



State of Wisconsin
2017 - 2018 LEGISLATURE

LRB-4749/1
ZDW/JK/MES:emw

2017 SENATE BILL 785

February 7, 2018 - Introduced by Senators LARSON, CARPENTER, JOHNSON, L. TAYLOR, RINGHAND and VINEHOUT, cosponsored by Representatives SINICKI, BROSTOFF, BOWEN, SARGENT, C. TAYLOR, CROWLEY, GOYKE, RIEMER, HEBL, SPREITZER, WACHS, POPE, ANDERSON, CONSIDINE, OHNSTAD, HESSELBEIN, BERCEAU, FIELDS, KOLSTE and ZEPNICK. Referred to Committee on Natural Resources and Energy.

1 **AN ACT** *to amend* 79.05 (2) (c); and *to create* 20.370 (6) (ad), 66.0602 (3) (e) 10.,
2 71.07 (8g), 71.10 (4) (em), 196.37 (6), 281.61 (8) (c), 281.62 (1) (am) and 281.62
3 (5) of the statutes; **relating to:** providing funding, creating an individual
4 income tax credit, and providing a levy limit exception for lead service line
5 replacement and making an appropriation.

Analysis by the Legislative Reference Bureau

This bill creates at the Department of Natural Resources a program to provide financial assistance to municipalities for the replacement of public water system service lines containing lead. The bill also creates a nonrefundable state income tax credit and levy limit exception related to the replacement of lead service lines.

Under current law, DNR administers a safe drinking water loan program that provides financial assistance for projects for the planning, designing, construction, or modification of public water systems, if the projects will facilitate compliance with national primary drinking water regulations.

The bill appropriates funds to DNR for the purpose of providing financial assistance to municipalities to replace service lines containing lead. The amount allocated to a municipality under the bill is required to be based on the estimated number of lead service lines in the municipality. The bill provides that, as a condition of receiving financial assistance, a municipality is required to provide matching funds in an amount equal to at least 25 percent of the financial assistance received.

Generally under current law, local levy limits are applied to the property tax levies that are imposed in December of each year. Current law prohibits any political

SENATE BILL 785

subdivision from increasing its levy by a percentage that exceeds its “valuation factor,” which is defined as the greater of either zero percent or the percentage change in the political subdivision’s equalized value due to new construction, less improvements removed. Current law contains a number of exceptions to the levy limit, such as amounts a county levies for a countywide emergency medical system, for a county children with disabilities education board, and for certain bridge and culvert construction and repair. In addition, a political subdivision may exceed the levy limit that is otherwise applicable if its governing body adopts a resolution to do so and if that resolution is approved by the electors in a referendum.

The bill creates another exception to local levy limits. Under the bill, amounts levied by a political subdivision for costs related to lead water service line replacement do not apply to the levy limit that is otherwise applicable. With regard to amounts that are levied for such costs, the amounts may be used only to benefit homeowners. If the political subdivision imposes a fee or charge on homeowners for such costs, the fee or charge may not result in a lien on their property if the fee or charge is unpaid, notwithstanding current-law provisions under which such unpaid amounts would otherwise become a lien against the property.

The bill creates a nonrefundable individual income tax credit for qualifying expenses incurred by an individual to replace a lead pipe that carries water to the individual’s principal dwelling. The maximum amount of credit that may be claimed each year for an individual dwelling is \$200 and the amount may be claimed for not more than 10 years. Because the credit is nonrefundable, it may be claimed only up to the amount of the claimant’s tax liability.

The bill provides that an increase in water service rates proposed by a water public utility is not unjust, unreasonable, insufficient, unfairly discriminatory, or preferential or otherwise unreasonable or unlawful if the water public utility uses the revenues from the rate increase to pay for replacing service lines containing lead.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

- 1 **SECTION 1.** 20.005 (3) (schedule) of the statutes: at the appropriate place, insert
2 the following amounts for the purposes indicated:

SENATE BILL 785**2017-18 2018-19****1 20.370 Natural resources, department of****2 (6) ENVIRONMENTAL AIDS****3 (ad) Environmental aids — lead ser-****4 vice line replacement grants GPR C 20,000,000 20,000,000****5 SECTION 2.** 20.370 (6) (ad) of the statutes is created to read:

6 20.370 (6) (ad) *Environmental aids — lead service line replacement grants.* As
7 a continuing appropriation, the amounts in the schedule for lead service line
8 replacement grants.

9 SECTION 3. 66.0602 (3) (e) 10. of the statutes is created to read:

10 66.0602 (3) (e) 10. The amount that a political subdivision levies in that year
11 for costs related to the replacement of lead water service lines. Any amount so levied
12 may be used only to benefit homeowners for such costs. If the political subdivision
13 imposes a fee or charge on homeowners to pay for the replacement of lead water
14 service lines, the fee or charge may not result in a lien on real property if unpaid,
15 notwithstanding ss. 66.0627 (4) and 66.0701 (1).

16 SECTION 4. 71.07 (8g) of the statutes is created to read:

17 71.07 (8g) LEAD PIPE REPLACEMENT TAX CREDIT. (a) *Definitions.* In this
18 subsection:

- 19 1. “Claimant” means an individual who files a claim under this subsection.**
20 2. “Household” means an individual and his or her spouse.
21 3. “Lead pipe” means a pipe that contains lead and carries water to a principal
22 dwelling from a municipal water main.
23 4. “Municipality” means any city, village, or town.

