



AB 300

Tommy G. Thompson  
Governor

Cate Zeuske  
Secretary of Revenue

For Immediate Release – April 21, 1999  
Contact: David Blaska 608/261-2271

## Retailer incentives key to lottery property tax relief

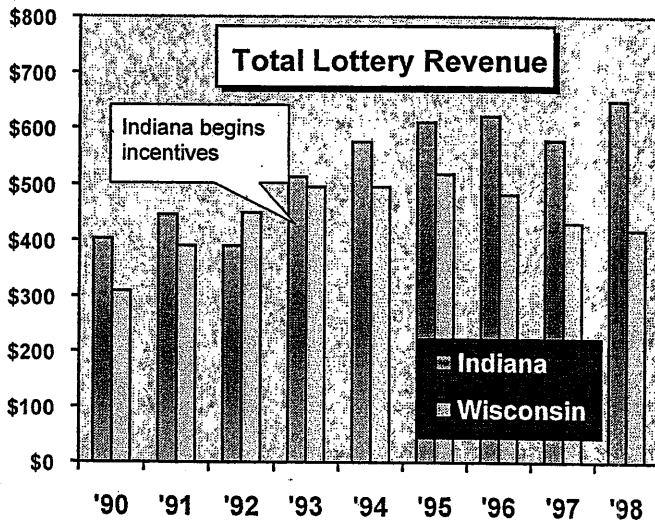
A small change proposed for the Wisconsin Lottery could translate into greater tax relief for Wisconsin's property tax payers, Revenue Secretary Cate Zeuske said today.

Throughout the nation, retail incentive programs have resulted in more lottery revenue available for tax relief. "A lottery is only as effective as the retailers who sell the tickets," Zeuske said, urging adoption of a similar program on behalf of Wisconsin's taxpayers.

In the April statewide referendum, 86 percent of those voting said they wanted more tax relief from the lottery by limiting proceeds to Wisconsin residents. The Legislature is currently considering how to translate that vote into statute.

"No matter what formula is chosen, one equation will always hold true," Zeuske said. "More lottery revenue equals more money available for property tax relief."

Nationally, 35 of the 38 state lotteries offer some form of performance incentive to retailers. Indiana in 1993 began the type of retailer incentive program contemplated in



### That's no incentive!

**Question:** When a Wisconsin retailer sold the largest winning Powerball ticket ever, how much of the \$195 million jackpot did he get?

**Answer:** 5½¢.

If the ticket had been sold in Illinois, the retailer would have received \$1.95 million. In Michigan or Indiana, \$100,000.

Wisconsin. Before instituting the program, Indiana's lottery revenue trailed Wisconsin's. In just the first year, sales jumped 22 percent. More impressively, that increased revenue has been sustained ever since, growing by over 50 percent in the last six years to \$648 million in 1998. Meanwhile, without a retail incentive program, Wisconsin's sales have declined by \$100 million from 1995's high of \$518 million.

Even conservatively estimated, a retailer incentive program would increase lottery sales by 4 percent and lottery tax relief by \$1.6 million for the 2000-2001 fiscal year.

Currently, retailers are paid 5.5 percent for each on-line ticket sale and 6.25 percent for each instant ticket. Wisconsin's proposed retailer incentives would amount to one percent of gross lottery sales. Retailers would be rewarded in two ways:

1. For increasing sales from the previous year. Each retailer would earn one "share" of the total amount of incentive money available for every \$500 of increased sales, and
2. For selling winning tickets worth \$600 or more by receiving bonuses worth one percent of the prize money, limited to no more than \$100,000 a year, per retailer.

The 35 lottery states with retailer incentive programs include the neighboring states of Michigan, Minnesota, Iowa, and Illinois.

– end –

Peggy S. Ross  
County Treasurer



Office of County Treasurer  
51 South Main Street  
Janesville, Wisconsin 53545  
608/757-5675

ROCK COUNTY, WISCONSIN

April 23, 1999

Chairman: Rep. Mickey Lehman

Wisconsin Ways and Means Committee

Subject: AB300 Lottery Credit

Good morning. The first thing I would like to do is to thank you Rep. Lehman. You have been very good at listening to the concerns of the County Treasurers.

I know for a fact that all the County Treasurers are more than willing to work with the Legislators to see that the Lottery Credit is certified for all eligible Wisconsin residents. In the previous years, we have worked with the Department of Revenue in the audit procedures and certifications.

We are ready to do our part to see that the cost of the pre-certification is done with as little expense as possible. We have mailed cards to those who may qualify by bulk mailing and have grouped together to get the cards printed in volume. Even with all the extra steps to save taxpayers dollars, any expense for this pre-certification should be reimbursed from the lottery funds.

Wisconsin taxpayers should not be expected to pay more tax dollars to cover the expense of receiving the credit.

Looking out for the taxpayers in Rock County, I urge you to consider and vote to maintain the \$.70 that the Joint Finance Committee approved.

