

SHARED REVENUE AND TAX RELIEF

GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY21 Adjusted Base	FY22 Recommended	% Change Over FY21	FY23 Recommended	% Change Over FY22
GPR	2,725,417,000	2,629,913,900	-3.5	2,713,972,400	3.2
PR-S	69,700,000	116,716,400	67.5	69,700,000	-40.3
SEG-O	309,447,400	316,233,700	2.2	279,547,700	-11.6
TOTAL	3,104,564,400	3,062,864,000	-1.3	3,063,220,100	0.0

FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY21 Adjusted Base	FY22 Recommended	FTE Change Over FY21	FY23 Recommended	FTE Change Over FY22
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.

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.

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GOVERNOR'S BUDGET RECOMMENDATIONS

RECOMMENDATIONS

1. County and Municipal Sales Tax Authority
2. Homestead Credit Expansion
3. Earned Income Tax Credit Expansion
4. Temporary Assistance for Needy Families Funding for the Earned Income Tax Credit
5. Veterans and Surviving Spouses Credit for Renters
6. Refundable Research Credit
7. County and Municipal Levy Limit Minimum Growth Factor
8. County and Municipal Levy Limit Adjustment for Transferred Services
9. County and Municipal Levy Limit Exclusion for Transit Routes
10. County and Municipal Levy Limit Adjustment for Covered Service Fees
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19. Dark Store Assessments
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21. Tax Incremental Financing for Workforce Housing Development
22. Wisconsin Dells Tax Incremental Financing Districts
23. City of Superior Exposition District
24. Town Emergency Medical Services
25. Local Government Competitive Bidding Threshold
26. Bar Hours During Locally Authorized Special Events
27. Transfer or Sale of Certain County Land to Tribes
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Table 1
Department Budget Summary by Funding Source (in thousands of dollars)

	ACTUAL FY20	ADJUSTED BASE FY21	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY22	FY23	FY22	FY23
GENERAL PURPOSE REVENUE	\$2,468,510.5	\$2,725,417.0	\$2,524,897.9	\$2,520,592.7	\$2,629,913.9	\$2,713,972.4
State Operations	98,574.1	102,590.3	108,041.3	110,202.1	109,691.5	120,752.9
Local Assistance	2,104,977.4	2,115,701.8	2,116,337.6	2,121,860.6	2,141,919.8	2,181,089.5
Aids to Ind. & Org.	264,959.0	507,124.9	300,519.0	288,530.0	378,302.6	412,130.0
PROGRAM REVENUE (2)	\$69,699.9	\$69,700.0	\$69,700.0	\$69,700.0	\$116,716.4	\$69,700.0
Aids to Ind. & Org.	69,699.9	69,700.0	69,700.0	69,700.0	116,716.4	69,700.0
SEGREGATED REVENUE (3)	\$323,982.1	\$309,447.4	\$268,316.8	\$267,288.8	\$316,233.7	\$279,547.7
Local Assistance	323,982.1	309,447.4	268,316.8	267,288.8	316,233.7	279,547.7
TOTALS - ANNUAL	\$2,862,192.5	\$3,104,564.4	\$2,862,914.7	\$2,857,581.5	\$3,062,864.0	\$3,063,220.1
State Operations	98,574.1	102,590.3	108,041.3	110,202.1	109,691.5	120,752.9
Local Assistance	2,428,959.6	2,425,149.2	2,384,654.4	2,389,149.4	2,458,153.5	2,460,637.2
Aids to Ind. & Org.	334,658.9	576,824.9	370,219.0	358,230.0	495,019.0	481,830.0

(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 FY20	ADJUSTED BASE FY21	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY22	FY23	FY22	FY23
1. Shared revenue payments	\$1,051,436.1	\$1,059,664.6	\$1,062,938.9	\$1,068,099.8	\$1,083,008.6	\$1,103,532.3
2. Tax relief	\$334,658.9	\$576,834.9	\$370,229.0	\$358,240.0	\$495,029.0	\$488,540.0
3. State property tax relief	\$1,457,513.4	\$1,449,480.7	\$1,411,162.6	\$1,412,657.5	\$1,464,177.2	\$1,450,498.6
5. Payments in lieu of taxes	\$18,584.2	\$18,584.2	\$18,584.2	\$18,584.2	\$20,649.2	\$20,649.2
TOTALS	\$2,862,192.5	\$3,104,564.4	\$2,862,914.7	\$2,857,581.5	\$3,062,864.0	\$3,063,220.1

