

SHARED REVENUE AND TAX RELIEF

GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY19 Adjusted Base	FY20 Recommended	% Change Over FY19	FY21 Recommended	% Change Over FY20
GPR	2,499,290,300	2,509,853,700	0.4	2,768,550,900	10.3
PR-S	69,700,000	85,700,000	23.0	86,700,000	1.2
SEG-O	251,705,300	264,059,900	4.9	264,108,800	0.0
TOTAL	2,820,695,600	2,859,613,600	1.4	3,119,359,700	9.1

FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY19 Adjusted Base	FY20 Recommended	FTE Change Over FY19	FY21 Recommended	FTE Change Over FY20
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. The tax exempt personal property appropriation provides similar payments to all local governments to offset the loss of tax base due to the tax exemption for certain personal property. 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. This program also includes an appropriation to transfer funding to the conservation fund to offset the revenue loss created by the elimination of the state property tax that had previously been levied for forestry purposes.

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. Homestead Credit Reforms
2. Earned Income Tax Credit Expansion
3. TANF Funding for the Earned Income Tax Credit
4. County and Municipal Levy Limit Minimum Valuation Factor
5. County and Municipal Levy Limit Adjustment for Covered Service Fees
6. County and Municipal Levy Limit Adjustment for Joint Emergency Dispatch Centers
7. County and Municipal Levy Limit Exclusion for Transit Routes
8. Technical College District Revenue Limits Growth Factor
9. County and Municipal Aid Program Increase
10. Dark Store Assessments
11. Increase in Refundable Research Credit
12. Tax Incremental Finance Reforms
13. Tax Incremental District Value Increment Error Reimbursement
14. Volkswagen Settlement Reduction
15. Sunset of School Levy Credit and First Dollar Credit
16. Sum Sufficient Reestimates

ITEMS NOT APPROVED

17. EITC Marriage Penalty Reduction
18. Homestead Expansion for Individuals Age 62 or Over
19. New Graduate Tax Credit

Shared Revenue and Tax Relief

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

	ACTUAL FY18	ADJUSTED BASE FY19	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY20	FY21	FY20	FY21
GENERAL PURPOSE REVENUE	\$2,273,386.4	\$2,499,290.3	\$2,515,398.4	\$2,825,284.8	\$2,509,853.7	\$2,768,550.9
State Operations	89,259.6	91,644.0	96,173.0	99,181.5	97,753.4	101,736.1
Local Assistance	1,938,253.6	2,110,477.3	2,115,183.3	2,115,941.4	2,115,183.3	2,131,002.9
Aids to Ind. & Org.	245,873.3	297,169.0	304,042.1	610,161.9	296,917.0	535,811.9
PROGRAM REVENUE (2)	\$69,700.0	\$69,700.0	\$69,700.0	\$69,700.0	\$85,700.0	\$86,700.0
Aids to Ind. & Org.	69,700.0	69,700.0	69,700.0	69,700.0	85,700.0	86,700.0
SEGREGATED REVENUE (3)	\$222,139.3	\$251,705.3	\$263,685.7	\$263,685.7	\$264,059.9	\$264,108.8
Local Assistance	222,139.3	251,705.3	263,685.7	263,685.7	264,059.9	264,108.8
TOTALS - ANNUAL	\$2,565,225.8	\$2,820,695.6	\$2,848,784.1	\$3,158,670.5	\$2,859,613.6	\$3,119,359.7
State Operations	89,259.6	91,644.0	96,173.0	99,181.5	97,753.4	101,736.1
Local Assistance	2,160,392.9	2,362,182.6	2,378,869.0	2,379,627.1	2,379,243.2	2,395,111.7
Aids to Ind. & Org.	315,573.3	366,869.0	373,742.1	679,861.9	382,617.0	622,511.9

(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 FY18	ADJUSTED BASE FY19	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY20	FY21	FY20	FY21
1. Shared revenue payments	\$969,690.1	\$1,047,970.5	\$1,052,509.9	\$1,053,268.0	\$1,052,509.9	\$1,068,329.5
2. Tax relief	\$315,573.3	\$366,879.0	\$373,752.1	\$679,871.9	\$382,627.0	\$622,521.9
3. State property tax relief	\$1,261,378.2	\$1,387,261.9	\$1,403,937.9	\$1,406,946.4	\$1,405,892.5	\$1,409,924.1
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	\$2,565,225.8	\$2,820,695.6	\$2,848,784.1	\$3,158,670.5	\$2,859,613.6	\$3,119,359.7