AB 300



TREASURER'S OFFICE

WAUKESHA COUNTY

PATRICIA G. KARCHER  
County Treasurer

1320 Pewaukee Road (HWY J), Room 148  
Waukesha, WI 53188-3873

LINDA M. PATZER  
Deputy

Phone: (414) 548-7029  
Fax: (414) 896-8037

*file w/ bill*

**FAX COVER**

DATE: 4-26-99

NO. of PAGES: 2  
(including cover page)

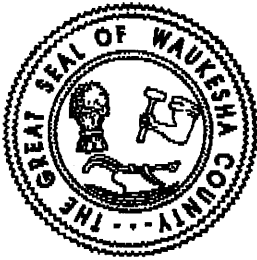
TO: Rep. Michael Lehman  
Chmn. Ways & Means

FAX # 608-282-3658  
PHONE # \_\_\_\_\_

FROM: PATRICIA G. KARCHER  
WAUKESHA COUNTY TREASURER

FAX # 414/896-8037  
PHONE # 414/548-7033

MESSAGE:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



## TREASURER'S OFFICE

## WAUKESHA COUNTY

PATRICIA G. KARCHER  
County Treasurer

1320 Pewaukee Road (HWY J), Room 148  
Waukesha, WI 53188-3873

LINDA M. PATZER  
Deputy

Phone: (414) 548-7029  
Fax: (414) 896-8037

Date: April 27, 1999

To: Rep. Sue Jeskewitz, Ways & Means Comm.

From: Pat Karcher, County Treasurer

RE: AB 300 - Lottery Credit

I will not be able to attend the hearing on Wednesday, April 28th because of a prior commitment. I DO want to let you know of my concerns with AB 300.

Thank you for changing the reimbursement from 50 to 70 cents. That will cover our expenses.

I would like to have the option of determining the qualifications of taxpayers by identifying them thru our tax system, thereby eliminating the need for mailing out cards. Having to send cards is where the expense lies. In the past Waukesha county mailed approximately 100,000 cards to taxpayers to find those who qualified. They came back in terrible condition, signed, unsigned, illegible, from other counties, with notes and in pieces. The phone calls were unbelievable!

My question is, if our tax system knows who qualifies why should I send cards? Why not work with the system and electronically "tag" those we know would qualify and allow us to reduce the mailing by 80 to 85 percent! In addition, for those who are unable to "tag" their system, they would certainly work toward that goal. Using the cards is going "backward" instead of forward in today's environment!

As one of the individuals who will be responsible for implementing this legislation I respectfully ask that you give us the ability to come to the same conclusion but allowing us to use various routes to get there!

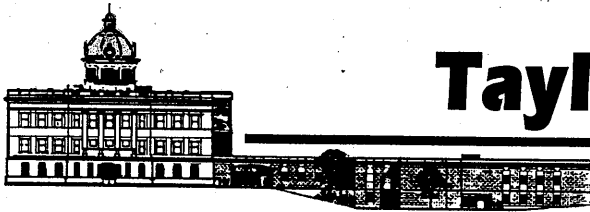
I invite your views and encourage communication so we can all arrive at a common conclusion.

cc: Assembly Ways and Means Committee

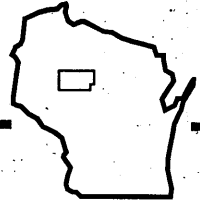
Rep. Scott Jensen

Rep. Dan Vrakas

Pres. Treas. B. Majeski



# Taylor County



## Treasurers Office

Mary Ann Kropp, *Treasurer*  
Debra Wiinamaki, *Deputy*

April 27, 1999

Representative Michael Lehman, Chair  
Ways and Means Committee  
P. O. Box 8952  
Madison, WI 53708

Re: AB300

Dear Representative Lehman:

Thank you for allowing .70 cents per lottery credit for each county. It is my hope you will give us that amount whether post cards are mailed or if a means can be found to do this electronically. Currently, our county does not have the electronic ability, but I am looking into the possibility of printing bar codes on the cards and then scanning the bar codes when signed cards are returned to this office. Scanning equipment is not cheap, but since the referendum passed, we must accept this as the way things will be for a very long time and try to find the best route for us to accomplish this task without expending too many man-hours. Once the scanning equipment is in place, we hope to find other purposes for this equipment such as inventory control, bar coding tax bills, etc.

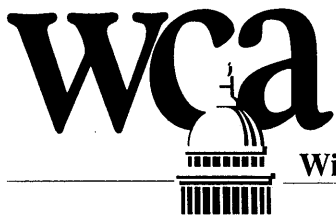
The purpose of this letter is to urge you to keep the .70 cents per lottery credit no matter which direction is taken. We will all have programming costs, post cards and postage, many hours will be spent on this, and/or additional equipment will need to be purchased.

With everyone on the same page, hopefully this huge task can work out.


Sincerely,

Mary Ann Kropp  
Taylor County Treasurer  
Courthouse

pc: Senator Russ Decker  
Representative Tom Sykora



MEMORANDUM

TO: Honorable Members of the Assembly Committee on Ways and Means  
FROM: Sarah Diedrick-Kasdorf, Legislative Associate   
DATE: April 28, 1999  
SUBJECT: Assembly Bill 300

The Wisconsin Counties Association would like to comment briefly on Assembly Bill 300.

Assembly Bill 300 provides each county or city that performs the gaming credit certification procedure 50 cents for each gaming credit certified for a principal dwelling located in that county or city. County treasurers have estimated that their costs will be, at a minimum, \$1 per credit. WCA respectfully requests that Assembly Bill 300 be amended to provide counties and cities with at least \$1 per credit. Passage of the bill in its current form will result in an unfunded mandate on counties.