SENATE BILL 785

1 5. “Order” means a municipality’s requirement to a homeowner to replace a
2 lead pipe that carries water to the homeowner’s principal dwelling that is located in
3 the municipality.

4 6. “Principal dwelling” means any dwelling that is used by the owner of the
5 dwelling as his or her primary residence.

6 7. “Replacement costs” means costs incurred by an individual to replace a lead
7 pipe that carries water to the individual’s principal dwelling, provided that the costs
8 are incurred due to an order.

9 (b) *Filing claims.* Subject to the limitations and conditions provided in this
10 subsection, for a taxable year in which a claimant makes a payment to a municipality
11 for replacement costs, the claimant may claim as a credit against the tax imposed
12 under s. 71.02, up to the amount of those taxes, an amount equal to the amount the
13 claimant paid for replacement costs.

14 (c) *Limitations and conditions.* 1. The maximum credit that may be claimed
15 under this subsection each year is \$200.

16 2. The maximum number of taxable years for which a claimant may file a claim
17 under this subsection for a particular principal dwelling is 10 years.

18 3. No credit may be allowed under this subsection unless it is claimed within
19 the period specified in s. 71.75 (2).

20 4. Part-year residents and nonresidents of this state are not eligible for the
21 credit under this subsection.

22 5. Only one credit may be claimed under this subsection by a household.

23 6. No credit may be allowed under this subsection for a taxable year covering
24 a period of less than 12 months, except for a taxable year closed by reason of the death
25 of the taxpayer.

SENATE BILL 785

1 (d) *Administration*. Subsection (9e) (d), to the extent that it applies to the credit
2 under that subsection, applies to the credit under this subsection.

3 **SECTION 5.** 71.10 (4) (em) of the statutes is created to read:

4 71.10 (4) (em) Lead pipe replacement tax credit under s. 71.07 (8g).

5 **SECTION 6.** 79.05 (2) (c) of the statutes, as affected by 2017 Wisconsin Act 58,
6 is amended to read:

7 79.05 (2) (c) Its municipal budget; exclusive of principal and interest on
8 long-term debt and exclusive of revenue sharing payments under s. 66.0305,
9 expenditures from the amounts levied as described under s. 66.0602 (3) (e) 10.,
10 recycling fee payments under s. 289.645, expenditures of grant payments under s.
11 16.297 (1m), unreimbursed expenses related to an emergency declared under s.
12 323.10, expenditures from moneys received pursuant to P.L. 111-5, and expenditures
13 made pursuant to a purchasing agreement with a school district whereby the
14 municipality makes purchases on behalf of the school district; for the year of the
15 statement under s. 79.015 increased over its municipal budget as adjusted under
16 sub. (6); exclusive of principal and interest on long-term debt and exclusive of
17 revenue sharing payments under s. 66.0305, expenditures from the amounts levied
18 as described under s. 66.0602 (3) (e) 10., recycling fee payments under s. 289.645,
19 expenditures of grant payments under s. 16.297 (1m), unreimbursed expenses
20 related to an emergency declared under s. 323.10, expenditures from moneys
21 received pursuant to P.L. 111-5, and expenditures made pursuant to a purchasing
22 agreement with a school district whereby the municipality makes purchases on
23 behalf of the school district; for the year before that year by less than the sum of the
24 inflation factor and the valuation factor, rounded to the nearest 0.10 percent.

25 **SECTION 7.** 196.37 (6) of the statutes is created to read:

SENATE BILL 785**SECTION 7**

1 196.37 (6) A rate increase proposed by a water public utility is not unjust,
2 unreasonable, insufficient, unfairly discriminatory, or preferential or otherwise
3 unreasonable or unlawful if the proceeds from the proposed increase are used for
4 private infrastructure improvements with the purpose of replacing lead service lines
5 containing lead or providing water filters or other public health measures related to
6 lead in the water supply of residential customers with service lines containing lead.

7 **SECTION 8.** 281.61 (8) (c) of the statutes is created to read:

8 281.61 (8) (c) Funds appropriated for the purpose of replacing service lines
9 containing lead shall be allocated based on the estimated number of lead service lines
10 in the city, village, or town in which the recipient of the funds is located.

11 **SECTION 9.** 281.62 (1) (am) of the statutes is created to read:

12 281.62 (1) (am) "Municipality" means a city, village, or town.

13 **SECTION 10.** 281.62 (5) of the statutes is created to read:

14 281.62 (5) (a) The department shall allocate funds from the appropriation
15 account under s. 20.370 (6) (ad) to municipalities for the purposes of replacing service
16 lines containing lead. The amount allocated to a municipality under this paragraph
17 shall be based on the estimated number of lead service lines in the municipality.

18 (b) As a condition of receiving financial assistance under par. (a), a municipality
19 shall provide matching funds in an amount equal to at least 25 percent of the
20 financial assistance received under par. (a).

21 **SECTION 11. Initial applicability.**

22 (1) LEVY LIMIT EXCEPTION. The treatment of section 66.0602 (3) (e) 10. of the
23 statutes first applies to a levy that is imposed in December 2017.

