

SHARED REVENUE AND TAX RELIEF

GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY09 Adjusted Base	FY10 Recommended	% Change Over FY09	FY11 Recommended	% Change Over FY10
GPR	1,962,654,700	2,161,398,300	10.1	2,140,198,500	-1.0
PR-S	6,664,200	6,664,200	0.0	56,664,200	750.3
SEG-O	145,587,600	159,808,400	9.8	132,938,800	-16.8
TOTAL	2,114,906,500	2,327,870,900	10.1	2,329,801,500	0.1

FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY09 Adjusted Base	FY10 Recommended	FTE Change From FY09	FY11 Recommended	FTE Change From FY10
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 and farmland tax relief credits provide property tax relief to owners of farm property. 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, which will appear on property tax bills in 2008, 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. Across-the-Board 1 Percent Reductions
2. Shared Revenue
3. Wireless 911 Funds for Shared Revenue
4. Payments for Municipal Services
5. Property Tax Levy Changes
6. Per Capita Limits on Utility Shared Revenue
7. First Dollar Credit
8. Farmland Preservation Tax Credit
9. Agricultural Facility Tax Credits
10. Next Generation Farmer Tax Credit
11. Jobs Tax Credit
12. Consolidation of Development Zone Credits
13. Property Tax Exemption for Biotechnology and Manufacturing Research
14. Film Production Services Credit
15. Premier Resort Area Tax
16. Pension Obligation Bonding Authority for First-Class Cities
17. Regional Transit Authority Tax
18. Tobacco Refund Increase
19. Sum Sufficient Reestimates

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

	ACTUAL FY08	ADJUSTED BASE FY09	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY10	FY11	FY10	FY11
GENERAL PURPOSE REVENUE	\$1,862,581.0	\$1,962,654.7	\$2,127,564.7	\$2,127,564.7	\$2,161,398.3	\$2,140,198.5
Local Assistance	1,632,025.3	1,711,900.1	1,871,810.1	1,871,810.1	1,861,423.5	1,835,930.7
Aids to Ind. & Org.	230,555.7	250,754.6	255,754.6	255,754.6	299,974.8	304,267.8
PROGRAM REVENUE (2)	21,125.4	6,664.2	6,664.2	6,664.2	6,664.2	56,664.2
Local Assistance						50,000.0
Aids to Ind. & Org.	21,125.4	6,664.2	6,664.2	6,664.2	6,664.2	6,664.2
SEGREGATED REVENUE (3)	146,501.6	145,587.6	145,587.6	145,587.6	159,808.4	132,938.8
Local Assistance	129,601.6	130,587.6	130,587.6	130,587.6	144,808.4	118,088.8
Aids to Ind. & Org.	16,900.0	15,000.0	15,000.0	15,000.0	15,000.0	14,850.0
TOTALS-ANNUAL	2,030,208.0	2,114,906.5	2,279,816.5	2,279,816.5	2,327,870.9	2,329,801.5
Local Assistance	1,761,626.9	1,842,487.7	2,002,397.7	2,002,397.7	2,006,231.9	2,004,019.5
Aids to Ind. & Org.	268,581.1	272,418.8	277,418.8	277,418.8	321,639.0	325,782.0

(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 FY08	ADJUSTED BASE FY09	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY10	FY11	FY10	FY11
1. Shared revenue payments	\$1,016,976.5	\$1,017,491.3	\$1,027,401.3	\$1,027,401.3	\$1,042,234.7	\$1,041,741.9
2. Tax relief	268,581.1	272,428.8	277,428.8	277,428.8	321,649.0	325,792.0
3. State property tax credits	722,651.6	802,987.6	952,987.6	952,987.6	942,208.4	940,488.8
5. Payments in lieu of taxes	21,998.8	21,998.8	21,998.8	21,998.8	21,778.8	21,778.8
TOTALS	2,030,208.0	2,114,906.5	2,279,816.5	2,279,816.5	2,327,870.9	2,329,801.5

1. Across-the-Board 1 Percent Reductions

Source of Funds	Agency Request				Governor's Recommendation			
	FY10		FY11		FY10		FY11	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-227,000	0.00	-349,800	0.00
SEG-O	0	0.00	0	0.00	0	0.00	-150,000	0.00
TOTAL	0	0.00	0	0.00	-227,000	0.00	-499,800	0.00

The Governor recommends reducing most nonfederal appropriations by 1 percent to create additional efficiencies and balance the budget.