Counties have also raised concerns regarding the implementation date of the gaming credit. County treasurers have indicated that implementation this year may cause administrative problems including computer reprogramming changes late in the year as well as forcing some counties to reprint their tax bills (as some municipalities have already purchased tax forms for the 1999 – 2000 tax bills). WCA requests that Assembly Bill 300 be amended to accommodate the existing tax forms by changing the name of the gaming credit to the lottery and gaming credit or by including a nonstatutory provision that would allow local governments to use existing tax forms.

If you have any questions, please do not hesitate to contact the WCA office.

Thank you for considering our comments.



STATE OF WISCONSIN  
DEPARTMENT OF JUSTICE

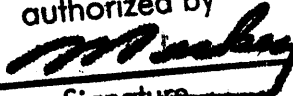
AB 300 ?

JAMES E. DOYLE  
ATTORNEY GENERAL  
Burneatta L. Bridge  
Deputy Attorney General

114 East, State Capitol  
P.O. Box 7857  
Madison, WI 53707-7857  
608/266-1221  
V/TTY 608/267-8902

April 28, 1999

The Honorable Michael Lehman  
State Representative  
103 West, State Capitol  
Madison, WI 53702

This distribution has been  
authorized by  
  
Signature

Dear Representative Lehman:

I am writing in response to your letter of March 30, 1999 concerning the distribution of lottery proceeds. As you are aware, the lottery proceeds must be used for property tax relief for Wisconsin residents. In order for renters to receive a distribution, there would have to be a determination of what portion of their rent is attributable to the landlords' property tax payment. Given all the variables, it seems highly problematic that such a formula could be developed which would withstand a court challenge.

In answer to your question about whether the credit should be distributed through the property tax, income tax or direct check mailing, I do not believe the mechanism used is of any import. The law is clear that the lottery proceeds are to be used for property tax relief and are exempt from the Uniformity Clause; the method of distribution cannot affect those facts.

Sincerely,

Susan K. Ullman  
Assistant Attorney General

SKU:jlw





# State of Wisconsin

## LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET  
P. O. BOX 2037  
MADISON, WI 53701-2037

LEGAL SECTION: (608) 266-3561  
REFERENCE SECTION: (608) 266-0341  
FAX: (608) 266-5648

STEPHEN R. MILLER  
CHIEF

April 29, 1999

## MEMORANDUM

**To:** Representative Michael Lehman

**From:** Joseph T. Kreye, Legislative Attorney, (608) 266-2263

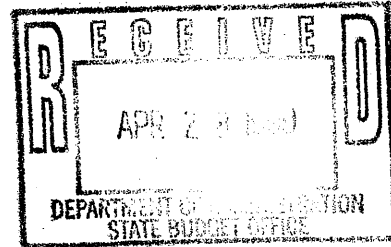
**Subject:** Technical Memorandum to 1999 AB 300 (LRB 99-2907/1)

---

We received the attached technical memorandum relating to your bill. This copy is for your information and your file. If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

**MEMORANDUM**

April 27, 1999



**TO:** Joseph Kreye  
Legislative Reference Bureau

**FROM:** Yeang-Eng Braun *YEB*  
Department of Revenue

**SUBJECT:** Technical Memorandum on AB 300 – Lottery Property Tax Credit

The proposed legislation makes no provision for the funding of the costs involved in administering the activities required. If the author wishes to provide funding, appropriation language could be developed and costs allocated in the following manner:

|          | <u>Chapter 20</u> | <u>Amount</u> | <u>FTE</u> |
|----------|-------------------|---------------|------------|
| one-time | s. 20.566 (2)(r)  | \$ 9,400      |            |
| annual   | s. 20.566 (2)(r)  | \$ 210,900    | 3          |

If you have any questions regarding this technical memorandum, please contact Pat Lashore at 266-3347.

YEB:RAB:skr  
t:\fsn99-00\rb\ab300.tec



---

---

## WISCONSIN LEGISLATIVE COUNCIL STAFF MEMORANDUM

One East Main Street, Suite 401; P.O. Box 2536; Madison, WI 53701-2536

Telephone: (608) 266-1304

Fax: (608) 266-3830

Email: leg.council@legis.state.wi.us

---

---

DATE: May 3, 1999

TO: REPRESENTATIVE MICHAEL LEHMAN

FROM: William Ford, Senior Staff Attorney

SUBJECT: Description of Assembly Substitute Amendment \_\_ (LRBs0054/2) to 1999 Assembly Bill 300, Relating to the Lottery Property Tax Credit

### A. INTRODUCTION

This memorandum describes Assembly Substitute Amendment \_\_ (LRBs0054/2) (the "Substitute Amendment") to 1999 Assembly Bill 300, relating to the property tax lottery credit. The Substitute Amendment is identical to Senate Substitute Amendment 2 to 1999 Senate Bill 114, which was recommended for passage by the Joint Committee on Finance on April 16, 1999. As will be explained in more detail below, the Substitute Amendment would:

1. Change the name of the lottery credit to the lottery and gaming credit and distribute the credit only to property used as the owner's principal dwelling. The Legislative Fiscal Bureau (LFB) estimates that the average lottery and gaming credit for property taxes levied in 1999 would be approximately \$82. (The LFB estimates that the average credit would be \$37 per parcel if, as under current law, the credit were distributed to each parcel of taxable property in the state regardless of whether it is used as a principal dwelling.)

