The fiscal impact is an estimated decrease in tax revenue of \$100.4 million in FY22 and \$102.5 million in FY23.

**5. Marijuana Legalization and Community Reinvestment**

Source of Funds	Agency Request				Governor's Recommendations			
	FY22		FY23		FY22		FY23	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	3,236,600	18.00	2,010,100	18.00
TOTAL	0	0.00	0	0.00	3,236,600	18.00	2,010,100	18.00

The Governor recommends legalizing the sale of marijuana for recreational use for sales that occur at a marijuana retailer holding a permit issued by the department. The Governor also recommends the imposition of a 15 percent wholesale excise tax and a 10 percent retail excise tax on the sale of marijuana by department-issued permit holders. Sixty percent of excise tax collections will be deposited to a newly established community reinvestment fund with the remaining collections deposited to the general fund. The fiscal impact is an estimated increase in segregated tax revenue of \$79.3 million in FY23 and an estimated increase in general fund tax revenue of \$86.5 million in FY23. See Department of Administration, Item #1; Department of Agriculture, Trade and Consumer Protection, Item #33; Department of Children and Families, Item #25; Department of Health Services, Item #3; Department of Public Instruction, Item #9; Shared Revenue and Tax Relief, Item #18; and Wisconsin Economic Development Corporation, Item #3.

**6. Earned Income Tax Credit Expansion**

The Governor recommends increasing the Wisconsin earned income tax credit as a percentage of the federal credit from 4 percent to 16 percent for filers with one qualifying child and from 11 percent to 25 percent for filers with two qualifying children beginning with tax year 2021. See Shared Revenue and Tax Relief, Item #3.

**7. Homestead Tax Credit Expansion**

The Governor recommends increasing the maximum income threshold for the homestead tax credit to \$30,000 beginning in tax year 2021. The Governor also recommends indexing the parameters of the homestead tax credit for inflation beginning in tax year 2023 to preserve the credit's value against inflationary pressures. See Shared Revenue and Tax Relief, Item #2.

**8. Work Opportunity Tax Credit**

The Governor recommends creating a Wisconsin supplement to the federal Work Opportunity Tax Credit equal to 50 percent of the amount a taxpayer claims for the federal credit. The fiscal impact is an estimated revenue reduction of \$27.8 million in FY22 and \$24.1 million in FY23. See Department of Workforce Development, Item #27.

**9. Broker Dealer Apportionment**

The Governor recommends modifying the basis for the apportionment of net income by broker dealers to be based on net proceeds, instead of gross receipts, to protect Wisconsin's tax base. The fiscal impact is an estimated increase in tax revenue of \$37.0 million in each year of the biennium.

### **10. Child and Dependent Care Credit**

The Governor recommends repealing the current law subtraction for qualifying child and dependent care expenses and instead adopting a nonrefundable credit equal to 50 percent of the federal credit for child and dependent care expenses beginning in tax year 2021. The fiscal impact is an estimated reduction in tax revenue of \$9.8 million in each year of the biennium.

### **11. Veterans and Surviving Spouses Credit for Renters**

The Governor recommends expanding the veterans and surviving spouses property tax credit to include a benefit for renters equal to 20 percent of rent paid if heat is included in rent and 25 percent of rent paid if heat is not included in rent, beginning with tax year 2021. See Shared Revenue and Tax Relief, Item #5.

### **12. Refundable Tax Credits for Pass-Through Entities**

The Governor recommends allowing pass-through entities to be able to claim tax credits at the entity level in such cases where those entities have elected to be taxed at the entity level.

### **13. Medical Care Insurance Subtraction for Self-Employed Individuals**

The Governor recommends allowing self-employed individuals to deduct their medical care insurance premiums against all sources of income instead of the current law limitation that such individuals may only deduct premiums against self-employment income. This change would first take effect in tax year 2021. The fiscal impact is an estimated reduction in tax revenue of \$9.5 million in each year of the biennium.

### **14. Private School Tuition Deduction Limitation**

The Governor recommends limiting the subtraction from adjusted gross income for tuition paid by a parent to send their child to a private primary or secondary school to those single and head of household filers with incomes below \$100,000 and married-joint filers with incomes below \$150,000. The fiscal impact of this provision is an estimated tax revenue increase of \$6.4 million in FY22 and \$6.5 million in FY23.