2. Shared Revenue

Source of Funds	Agency Request				Governor's Recommendation			
	FY10		FY11		FY10		FY11	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	0	0.00	-58,547,000	0.00
PR-S	0	0.00	0	0.00	0	0.00	50,000,000	0.00
TOTAL	0	0.00	0	0.00	0	0.00	-8,547,000	0.00

The Governor recommends reducing GPR funding for county and municipal aid by \$8,547,000 in FY11, which represents a 1 percent reduction. These reductions would be apportioned first on the basis of equalized property value and capped at a 15 percent reduction to any payment. The remaining unallocated reduction then would be allocated on a per capita basis.

3. Wireless 911 Funds for Shared Revenue

Source of Funds	Agency Request				Governor's Recommendation			
	FY10		FY11		FY10		FY11	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-25,000,000	0.00	0	0.00
SEG-O	0	0.00	0	0.00	25,000,000	0.00	0	0.00
TOTAL	0	0.00	0	0.00	0	0.00	0	0.00

The Governor recommends using the remaining balance in the wireless 911 fund to partially fund county and municipal aid in FY11, allowing local governments to use the funds for the intended purpose of emergency service upgrades.

4. Payments for Municipal Services

The Governor recommends transferring administration of the payments for municipal services program from the Department of Administration to the Department of Revenue to create efficiencies by consolidating administration of property tax relief payments to municipalities in the Department of Revenue's Division of State and Local Finance. See Department of Administration, Item #10 and Department of Revenue, Item #14.

5. Property Tax Levy Changes

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 3 percent or the increase due to net new construction. The Governor also recommends allowing local governments to carry forward unused levy capacity.

6. Per Capita Limits on Utility Shared Revenue

The Governor recommends clarifying that per capita limits on utility shared revenue increase once in 2009 by \$125 for municipalities and \$25 for counties, and not on an annual, ongoing basis.

7. First Dollar Credit

The Governor recommends streamlining the administration of the first dollar credit and aligning it with other property tax credits by: (a) providing first dollar credit payments to counties rather than municipalities; and (b) specifying that the first dollar credit be deducted entirely from a taxpayer's first property tax installment payment, rather than across all payments.

8. Farmland Preservation Tax Credit

Source of Funds	Agency Request				Governor's Recommendation			
	FY10		FY11		FY10		FY11	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	0	0.00	-420,000	0.00
TOTAL	0	0.00	0	0.00	0	0.00	-420,000	0.00

The Governor recommends restructuring the farmland preservation tax credit to a per-acre credit. The amount per acre will be determined by whether the farmland is located within a farmland preservation agreement, farmland preservation zoning district or both. The Governor also recommends repealing the farmland relief tax credit and redirecting funding to the farmland preservation tax credit. See the Department of Agriculture, Trade and Consumer Protection, Item #4.

9. Agricultural Facility Tax Credits

Source of Funds	Agency Request				Governor's Recommendation			
	FY10		FY11		FY10		FY11	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	900,000	0.00	1,400,000	0.00
TOTAL	0	0.00	0	0.00	900,000	0.00	1,400,000	0.00

The Governor recommends creating two income tax credits to encourage the continued growth of Wisconsin's agricultural economy. First, the dairy cooperative investment credit allows members of a dairy cooperative to claim a credit for 10 percent of the amount paid for dairy manufacturing modernization or expansion expenses. Second, the meat processing facility credit allows meat processors to claim a credit for 10 percent of the amount paid for meat processing modernization or expansion costs. The Governor also recommends transferring funds from the agricultural chemical cleanup and management funds to the general fund to support these credits.