2. Establish a procedure to claim the lottery and gaming credit under which owners of eligible properties file an application with the county (or City of Milwaukee) treasurer stating that they owned the property and used it as their principal dwelling as of January 1 of the year in which property taxes are levied. The application would be valid for five years. In addition, a person who is eligible for a credit but whose property tax bill does not reflect the credit would be authorized to claim the credit by applying for it by January 31 following the issuance of the person's property tax bill with the appropriate city, village or town treasurer.

3. Authorize any county (or the City of Milwaukee) to use an alternate procedure for certifying eligibility for the lottery and gaming credit (other than the certification procedure provided under the Substitute Amendment) if certain conditions apply.

4. Reimburse each county (and the City of Milwaukee) for the costs of certifying property eligible for the lottery and gaming credit. Reimbursement would occur every five years and would be 70¢ for each lottery and gaming credit certified for a principal dwelling located in that county (or the City of Milwaukee). A county (or the city) that adopts an alternate certification procedure would be reimbursed the lesser of 70¢ for each lottery and gaming credit certified for a principal dwelling located in that county or city or the actual costs of identifying a principal dwelling located in that county or city.

5. Increase the farmland tax relief credit, which is a refundable income tax credit funded from the tax lottery fund, from 10% to 20% of up to \$10,000 in net property taxes levied on farmland.

### **B. CONSTITUTIONAL AMENDMENT**

The Substitute Amendment implements the amendment to Wis. Const. art. IV, s. 24, that was approved by the electorate on April 6, 1999.

For property taxes levied in 1991 through 1995, the lottery credit was provided exclusively to reduce property taxes on property used as the owner's principal dwelling. In 1996, a circuit court decision ruled that the distribution of the lottery credit violated Wis. Const. art. VIII, s. 1 (the "Uniformity Clause"). Briefly, the court's ruling was that the Uniformity Clause requires all property subject to taxation to be taxed equally, according to value, and the lottery credit violated the uniformity requirement by extending property tax credits only to property owned as the owner's principal dwelling. In response to this court decision, the Legislature enacted a statute which, for the property tax levies of 1997 and 1998, distributed the lottery tax credit to each *parcel* of taxable property in the state, regardless of whether it is used as a principal dwelling, and to each description of taxable personal property in the state.

The April 6, 1999 amendment to Wis. Const. art. IV, s. 24, requires that the distribution of proceeds of the state lottery and the net proceeds from the bingo gross receipts tax and the pari-mutuel tax are not subject to the Uniformity Clause and "shall be used for property tax relief for residents of this state as provided by law." The constitutional amendment prohibits the distribution of moneys from these sources from varying based on the income or age of the person provided the property tax relief.

### **C. LOTTERY AND GAMING CREDIT UNDER THE SUBSTITUTE AMENDMENT**

Essentially, the Substitute Amendment implements the constitutional amendment by reinstating the lottery tax credit (renamed as the "lottery and gaming credit") that was in effect for the 1991 through 1995 property tax levies and that was ruled unconstitutional in the circuit court decision. In addition, the Substitute Amendment adds the net proceeds from the gross receipts tax on bingo and the pari-mutuel tax on on-track betting (approximately \$2.5 million in 1999-00 used to fund the lottery and gaming credit) to the revenues from the state lottery for distribution as lottery and gaming credits.

Under the Substitute Amendment, beginning with property taxes levied in 1999, the lottery and gaming credit will be provided to reduce property taxes levied on property that is

owned by a person who uses the property as a principal dwelling. [SECTION 29.] "Principal dwelling" is defined in SECTION 26 of the Substitute Amendment to mean "any dwelling that is used by the owner of the dwelling as a primary residence and includes improvements (mobile homes) that are classified under ch. 70 as taxable real property or personal property. [s. 79.10 (1) (dm), Stats.] Wisconsin Administrative Code s. Tax 20.11 contains definitions of "primary residence," "dwelling" and "owner" which further define persons who are eligible for a lottery and gaming credit.

The amount of the lottery and gaming credit for any principal dwelling is computed by multiplying the school property tax levy for the school district in which the property is located by the lesser of the property's fair market value or a "credit base." [SECTION 32.] The estimated credit base for the 1999 lottery and gaming credit is \$7,500. Because most principal dwellings have a value in excess of the credit base, most taxpayers' lottery and gaming credit equals the school tax rate times the credit base. The amount of the credit base is established by the Department of Administration (DOA) and the Joint Committee on Finance and is established at a level that distributes the total amount of revenues approved for distribution as lottery and gaming credits. [SECTION 36.]

For the 1999 property tax levy, the LFB estimates that approximately \$122 million will be available in the lottery fund. The Substitute Amendment would distribute approximately \$20 million of this amount as farmland tax relief credits, as will be discussed below. The remaining \$102 million would be distributed as lottery and gaming credits, which the LFB estimates would provide an average property tax credit of \$82. The property tax credit is generally entered on the property tax bill and reduces the amount of property tax owed on the property. The amount of the credit for each municipality is distributed to that municipality on the fourth Monday in March by the Department of Administration. The municipal treasurer is required to pay each taxing jurisdiction its appropriate share of the lottery and gaming credit, or pay these amounts to the county treasurer for distribution to each taxing jurisdiction, by April 15 of each year.