1. County and Municipal Sales Tax Authority

The Governor recommends providing counties with the authority to impose a 0.5 percent sales tax, in addition to the authority provided under current law, if approved by referendum in a county. The Governor also recommends that municipalities with populations in excess of 30,000 as of 2020 be authorized to impose a 0.5 percent sales tax if approved by referendum in a qualifying municipality. The revenues generated from these authorizations may be used as determined by the taxing jurisdiction or as specified in the referendum authorizing the tax.

2. Homestead Credit Expansion

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	35,000,000	0.00	33,900,000	0.00
TOTAL	0	0.00	0	0.00	35,000,000	0.00	33,900,000	0.00

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 Department of Revenue, Item #7.

3. Earned Income Tax Credit Expansion

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	74,300,000	0.00	74,000,000	0.00
TOTAL	0	0.00	0	0.00	74,300,000	0.00	74,000,000	0.00

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 Department of Revenue, Item #6.

4. Temporary Assistance for Needy Families Funding for the Earned Income Tax Credit

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	-47,016,400	0.00	0	0.00
PR-S	0	0.00	0	0.00	47,016,400	0.00	0	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. See Department of Children and Families, Item #1.

5. Veterans and Surviving Spouses Credit for Renters

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	4,900,000	0.00	5,100,000	0.00
TOTAL	0	0.00	0	0.00	4,900,000	0.00	5,100,000	0.00

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 Department of Revenue, Item #11.

6. Refundable Research Credit

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	10,600,000	0.00	10,600,000	0.00
TOTAL	0	0.00	0	0.00	10,600,000	0.00	10,600,000	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 2021 to provide a greater incentive for research and development expenditures in Wisconsin.

7. County and Municipal Levy Limit Minimum Growth 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 2021.

8. County and Municipal Levy Limit Adjustment for Transferred Services

The Governor recommends eliminating the negative adjustment to county and municipal levy limits for services transferred from one local government to another local government.

9. 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 into an intergovernmental cooperation agreement to provide new or enhanced transit services across county or municipal boundaries, and that each participating county or municipality must have passed 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.

10. 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. This provision applies to certain garbage collection, fire protection, snow plowing, street sweeping and storm water management services.

11. County and Municipal Levy Limit - Regional Planning Commission Exclusion

The Governor recommends creating a county and municipal levy limit exclusion for those amounts levied for a county's required contribution to the budget of a regional planning commission beginning with levies set in 2021.

12. Technical College District Revenue Limit

The Governor recommends permitting technical college districts to increase revenues derived from a combination of property tax levy and property tax relief aid by 2 percent or the change in the district's property value due to net new construction, whichever is greater.

13. County and Municipal Aid Increase

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	15,061,500	0.00	30,424,300	0.00
TOTAL	0	0.00	0	0.00	15,061,500	0.00	30,424,300	0.00

The Governor recommends providing successive 2 percent increases in the funding for the County and Municipal Aid Program in 2021 and 2022. Each county and municipality will receive a 2 percent increase in its 2021 base entitlement of county and municipal aid over its 2020 entitlement and a further 2 percent increase in 2022 over the 2021 entitlement payment.

14. Police and Fire Protection Fee Funding for Next Generation 9-1-1

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	3,447,500	0.00	21,731,400	0.00
SEG-O	0	0.00	0	0.00	-3,447,500	0.00	-21,731,400	0.00
TOTAL	0	0.00	0	0.00	0	0.00	0	0.00

The Governor recommends reducing funding from the police and fire protection fund for county and municipal aid to provide funding for the Department of Military Affairs' Next Generation 9-1-1 initiative. The effect of this transfer is an offsetting increase in GPR for county and municipal aid. See Department of Military Affairs, Item #1.

15. Video Service Provider Fee Aid Full Funding

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	5,008,200	0.00	5,008,200	0.00
TOTAL	0	0.00	0	0.00	5,008,200	0.00	5,008,200	0.00

The Governor recommends fully funding the video service provider fee state aid appropriation by converting the appropriation from an annual appropriation to a sum sufficient appropriation.