10. Next Generation Farmer Tax Credit

The Governor recommends creating an income tax credit for an owner of agricultural assets who agrees to lease assets to a beginning farmer for a minimum of three years. The Governor also recommends creating a one-time maximum \$500 tax credit to offset the cost of enrolling in a farm financial management education program. These tax credits would first take effect in tax year 2011.

11. Jobs Tax Credit

The Governor recommends creating a new refundable tax credit program aimed at business attraction and expansion. The proposed program would provide up to \$10 million per year in payroll credits to smaller businesses, starting January 1, 2012. Training costs and a portion of the wages paid on new high-paying jobs would be eligible for up to a 10 percent credit. See Department of Commerce, Item #21.

12. Consolidation of Development Zone Credits

The Governor recommends combining the current enterprise development zones, community development zones, agricultural development zones, technology development zones and airport development zones programs and creating a new consolidated tax credit program. See Department of Commerce, Item #22.

13. Property Tax Exemption for Biotechnology and Manufacturing Research

The Governor recommends creating a property tax exemption for machinery and other tangible personal property used in manufacturing or biotechnology research. The Governor also recommends compensating local governments for property tax revenues not collected as a result of the exemption, which begins January 1, 2012.

14. Film Production Services Credit

Source of Funds	Agency Request				Governor's Recommendation			
	FY10 Dollars	FY10 Positions	FY11 Dollars	FY11 Positions	FY10 Dollars	FY10 Positions	FY11 Dollars	FY11 Positions
GPR	0	0.00	0	0.00	-5,000,000	0.00	-5,000,000	0.00
TOTAL	0	0.00	0	0.00	-5,000,000	0.00	-5,000,000	0.00

The Governor recommends eliminating the film production services credit. See Department of Commerce, Item #8.

15. Premier Resort Area Tax

The Governor recommends expanding premier resort area tax authority as follows: (a) permit the cities of Lake Delton and Wisconsin Dells to increase the applicable premier resort area tax rate to 1 percent, from 0.5 percent; (b) allow premier resort area tax revenues to be used for exhibition centers; and (c) expand the types of businesses that are considered tourism-related for purposes of the tax.

16. Pension Obligation Bonding Authority for First-Class Cities

The Governor recommends authorizing a first-class city to issue appropriation bonds to cover unfunded pension liability.

17. Regional Transit Authority Tax

The Governor recommends authorizing the creation of three regional transit authorities, which will have the authority to enact regional transit authority taxes to fund transit costs. The Governor also recommends creating an appropriation mechanism through which the Department of Revenue will return these tax revenues to the regional transit authorities. See Department of Transportation, Item #5 and Department of Revenue, Item #25.

18. Tobacco Refund Increase

Source of Funds	Agency Request				Governor's Recommendation			
	FY10		FY11		FY10		FY11	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	10,170,000	0.00	10,300,000	0.00
TOTAL	0	0.00	0	0.00	10,170,000	0.00	10,300,000	0.00

The Governor recommends increasing the amount of cigarette and tobacco tax refunds to reflect an increase to the cigarette and tobacco taxes. See Department of Revenue, Item #4.

19. Sum Sufficient Reestimates

Source of Funds	Agency Request				Governor's Recommendation			
	FY10		FY11		FY10		FY11	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	164,910,000	0.00	164,910,000	0.00	217,900,600	0.00	230,160,600	0.00
SEG-O	0	0.00	0	0.00	-10,779,200	0.00	-12,498,800	0.00
TOTAL	164,910,000	0.00	164,910,000	0.00	207,121,400	0.00	217,661,800	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, earned income tax credit, lottery and gaming credit, lottery and gaming late credit applications, school levy tax credit, and first dollar credit. A portion of the recommended earned income tax credit reestimate reflects a federal economic stimulus proposal to increase the federal credit rate for large families, resulting in an increase in the state's credit as well.