#### **D. PROCEDURE TO CLAIM THE LOTTERY AND GAMING CREDIT**

The Substitute Amendment provides that an owner may claim a lottery and gaming credit by submitting an application to the county (or City of Milwaukee) treasurer of the county in which the property is located on a form prescribed by the Department of Revenue (DOR). On the form, the claimant shall attest that, as of the preceding January 1, he or she is the owner of the property and that the property was used by the owner as a "principal dwelling." A claim for a lottery and gaming credit is valid for five years. [SECTION 35.]

The Substitute Amendment also provides that a person who becomes eligible for a lottery and gaming credit because of a purchase of property may claim the credit by applying for it on the real estate transfer return. A real estate transfer return is filed by the purchaser of property when his or her interest in the property is recorded at the county register of deeds. [SECTION 35.]

In addition, the Substitute Amendment provides that a person who is eligible for a lottery and gaming credit but whose property tax bill does not reflect the credit may claim it by applying for it by January 31 following the issuance of the property tax bill. The application is made to the treasurer of the city, village or town in which the property is located. That treasurer

is required to compute the amount of the credit, subtract the amount of the credit from the person's property tax bill, notify the person of the reduced amount of property taxes, issue a refund to the person if the person has paid the property taxes in full and enter the person's property on the next tax roll as property that qualifies for a lottery and gaming credit. [SECTION 35.]

The Substitute Amendment requires a person who is certified to claim the lottery and gaming credit but who becomes ineligible for the credit to, within 30 days of becoming ineligible, notify the treasurer of the county in which the property is located. If the DOR determines that a lottery and gaming credit was claimed by a taxpayer who was not entitled to the credit, for reasons other than that the taxpayer failed to complete the application required to claim the credit, the DOR shall instruct the appropriate city, village or town to collect the credit as a special charge on the next property tax bill issued for that property. [SECTION 35.]

#### **E. COSTS FOR ADMINISTERING LOTTERY AND GAMING CREDIT**

Under the Substitute Amendment, counties (and the City of Milwaukee) would receive a payment from the lottery fund to reimbursement them for administering the certification of principal dwellings for the lottery and gaming credit. The amount of reimbursement would be 70¢ for each lottery and gaming credit certified for a principal dwelling located in that county (or City of Milwaukee). In addition, a county (or City of Milwaukee) that adopts an alternate certification procedure would be reimbursed the lesser of 70¢ for each lottery and gaming credit certified for a principal dwelling located in that county or city or the actual costs of identifying a principal dwelling located in that county or city. The amount of reimbursement would be distributed by the DOA on the first Friday in September 1999 and every fifth year thereafter, based on certifications for the lottery and gaming credit on file with the county (or City of Milwaukee) on August 1. [SECTION 31.]

#### **F. FARMLAND TAX RELIEF CREDIT**

Under current law, the lottery fund is used to provide farmland tax relief credits, distributed through the state income tax system, to eligible farmland. Eligible farmland is defined to be farmland that is 35 or more acres of real property, exclusive of improvements, in agricultural use as defined in s. 91.01 (1), Stats. The farmland must have produced gross farm profits of at least \$6,000 in the preceding year or at least \$18,000 of gross farm profits in the preceding three years, or have been enrolled in the federal Conservation Reserve Program. [16 U.S.C. s. 3831-3836.] Under current law, the amount of the credit is 10% of up to \$10,000 of net property taxes levied on farmland, which provides a maximum annual credit of \$1,000. The amount of the farmland tax relief credit is refundable and is paid to the owner of the farmland if the tax credit exceeds the person's income tax liability. [ss. 71.07 (3m), 71.28 (2m) and 71.47 (2m), Stats.]

The Substitute Amendment would increase the credit rate from 10% to 20% with the result that maximum credit amounts would be raised to \$2,000. The LFB estimates that this would increase the estimated distribution of farmland tax relief credits by \$10.6 million in 1999-00 and \$10 million in 2000-01. The increase would first apply to credits claimed on property taxes levied in 1999. [SECTIONS 23-25.]

**G. MISCELLANEOUS PROVISIONS**

The Substitute Amendment would repeal provisions of current law distributing funds from the lottery, bingo and pari-mutuel on-track betting to certain programs. First, pari-mutuel on track betting racing funds provided to the Department of Agriculture, Trade and Consumer Protection for aids to county and district fairs (up to \$650,000 annually) and aid to the Wisconsin Livestock Breeders Association (up to \$50,000 annually) would be eliminated. Second, lottery funds and pari-mutuel racing funds (\$36,000 and \$14,000 annually, respectively) provided to the Department of Health and Family Services for compulsive gambling awareness programs would be eliminated and replaced with funding from Indian gaming proceeds. Third, an appropriation under DOA for county fair association grants (\$50,000 annually) relating to wagering on horse races at fairs would be eliminated. These provisions of the Substitute Amendment are required in order to comply with the constitutional amendment to Wis. Const. art. IV, s. 26, described above.

Please contact me at the Legislative Council Staff offices if I can be of further assistance.