16. Payments for Municipal Services Increase

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	2,065,000	0.00	2,065,000	0.00
TOTAL	0	0.00	0	0.00	2,065,000	0.00	2,065,000	0.00

The Governor recommends increasing the payments for municipal services appropriation to restore the cuts imposed during the 2011-13 biennium.

17. Expenditure Restraint Budget Test for Referendum Approved Tax Increases

The Governor recommends modifying the budget increase limitation in the expenditure restraint program to exclude increases in budgets resulting from voter-approved referenda for levy limits or sales tax increases.

18. Marijuana Excise Tax Tribal Refunds

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	0	0.00	6,700,000	0.00
TOTAL	0	0.00	0	0.00	0	0.00	6,700,000	0.00

The Governor recommends authorizing the Department of Revenue to enter into agreements, parallel to the existing agreements regarding cigarette and tobacco products, for the refund to tribes of marijuana excise taxes estimated to be collected from sales on tribal lands. See Department of Revenue, Item #5.

19. 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. These reforms will ensure that occupied properties where leases may be based on retail businesses' sales are more properly assessed based on their market value. 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 prevent shifting the tax burden onto residential and other property taxpayers.

20. Community Health Center Property Tax Exemption

The Governor recommends providing a property tax exemption for property owned by a federally qualified Community Health Center, which sees at least 30,000 patients per year, and is used for nonprofit purposes, so that it shall not be subject to the 10-acre limitation but shall instead be subject to a 25-acre limitation.

21. Tax Incremental Financing for Workforce Housing Development

The Governor recommends modifying current tax incremental financing (TIF) law to allow municipalities to use TIF districts to spur the creation of workforce housing by lifting the current law limitation on what share of a mixed-use district's area can be used for newly-platted residential developments from 35 percent to 60 percent if that additional 25 percent is comprised of workforce housing. The TIF districts engaging in the development of workforce housing will also be allowed to have their lifespans extended by up to three years if initiatives to increase the number of workforce housing units are undertaken within the district. The Governor also recommends that municipalities that adopt a minimum number of specified workforce housing initiatives be given priority in the award of housing grants by state agencies.

22. Wisconsin Dells Tax Incremental Financing Districts

The Governor recommends extending the eligible expenditure periods for Tax Incremental District Number Two and Tax Incremental District Number Three in Wisconsin Dells to November 2026 and May 2040, respectively.

23. City of Superior Exposition District

The Governor recommends that the city of Superior be authorized to create an exposition district if approved by referendum in the city. The district would be authorized to impose a room tax of up to 2 percent and impose a food and beverage tax to fund an exposition center to promote economic growth in the city and the region.

24. Town Emergency Medical Services

The Governor recommends allowing towns to fund emergency medical services via the same mechanisms allowed for fire protection services.

25. Local Government Competitive Bidding Threshold

The Governor recommends increasing from \$25,000 to \$50,000 the threshold over which local governments must let a contract to the lowest responsible bidder. This change will allow local governments to determine the most efficient means to complete projects under this threshold while still requiring that larger contracts be awarded on a competitive basis.

26. Bar Hours During Locally Authorized Special Events

The Governor recommends allowing a municipality to designate by ordinance a special event lasting fewer than eight consecutive days during which bars and restaurants holding local liquor licenses may be open until 4 a.m. The Governor also recommends that no more than four such special events may be designated by a municipality in a calendar year.

27. Transfer or Sale of Certain County Land to Tribes

The Governor recommends that the sale of certain county property acquired due to delinquent taxes and the sale of county forest land be excluded from public sale requirements if the sale is to a federally recognized tribe or band. This change will treat a federally recognized tribe or band the same as a municipality for such property transfers and will assist counties and tribes in restoring reservation lands.

28. Sum Sufficient Reestimates

Source of Funds	Agency Request				Governor's Recommendations			
	FY22		FY23		FY22		FY23	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	-200,519,100	0.00	-204,824,300	0.00	-198,868,900	0.00	-200,973,500	0.00
SEG-O	-41,130,600	0.00	-42,158,600	0.00	10,233,800	0.00	-8,168,300	0.00
TOTAL	-241,649,700	0.00	-246,982,900	0.00	-188,635,100	0.00	-209,141,800	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.

