

## SHARED REVENUE AND TAX RELIEF

Budget Summary						FTE Position Summary
Fund	2006-07 Adjusted Base	Request		2007-09 Change Over Base Year Doubled		
		2007-08	2008-09	Amount	%	
GPR	\$1,615,503,600	\$1,816,996,100	\$1,829,696,700	\$415,685,600	12.9%	There are no positions authorized for Shared Revenue and Tax Relief.
PR	55,232,000	59,532,000	59,532,000	8,600,000	7.8	
SEG	139,033,600	140,987,400	140,661,900	3,582,100	1.3	
TOTAL	\$1,809,769,200	\$2,017,515,500	\$2,029,890,600	\$427,867,700	11.8%	

### Major Request Items

**1. SCHOOL LEVY TAX CREDIT**

GPR	\$247,490,000
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Request increases of \$123,745,000 annually to the sum sufficient appropriation to reflect the funding increase provided in 2005 Wisconsin Act 25, which was effective with the credits to be paid in July, 2007. With this adjustment, total funding would be increased from an adjusted base level of \$469,305,000 to \$593,050,000 annually.

**2. STATE AID FOR EXEMPT COMPUTERS, CASH REGISTERS, AND FAX MACHINES**

GPR	\$128,630,000
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Request increases to the sum sufficient appropriation of \$64,450,000 in 2007-08 and \$64,180,000 in 2008-09 to reflect the 2005 Wisconsin Act 25 provision delaying the program's payment date from the first Monday in May of each year to the fourth Monday in July of each year, beginning in 2007. This payment delay had the effect of producing savings in the 2005-07 biennium and reducing adjusted base year funding relative to the 2007-09 biennium to \$0. Therefore, the increases reported above represent the total amount of estimated payments for the 2007-09 biennium.

**3. LIVING WAGE TAX CREDIT**

GPR	\$33,400,000
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Request funding of \$13,600,000 in 2007-08 and \$19,800,000 in 2008-09 to cover the estimated cost of the living wage tax credit (LWTC). The LWTC was requested by the Department of Revenue and is described in this document under "Revenue -- Tax Administration."

**4. EARNED INCOME TAX CREDIT**

GPR	\$5,410,000
PR	<u>8,600,000</u>
Total	\$14,010,000

Request increases in funding for the earned income tax credit (EITC) as follows: (a) increase the PR funding by \$4,300,000 in each year; and (b) increase GPR funding by \$1,152,000 in 2007-08 and \$4,258,000 in 2008-09. The net effect would be to increase funding by \$5,452,000 in the first year and by \$8,558,000 in the second year, which would reflect the Department of Revenue's projections of the EITC claims in the 2007-09 biennium.

The EITC is funded with a combination of GPR and PR funding. The program revenue is federal temporary assistance for needy families (TANF) funding transferred from the Department of Workforce Development (DWD). The GPR portion is provided through a sum-sufficient appropriation and covers the balance of the cost of the credit. Under the request, total funding for the EITC would be \$87,552,000 in 2007-08 and \$90,658,000 in 2008-09 (\$59,532,000 PR in each year and, for the GPR portion, \$28,020,000 in the first year and \$31,126,000 in the second year).

It should be noted that, according to budget documents submitted by DWD, there is a potential deficit in TANF funds of approximately \$34 million for the 2007-09 biennium. If TANF funds for the EITC were reduced to help address this deficit, additional GPR or other funding would have to be provided or the credit would have to be reduced.

**5. HOMESTEAD TAX CREDIT REESTIMATE**

Request decreases of \$2,800,000 in 2007-08 and \$6,100,000 in 2008-09 for the sum sufficient appropriation to reflect anticipated costs of the credit in the biennium. The estimated decline in the credit primarily reflects the growth in household income compared to the constant formula factors. With these adjustments, estimated total funding would be decreased from an adjusted base level of \$117,500,000 to \$114,700,000 in 2007-08 and \$111,400,000 in 2008-09.