WF:ksm:kjf:wu;ksm



Michael (Mickey)  
**Lehman**

State Representative  
58th Assembly District

AB 300

Committee Chair: Ways and Means

## Memorandum

To: Members, Assembly Ways and Means Committee

From: Rep. Mickey Lehman

Date: May 4<sup>th</sup>, 1999

Re: Materials for Ways & Means Exec

Attached please find two substitute amendments to Assembly Bill 300. Substitute Amendment LRB s0054/2 will be introduced in the Ways & Means Committee on Wednesday, May 5<sup>th</sup>. LRB s0054/2 incorporates the changes made to SB 114 by JFC.

Substitute Amendment LRB s0049/1 will be introduced in the Ways & Means Committee by Representative Bob Ziegelbauer on Wednesday, May 5<sup>th</sup>. Rep. Ziegelbauer's Amendment also incorporates the changes made by JFC but also includes renters in the lottery credit distribution.

Also for AB 300, please find a copy of a Legislative Council memo for LRB s0054/2. In addition, please find FEs for AB 300.

For Assembly Bill 178, please find a copy of an amendment to be introduced on Wednesday by Rep. John LaFave.





**of Wisconsin • DEPARTMENT OF REVENUE**

125 SOUTH WEBSTER STREET • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933  
(608) 266-6466 • FAX (608) 266-5718 • <http://www.dor.state.wi.us>

AB 300?

*Tommy G. Thompson*  
Governor

*Cate Zeuske*  
Secretary of Revenue

**MEMORANDUM**

May 4, 1999

**TO:** Members  
Assembly Ways and Means Committee

**FROM:** Thomas Ourada  
Executive Assistant

**SUBJECT:** Farm Tax Relief

At the Ways and Means Committee hearing of Wednesday, April 28, Representative Wayne Wood and other members asked several questions about farm taxes and farm tax relief from the lottery fund. This memorandum attempts to answer those questions. An attachment to the memorandum provides the statistical detail underlying the department's analysis.

1. What percentage of the state's tax base was represented by farms in 1991 and what is the percentage today?

Farm land and improvements accounted for 8.51% of the state's equalized value in 1991. In 1999, largely as a result of the use value law, the farm share of total equalized value is about 5.48%.

2. What is the percentage decline in farm taxes attributable to lottery monies (a) at the start of the lottery credit program in 1991 and (b) under the proposed legislation which would create a credit for primary residences and increase the Farmland Tax Relief (FTR) credit from 10% to 20% of up to \$10,000 in farmland property tax?

At the start of the lottery credit program in 1991, farmers received two separate credits funded from the lottery: a credit for the primary residence averaging \$142 and a 10% FTR credit averaging \$240. Assuming 61,300 farms--the number of FTR claimants in 1991--we estimate farm owners received \$23.4 million in lottery fund relief in 1991-92, equal to 6.61% of net farm taxes in that year.

Under the proposal, farm owners would receive the same two credits. The primary residence credit would average \$87 and the 20% FTR credit would average \$363. Based on an estimated 58,400 FTR claimants for 1999, farm owners would receive \$26.3 million in lottery fund relief in 1999-2000, equal to 8.82% of net farm taxes.

3. What would be the percentage reduction in farm taxes in 1999-2000 based on the distribution of lottery proceeds under current law and what would be the reduction under the proposal?

Under current law, farm owners in 1999-2000 would receive, on average, lottery credits for 5 parcels totaling \$205 and a 10% FTR credit estimated at \$182--an average lottery-funded benefit of \$387. Based on an estimated 58,400 FTR claimants, farm owners would receive \$22.6 million in lottery-funded property tax relief, equal to 7.58% of net farm taxes.

As noted in the response to question no. 2, under the proposal, lottery-funded relief to farm owners would equal 8.82% of net farm taxes.

The statistical information was prepared by Rebecca Boldt of the department's Research and Analysis Division. If you any have questions, you can contact me at 266-6466 or Rebecca at 266-6785.

TO:RB:skr  
t:\secmemo\rb\members.603.doc

Attachment

cc: Cate Zeuske  
Eng Braun  
Ron Rosner  
Rebecca Boldt



**WISCONSIN FARM BUREAU FEDERATION**

*file  
AB 300*

*1212 Deming Way  
P.O. Box 5550  
Madison, WI 53705-0550  
(608) 836-5575*

**TO: ALL LEGISLATORS**

**FR: ROGER CLIFF (rcliff@wfbf.com, 828-5703)  
EXECUTIVE DIRECTOR  
GOVERNMENTAL RELATIONS**

**RE: SB 114/AB 300 - LOTTERY CREDITS UPDATE**

**DA: MAY 7, 1999**

**JFC ACTION** - On a 10-6 vote the Joint Finance Committee amended SB 114 to double the current Farmland Tax Relief Credit (FTRC). This increases the current 10% credit on the first \$10,000 of property taxes on a farmer's land to 20%. It also increases the maximum credit from \$1000 to \$2000. The FTRC is a refundable income tax credit that is funded from lottery profits.

**WAYS AND MEANS ACTION** - The Assembly Ways and Means Committee has recommended for passage, on an 11-5 vote, assembly substitute amendment 2 to AB 300. The substitute amendment is identical to the sub approved by JFC - including the increase in the FTRC to hold farmers harmless.