### **15. National Guard and Reserve Subtraction Expansion**

The Governor recommends excluding from a taxpayer's Wisconsin adjusted gross income any amounts a National Guard member earned while on state active duty or a reservist earned while activated for certain preplanned support missions. The fiscal impact of this proposal is an estimated reduction in tax revenue of \$430,000 in each year.

### **16. E-Cigarette Excise Tax**

The Governor recommends imposing a tax on vapor products at the rate of 71 percent of the manufacturer's list price. This tax would replace the existing tax of 5 cents per milliliter which only applies to vapor liquid. The recommended tax would apply to any electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device, as well as any container of a solution or other substance that is intended to be used with these items. The fiscal impact is an estimated increase in tax revenue of \$12.7 million in FY22 and \$16.6 million in FY23.

### **17. Excise Tax on Little Cigars**

The Governor recommends imposing the cigarette excise tax on little cigars that include an integrated cellulose acetate filter and that are wrapped in any substance containing tobacco. The fiscal impact is an increase in tax revenue of \$2.3 million in FY22 and \$3.0 million in FY23.

### **18. Sales Tax Exemption for Prairie or Wetland Planning Services**

The Governor recommends creating a sales tax exemption for landscape planning and counseling services that pertain to the restoration, reclamation or revitalization of prairie, savanna or wetlands if such services are provided under a separate fee distinct from other services. The fiscal impact is an estimated reduction in tax revenue of \$200,000 in FY22 and \$300,000 in FY23.

### **19. Sales Tax Exemption for Diapers**

The Governor recommends creating a sales and use tax exemption for diapers, not including incontinence products for adults. The fiscal impact is an estimated reduction in tax revenue of \$7.3 million in FY22 and \$8.8 million in FY23.

### **20. Sales Tax Exemption for Battery Storage for Renewable Energy Systems**

The Governor recommends creating a sales and use tax exemption for property used primarily to store or facilitate the storage of energy produced by a solar, wind or biogas renewable energy system. The fiscal impact is an estimated reduction in tax revenue of \$3.8 million in FY22 and \$4.4 million in FY23.

### **21. Sales Tax Exemption for Sweetened Dried Fruit**

The Governor recommends creating a sales and use tax exemption for sweetened dried fruit so that dried cranberries and similar items will have the same sales tax treatment as other dried fruits. The fiscal impact is an estimated reduction in tax revenue of \$400,000 in FY22 and \$500,000 in FY23.

## **22. First-Time Homebuyer Accounts**

The Governor recommends creating state tax-preferred savings accounts that would allow first-time homebuyers to subtract from their adjusted gross income up to \$5,000 in contributions for single filers and up to \$10,000 in contributions for married-joint filers. Earnings on those accounts would also be exempt from state taxation. Contributions to these accounts would first be eligible for the individual income tax subtraction in tax year 2022. The fiscal impact is an estimated reduction in tax revenue of \$4.1 million in FY23.

## **23. Flood Insurance Premiums Tax Credit**

The Governor recommends creating a nonrefundable individual income tax credit equal to 10 percent of the amount individuals pay for flood insurance premiums in a tax year, beginning with tax year 2021, with a maximum credit of \$60. The fiscal impact of this provision is an estimated reduction in individual income tax revenues of \$800,000 in each year.

## **24. AmeriCorps Education Award Income Tax Deduction**

The Governor recommends creating a subtraction from the individual income tax for those amounts received by a taxpayer as part of AmeriCorps education awards. The fiscal impact is an estimated reduction in general fund tax revenues of \$136,000 in each year.

## **25. Dividends Received Deduction Limitation**

The Governor recommends limiting the deduction taken for dividends received to ensure that the deduction cannot be used to create a loss or increase a loss. The fiscal impact of this provision is an estimated increase in tax revenue of \$2.9 million in FY22 and \$3.1 million in FY23.

## **26. Automatic Adoption of Federal Changes to College Savings Accounts**

The Governor recommends automatically adopting changes to federal law for college savings accounts to provide simplicity for taxpayers. The fiscal impact of this provision is an estimated reduction in individual income tax revenues of \$100,000 in each year.

## **27. Repeal Net Operating Loss Carryback**

The Governor recommends repealing Wisconsin's net operating loss carryback provisions to parallel the repeal of net operating loss carrybacks at the federal level. The fiscal impact is an estimated increase in tax revenue of \$2.0 million in FY22 and \$4.1 million in FY23.