GPR	-\$8,900,000
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**6. ENTERPRISE ZONES JOBS TAX CREDIT**

GPR	\$8,125,000
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Request \$1,625,000 in 2007-08 and \$6,500,000 in 2008-09 to provide funding for the refundable enterprise zones jobs tax credit. The enterprise zones jobs tax credit was created by 2005 Wisconsin Act 361, and provides tax credits under the individual and corporate income and franchise taxes to eligible businesses operating in enterprise zones. The credit can first be claimed for tax years beginning on or after July 31, 2007. This provision provides GPR funding for refundable tax credit payments to taxpayers.

**7. LOTTERY AND GAMING CREDIT**

SEG	\$3,500,700
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Request increases of \$1,913,100 in 2007-08 and \$1,587,600 in 2008-09 to the sum sufficient appropriation to reflect estimates of lottery proceeds available for distribution. With these adjustments, estimated total funding would be increased from an adjusted base level of \$123,833,600 to \$125,746,700 in 2007-08 and \$125,421,200 in 2008-09.

**8. FILM PRODUCTION SERVICES TAX CREDIT**

GPR	\$1,000,000
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Request \$250,000 in 2007-08 and \$750,000 in 2008-09 to provide funding for the refundable component of the film production services tax credit. Provisions of 2005 Wisconsin Act 483 created both a film production services and a film production investment tax credit under the state individual and corporate income and franchise taxes, effective for tax years beginning after December 31, 2007. The film production services tax credit includes a component that provides a refundable credit for 25% of non-salary and non-wage production expenses. This provision provides GPR funding for refundable tax credit payments to taxpayers.

**9. STATE AID FOR PUBLIC UTILITY PROPERTY**

GPR	\$722,400
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Request a decrease of \$90,000 in 2007-08 and an increase of \$125,000 in 2008-09 to the sum sufficient shared revenue account appropriation and a decrease of \$157,600 in 2007-08 and an increase of \$845,000 in 2008-09 to the sum sufficient public utility distribution account appropriation to reflect estimates of payment amounts. With these adjustments, estimated base level funding in the shared revenue account appropriation of \$32,000,000 would decrease to \$31,910,000 in 2007-08 and increase to \$32,125,000 in 2008-09, and estimated base level funding in the public utility distribution account appropriation of \$6,400,000 would decrease to \$6,242,400 in 2007-08 and increase to \$7,245,000 in 2008-09. Aid for public utility property is paid to counties and municipalities through two appropriations. The shared revenue account appropriation is for production plants placed in operation before 2004, substations, and general structures, and payments are based on the net book value of the utility property. Utility aid is the only shared revenue component currently being funded through the shared revenue account appropriation because payments under the program's other three components have been suspended. The public utility distribution account appropriation is for production plants placed in operation after 2003, and payments are based on each plant's capacity (in megawatts).

**10. FARMLAND PRESERVATION TAX CREDIT REESTIMATE**

GPR	-\$600,000
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Request decreases of \$400,000 in 2007-08 and \$200,000 in 2008-09 for the sum sufficient appropriation to reflect anticipated costs of the credit in the biennium. The decline in estimated credits primarily reflects an expected increase in the incomes of credit claimants, which reduces the amount of the credit for certain claimants. With these

adjustments, estimated total funding would be decreased from an adjusted base level of \$13,000,000 to \$12,600,000 in 2007-08 and \$12,800,000 in 2008-09.

**11. VETERANS AND SPOUSES PROPERTY TAX CREDIT**

GPR	\$388,000
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Request increases of \$108,000 in 2007-08 and \$280,000 in 2008-09 for the refundable veterans and spouses property tax credit, which is paid through a sum sufficient appropriation. Under the request, total funding for the credit would be \$3,491,000 in 2007-08 and \$3,663,000 in 2008-09.