**FARM IMPACT** - SB 114/AB 300 eliminates the per parcel credit system of distributing the lottery profits. As a result, Fiscal Bureau estimates that farmers would have seen at least a \$9 million property tax increase next December. Doubling the FTRC provides roughly the same total amount of property tax relief to farmers that they would have received this year under the per parcel distribution system.

**RESIDENTIAL IMPACT** - According to Fiscal Bureau estimates, the average residential lottery credit would have fallen to just \$37 on next December's tax bills without any change in the distribution system. Under SB 114/AB 300, as amended, the residential credit will increase to an average of \$82 this year. Increasing the FTRC to hold farmers harmless only reduced the residential credit by \$8.50 - but that small change makes a big difference to our farm families.

**FARM BUREAU POSITION** - Farm Bureau supports the substitute versions of SB 114/AB 300 which increase the Farmland Tax Relief Credit.

The ag community appreciates recent efforts by legislators to provide greater property tax relief to farmers through use value assessment, two thirds funding of schools and the lottery credits. However, please keep in mind that even with these efforts, Wisconsin's farm property taxes are still the highest in the nation (see chart). In fact, according to the Legislative Fiscal Bureau, our farm taxes are nearly three times the national average. The LFB paper also indicates that, even if use value assessments were fully implemented, Wisconsin's farm property taxes would still be the third highest in the nation.

**Comparison of Farm Real Estate Property Taxes to Farm Values  
1994 and 1997 Tax Years**

|                          | 1994 Property Taxes<br>(per \$100 of value) |                          | 1997 Property Taxes<br>(per \$100 of value) |
|--------------------------|---|--------------------------|---|
| All 48 Contiguous States | \$0.75                                      | All 48 Contiguous States | \$0.71                                      |
| Wisconsin                | 2.35  | Wisconsin                | 2.05  |
| New York                 | 1.72  | New York                 | 1.88  |
| Nebraska                 | 1.44  | Nebraska                 | 1.30  |
| Michigan                 | 1.32  | New Hampshire            | 1.22  |
| New Hampshire            | 1.20  | Maine                    | 1.21  |
| South Dakota             | 1.16  | Oregon                   | 1.21  |
| Iowa                     | 1.13  | Vermont                  | 1.20  |
| Vermont                  | 1.09  | South Dakota             | 1.14  |
| Maine                    | 1.07  | Michigan                 | 1.12  |
| Minnesota                | 1.05  | Minnesota                | 1.03  |
| North Dakota             | 0.97  | North Dakota             | 0.92  |
| Illinois                 | 0.91  | Iowa                     | 0.92  |
| Pennsylvania             | 0.91  | Pennsylvania             | 0.87  |
| Kansas                   | 0.86  | Kansas                   | 0.84  |
| Indiana                  | 0.84  | Florida                  | 0.75  |
| Oregon                   | 0.84  | Illinois                 | 0.73  |
| Idaho                    | 0.74  | Washington               | 0.73  |
| Rhode Island             | 0.71  | Idaho                    | 0.72  |
| Washington               | 0.71  | California               | 0.70  |
| Massachusetts            | 0.71  | New Jersey               | 0.70  |
| New Jersey               | 0.70  | Indiana                  | 0.69  |
| Florida                  | 0.70  | Rhode Island             | 0.68  |
| Ohio                     | 0.67  | Massachusetts            | 0.68  |
| Connecticut              | 0.67  | Connecticut              | 0.66  |
| California               | 0.64  | Montana                  | 0.57  |
| Montana                  | 0.55  | Ohio                     | 0.54  |
| Georgia                  | 0.53  | Georgia                  | 0.52  |
| Colorado                 | 0.53  | Texas                    | 0.51  |
| Texas                    | 0.51  | North Carolina           | 0.51  |
| North Carolina           | 0.48  | Oklahoma                 | 0.51  |
| Nevada                   | 0.47  | Colorado                 | 0.50  |
| Oklahoma                 | 0.47  | Arkansas                 | 0.45  |
| Maryland                 | 0.45  | Nevada                   | 0.44  |
| Tennessee                | 0.45  | Tennessee                | 0.43  |
| Arkansas                 | 0.44  | Mississippi              | 0.41  |
| Missouri                 | 0.43  | Maryland                 | 0.41  |
| Mississippi              | 0.41  | Virginia                 | 0.40  |
| Delaware                 | 0.39  | Kentucky                 | 0.39  |
| Kentucky                 | 0.38  | Missouri                 | 0.37  |
| Virginia                 | 0.37  | Delaware                 | 0.34  |
| Wyoming                  | 0.35  | Wyoming                  | 0.34  |
| Utah                     | 0.34  | South Carolina           | 0.32  |
| South Carolina           | 0.31  | Utah                     | 0.28  |
| Louisiana                | 0.30  | West Virginia            | 0.28  |
| Arizona                  | 0.28  | Louisiana                | 0.27  |
| West Virginia            | 0.23  | Arizona                  | 0.26  |
| New Mexico               | 0.18  | New Mexico               | 0.16  |
| Alabama                  | 0.17  | Alabama                  | 0.15  |

**Source: Legislative Fiscal Bureau memo to Representative DuWayne Johnsrud  
dated February 26, 1999**



**of Wisconsin • DEPARTMENT OF REVENUE**

125 SOUTH WEBSTER STREET • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933  
(608) 266-6466 • FAX (608) 266-5718 • <http://www.dor.state.wi.us>

*Tommy G. Thompson*  
Governor

*Cate Zeuske*  
Secretary of Revenue

**MEMORANDUM**

May 3, 1999

**TO:** Members  
Assembly Ways and Means Committee

**FROM:** Thomas Ourada *T.O.*  
Executive Assistant

**SUBJECT:** Farm Tax Relief

At the Ways and Means Committee hearing of Wednesday, April 28, Representative Wayne Wood and other members asked several questions about farm taxes and farm tax relief from the lottery fund. This memorandum attempts to answer those questions. An attachment to the memorandum provides the statistical detail underlying the department's analysis.