**28. State Housing Tax Credit Increase**

The Governor recommends the following changes to the State Housing Tax Credit Program to help address the need for affordable housing in the state: (a) an increase in the limit on the total amount of state housing tax credits that may be authorized annually by the Wisconsin Housing and Economic Development Authority from \$42 million to \$100 million; and (b) an increase in the credit period from six to ten taxable years. The fiscal impact is an estimated decrease in tax revenue of \$1.45 million in FY22 and \$7.25 million in FY23. See Wisconsin Housing and Economic Development Authority, Item #1.

**29. Elimination of Game Birds Sales Tax Exemption**

The Governor recommends eliminating the sales and use tax exemption for the sale of live game birds and clay pigeons. The fiscal impact is an estimated increase in tax revenue of \$150,000 in FY22 and \$200,000 in FY23.

**30. Elimination of the Farm-Raised Deer Sales Tax Exemption**

The Governor recommends eliminating the sales and use tax exemption for the sale of farm-raised deer. The fiscal impact is an estimated increase in tax revenue of \$90,000 in FY22 and \$120,000 in FY23.

**31. State and Local Debt Collection**

Source of Funds	Agency Request				Governor's Recommendations			
	FY22		FY23		FY22		FY23	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	0	0.00	0	0.00	454,200	0.00	614,100	8.00
TOTAL	0	0.00	0	0.00	454,200	0.00	614,100	8.00

The Governor recommends providing 8.0 FTE permanent positions and associated funding to collect debts owed to state and local governments. These positions replace an equal number of project positions that terminate on September 30, 2021.

**32. Unclaimed Property Project Positions**

Source of Funds	Agency Request				Governor's Recommendations			
	FY22		FY23		FY22		FY23	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-S	0	0.00	0	0.00	124,700	2.00	124,700	2.00
TOTAL	0	0.00	0	0.00	124,700	2.00	124,700	2.00

The Governor recommends extending the 2.0 FTE permanent project positions in the Unclaimed Property Program to June 30, 2023.

**33. Lottery Product Information Budget**

Source of Funds	Agency Request				Governor's Recommendations			
	FY22		FY23		FY22		FY23	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
SEG-O	0	0.00	0	0.00	850,000	0.00	850,000	0.00
TOTAL	0	0.00	0	0.00	850,000	0.00	850,000	0.00

The Governor recommends increasing the Lottery Division's product information budget by 10 percent to provide lottery players with sufficient notice of game changes and game draws.

**34. Lottery Draw Staff**

Source of Funds	Agency Request				Governor's Recommendations			
	FY22		FY23		FY22		FY23	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
SEG-O	0	0.00	0	0.00	55,100	1.00	73,500	1.00
TOTAL	0	0.00	0	0.00	55,100	1.00	73,500	1.00

The Governor recommends increasing the Lottery Division's draw staff and funding to adequately cover both the increased number of lotto games and the mid-day draws implemented for several lotto games.

**35. Lottery Multijurisdictional Games**

The Governor recommends expanding the scope of multijurisdictional lottery games that may be offered by the Wisconsin Lottery to include games that extend into other countries beyond the United States and Canada. This change will allow games, such as Powerball, to continue to be offered in Wisconsin if extended into other countries, including Australia, as is expected in the near future.

**36. Lottery Administrative Expenses**

Source of Funds	Agency Request				Governor's Recommendations			
	FY22		FY23		FY22		FY23	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
SEG-O	0	0.00	0	0.00	5,307,300	0.00	5,473,500	0.00
TOTAL	0	0.00	0	0.00	5,307,300	0.00	5,473,500	0.00

The Governor recommends decreasing general fund support of lottery general program operations to limit expenditures that must be split across multiple funding sources. This goal is achieved by: (a) increasing general fund support for retailer compensation by \$2,305,000 GPR in FY22 and \$2,424,100 GPR in FY23; (b) increasing general fund support for vendor fees by \$3,002,300 GPR in FY22 and \$3,049,400 GPR in FY23; (c) decreasing general fund support for lottery general program operations by the sum of these changes (-\$5,307,300 GPR in FY22 and -\$5,473,500 GPR in FY23); and (d) providing \$5,307,300 SEG in FY22 and \$5,473,500 SEG in FY23 for lottery general program operations to offset the reduction of general fund support.