Shared Revenue and Tax Relief

1. Homestead Credit Reforms

Source of Funds	Agency Request				Governor's Recommendations			
	FY20		FY21		FY20		FY21	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	0	0.00	38,900,000	0.00
TOTAL	0	0.00	0	0.00	0	0.00	38,900,000	0.00

The Governor recommends indexing the parameters of the homestead tax credit for inflation beginning with tax year 2020 to preserve the credit's value against inflationary pressures. The Governor also recommends increasing the maximum income threshold of the homestead credit to \$30,000 in tax year 2020. See Department of Revenue, Item #7.

2. Earned Income Tax Credit Expansion

Source of Funds	Agency Request				Governor's Recommendations			
	FY20		FY21		FY20		FY21	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	26,400,000	0.00	26,700,000	0.00
TOTAL	0	0.00	0	0.00	26,400,000	0.00	26,700,000	0.00

The Governor recommends increasing the Wisconsin earned income tax credit as a percentage of the federal credit from 4 percent to 11 percent for filers with one qualifying child and from 11 percent to 14 percent for filers with two qualifying children beginning with tax year 2019. See Department of Revenue, Item #8.

3. TANF Funding for the Earned Income Tax Credit

Source of Funds	Agency Request				Governor's Recommendations			
	FY20		FY21		FY20		FY21	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-16,000,000	0.00	-17,000,000	0.00
PR-S	0	0.00	0	0.00	16,000,000	0.00	17,000,000	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 (TANF) 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.

Shared Revenue and Tax Relief

4. County and Municipal Levy Limit Minimum Valuation Factor

The Governor recommends modifying the valuation factor under county and municipal levy limits to allow county and municipal governments to increase levies by the greater of the percentage change in equalized value due to new construction less improvements removed or 2 percent beginning with levies set in 2019.

5. County and Municipal Levy Limit Adjustment for Covered Service Fees

The Governor recommends eliminating the requirement that counties and municipalities reduce levy limit authority by the amount by which those governments increase fees for covered services.

6. County and Municipal Levy Limit Adjustment for Joint Emergency Dispatch Centers

The Governor recommends expanding the current levy limit adjustment for joint fire departments to include joint emergency dispatch centers. The Governor also recommends modifying the inflationary adjustment to be the change in the consumer price index for the 12 months ending on September 30 of the year of the levy plus 1 percent. The Governor further recommends excluding from the expenditure restraint budget test those amounts claimed as levy limit adjustments under this provision.

7. County and Municipal Levy Limit Exclusion for Transit Routes

The Governor recommends creating an exclusion to county and municipal levy limits for cross-municipality transit routes where the counties and municipalities meet a number of criteria, including that the counties and municipalities claiming the exclusion must be adjacent, must have entered an intergovernmental cooperation agreement to provide new or enhanced transit services across county boundaries, and that each participating county or municipality must pass a referendum approving the agreement. The exclusion shall be limited to operating and capital costs directly associated with the transit route or routes crossing municipal or county boundaries and cannot be claimed for any amounts currently levied by counties and municipalities for existing cross-boundary routes or for any other route.

8. Technical College District Revenue Limits Growth Factor

The Governor recommends modifying the allowable percentage increase in technical college district levy limits to be the greater of the change in district equalized value due to new construction less improvements removed or 2 percent beginning with levies set in 2019.

Shared Revenue and Tax Relief

9. County and Municipal Aid Program Increase

Source of Funds	Agency Request				Governor's Recommendations			
	FY20		FY21		FY20		FY21	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	0	0.00	15,061,500	0.00
TOTAL	0	0.00	0	0.00	0	0.00	15,061,500	0.00

The Governor recommends a 2 percent increase in the funding for the County and Municipal Aid Program to take effect in 2020. Each county and municipality will receive a 2 percent increase over the amount received in 2019, beginning in 2020.