**37. Utility Taxes Certified Mail**

The Governor recommends eliminating the requirement that ad valorem utility tax assessments be delivered by certified mail as quick and secure electronic communications are now available.

**38. Manufacturing Charge to Local Governments**

The Governor recommends that the department collect the existing manufacturing assessment fee from municipalities by directly reducing shared revenue payments. This will allow the fee, which covers a portion of department's costs for assessing manufacturing property, to be collected and paid more efficiently as many of these charges are for small dollar amounts, with several hundred billings under \$20.

**39. Vapor Products Municipal Licensing Requirement**

The Governor recommends that the municipal licensing requirement for the sellers of cigarettes and tobacco products also apply to the sellers of vapor products since many vapor products contain nicotine. In addition, the sellers of vapor products should be required to maintain records necessary to ensure compliance with state law in the same manner as sellers of cigarettes and tobacco products. See Department of Agriculture, Trade and Consumer Protection, Item #31.



**40. Placement of Tobacco Products**

The Governor recommends, with limited exceptions, that retail sellers of cigarettes and tobacco products be required to place these and other nicotine products in locations that are only accessible to the customer with the assistance of the retailer or an employee of the retailer.

**41. Manufacturer's List Price for Tobacco and Related Products**

The Governor recommends explicitly defining "manufacturer's list price" for the taxation of tobacco products, moist snuff and vapor products to clarify in state law the calculation of the excise taxes on these products.

**42. Municipal Issued Liquor Licenses to be Listed on Department Web Site**

The Governor recommends that the department post to its Web site a list of all municipal issued liquor licenses to make this information more readily accessible to local governments and state agencies.

**43. Agency Equity Officer**

Source of Funds	Agency Request				Governor's Recommendations			
	FY22		FY23		FY22		FY23	
Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions	
GPR	0	0.00	0	0.00	63,200	1.00	81,000	1.00
TOTAL	0	0.00	0	0.00	63,200	1.00	81,000	1.00

The Governor recommends creating a new agency equity officer position within the Office of the Secretary. The agency equity officer will collaborate with the Chief Equity Officer within the Department of Administration and agency equity officers within other agencies to identify opportunities to advance equity in government operations, including determining how current government practices and policies impact communities of color and individuals with disabilities. See Department of Administration, Item #1; Department of Agriculture, Trade and Consumer Protection, Item #38; Department of Children and Families, Item #26; Department of Corrections, Item #26; Department of Financial Institutions, Item #13; Department of Health Services, Item #109; Department of Justice, Item #30; Department of Military Affairs, Item #9; Department of Natural Resources, Item #51; Department of Public Instruction, Item #31; Department of Safety and Professional Services, Item #6; Department of Tourism, Item #8; Department of Transportation, Item #42; Department of Veterans Affairs, Item #6; Department of Workforce Development, Item #36; Office of the Commissioner of Insurance, Item #28; and Public Service Commission, Item #20.

**44. Standard Budget Adjustments**

Source of Funds	Agency Request				Governor's Recommendations			
	FY22		FY23		FY22		FY23	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	442,200	0.00	431,000	-1.00	442,200	0.00	431,000	-1.00
PR-O	-92,400	0.00	-179,600	-8.00	-92,400	0.00	-179,600	-8.00
PR-S	-163,200	-2.00	-163,200	-2.00	-163,200	-2.00	-163,200	-2.00
SEG-O	356,600	0.00	373,900	0.00	356,600	0.00	373,900	0.00
<b>TOTAL</b>	<b>543,200</b>	<b>-2.00</b>	<b>462,100</b>	<b>-11.00</b>	<b>543,200</b>	<b>-2.00</b>	<b>462,100</b>	<b>-11.00</b>

The Governor recommends adjusting the department's base budget for: (a) turnover reduction (-\$1,922,900 in each year); (b) removal of noncontinuing elements from the base (-\$627,900 and -2.0 FTE positions in FY22 and -\$804,100 and -11.0 FTE positions in FY23); (c) full funding of continuing position salaries and fringe benefits (\$3,153,900 in each year); (d) reclassifications and semiautomatic pay progression (\$39,200 in FY22 and \$128,900 in FY23); (e) full funding of lease and directed moves costs (-\$99,100 in FY22 and -\$93,700 in FY23); and (f) minor transfers within the same alpha appropriation.