10. Dark Store Assessments

The Governor recommends implementing reforms to assessment practices to clarify the assessment of leased property to specify that real property be assessed for property tax purposes at its highest and best use and that real property includes leases, rights and privileges pertaining to the property. Under these reforms, properties that are vacant or unoccupied beyond the normal period for property in the same real estate market segment, colloquially referred to as "dark property," are not considered comparable to assessed occupied properties. The Governor also recommends that the Department of Revenue provide training and assistance to local assessors for the implementation and application of these provisions. These changes will help to preserve local tax bases and keep property tax rates lower for ordinary property taxpayers.

11. Increase in Refundable Research Credit

Source of Funds	Agency Request				Governor's Recommendations			
	FY20		FY21		FY20		FY21	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	0	0.00	2,250,000	0.00
TOTAL	0	0.00	0	0.00	0	0.00	2,250,000	0.00

The Governor recommends increasing the percentage of the research credit that is refundable from 10 percent to 20 percent beginning in tax year 2020 to provide greater incentive for research and development expenditures in Wisconsin. The Governor also recommends disallowing companies receiving incentives under the electronics and information technology manufacturing zone credit from being able to claim the refundable research credit. See Department of Revenue, Item #12.

Shared Revenue and Tax Relief

12. Tax Incremental Finance Reforms

The Governor recommends limiting the percentage of tax incremental district project costs that may be allocated for developer grants to 20 percent of total project costs to focus tax incremental finance policy on public infrastructure development. The Governor also recommends requiring that project plans include sensitivity analyses for alternative projections of a district's finances under different economic situations, including a slower pace of development and a lower rate of property value growth than expected in the district.

13. Tax Incremental District Value Increment Error Reimbursement

The Governor recommends specifying a municipality that erroneously overreported value increment for that municipality's tax incremental districts by an aggregate of at least \$50 million in 2018 may direct its tax incremental finance districts to transfer the excess tax increment collections to the municipality's general fund for the sole purpose of reimbursing property taxpayers for erroneously higher property tax rates. Any municipality utilizing this provision will be required to verify the amounts being transferred and disbursed with the Department of Revenue before those transactions may take place.

14. Volkswagen Settlement Reduction

The Governor recommends modifying current law to reduce the percentage of a Volkswagen emissions settlement grant award returned to the state through a shared revenue reduction from 75 percent to 20 percent for public transit systems serving more than 200,000 residents. See Miscellaneous Appropriations, Item #1.

15. Sunset of School Levy Credit and First Dollar Credit

The Governor recommends repealing the school levy tax credit and the first dollar credit as part of the Fair Funding for Our Future school finance reform, beginning with the 2020-21 property tax year. See the Department of Public Instruction, Item #1.

Shared Revenue and Tax Relief

16. Sum Sufficient Reestimates

Source of Funds	Agency Request				Governor's Recommendations			
	FY20		FY21		FY20		FY21	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	8,108,100	0.00	200,794,500	0.00	163,400	0.00	203,349,100	0.00
SEG-O	11,980,400	0.00	11,980,400	0.00	12,354,600	0.00	12,403,500	0.00
TOTAL	20,088,500	0.00	212,774,900	0.00	12,518,000	0.00	215,752,600	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, state aid for personal property tax, claim of right credit, jobs tax credit, business development tax credit, homestead tax credit, enterprise zone jobs credit, electronics and information technology manufacturing zone credit, research credit, lottery and gaming credit, farmland preservation credit, farmland preservation credit 2010 and beyond, veterans and surviving spouses property tax credit, cigarette and tobacco product tax refunds, earned income tax credit, and transfer to the conservation fund.

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	FY20		FY21	
		Dollars	Positions	Dollars	Positions
17. EITC Marriage Penalty Reduction	GPR	0	0.00	1,400,000	0.00
18. Homestead Expansion for Individuals Age 62 or Over	GPR	0	0.00	61,800,000	0.00
19. New Graduate Tax Credit	GPR	8,000,000	0.00	62,000,000	0.00
TOTAL OF ITEMS NOT APPROVED	GPR	8,000,000	0.00	125,200,000	0.00

Shared Revenue and Tax Relief