1. What percentage of the state's tax base was represented by farms in 1991 and what is the percentage today?

Farm land and improvements accounted for 8.51% of the state's equalized value in 1991. In 1999, largely as a result of the use value law, the farm share of total equalized value is about 5.48%.

2. What is the percentage decline in farm taxes attributable to lottery monies (a) at the start of the lottery credit program in 1991 and (b) under the proposed legislation which would create a credit for primary residences and increase the Farmland Tax Relief (FTR) credit from 10% to 20% of up to \$10,000 in farmland property tax?

At the start of the lottery credit program in 1991, farmers received two separate credits funded from the lottery: a credit for the primary residence averaging \$142 and a 10% FTR credit averaging \$240. Assuming 61,300 farms--the number of FTR claimants in 1991--we estimate farm owners received \$23.4 million in lottery fund relief in 1991-92, equal to 6.61% of net farm taxes in that year.

Under the proposal, farm owners would receive the same two credits. The primary residence credit would average \$87 and the 20% FTR credit would average \$363. Based on an estimated 58,400 FTR claimants for 1999, farm owners would receive \$26.3 million in lottery fund relief in 1999-2000, equal to 8.82% of net farm taxes.

3. What would be the percentage reduction in farm taxes in 1999-2000 based on the distribution of lottery proceeds under current law and what would be the reduction under the proposal?

Under current law, farm owners in 1999-2000 would receive, on average, lottery credits for 5 parcels totaling \$205 and a 10% FTR credit estimated at \$182--an average lottery-funded benefit of \$387. Based on an estimated 58,400 FTR claimants, farm owners would receive \$22.6 million in lottery-funded property tax relief, equal to 7.58% of net farm taxes.

As noted in the response to question no. 2, under the proposal, lottery-funded relief to farm owners would equal 8.82% of net farm taxes.

The statistical information was prepared by Rebecca Boldt of the department's Research and Analysis Division. If you any have questions, you can contact me at 266-6466 or Rebecca at 266-6785.

TO:RB:skr  
t:\secmemo\rb\members.603.doc

Attachment

cc: Cate Zeuske  
Eng Braun  
Ron Rosner  
Rebecca Boldt

## LOTTERY AND FARM PROPERTY

| 1. % of total property tax base accounted by farm owners  |  |  |
|---|--|--|
|   | <u>1991/92</u>   | <u>1999/00 (est.)</u>                                  |
| Farm Equalized Value (Land + Improvements)  | \$12,850,156,300                                       | \$14,537,102,224                                       |
| Total Equalized Value   | \$150,927,756,160                                      | \$265,169,024,000                                      |
| <b>% of Farm Value to Total Value</b>   | <b>8.51%</b>   | <b>5.48%</b>   |
| 2. % reduction in farm taxes afforded by lottery monies (1991 vs. proposed 1999)                |  |  |
|   | <u>1991/92</u>   | <u>Proposed<br/>1999/00 (est.)</u>                     |
| FTR Claimants   | 61,300   | 58,400   |
| Ave Lottery Credit to Farm Owners   | \$142  | \$87   |
| Ave. FTR  | <u>\$240</u>   | <u>\$363</u>   |
| Ave. Lottery + FTR to Farm Owners   | \$382  | \$450  |
| Total Lottery Credit & FTR to Farm Owners   | \$23,416,600   | \$26,280,000   |
| Net Farm Taxes  | \$354,252,055  | \$298,031,494  |
| <b>Lottery Credit &amp; FTR to Farm Owners<br/>as % of Net Farm Taxes</b>                       | <b>6.61%</b>   | <b>8.82%</b>   |
| 3. % reduction in farm taxes afforded by lottery monies in 1999-2000 (current law vs. proposal) |  |  |
|   | <u>1999/00<br/>Current Law</u>                         | <u>1999/00<br/>Proposed</u>                            |
| FTR Program   | 10% of up to \$10,000 of<br>property taxes on farmland | 20% of up to \$10,000 of<br>property taxes on farmland |
| Lottery Credit Program  | All Parcels<br>5 lottery credits/farm                  | Principal Dwelling Only<br>1 lottery credit/farm       |
| FTR Claimants   | 58,400   | 58,400   |
| Ave. Lottery Credit per Farm Owner  | \$205  | \$87   |
| Ave. FTR per Farm Owner   | <u>\$182</u>   | <u>\$363</u>   |
|   | \$387  | \$450  |
| Total Lottery Credit & FTR to Farm Owners   | \$22,600,800   | \$26,280,000   |
| Net Farm Taxes (est.)   | \$298,031,494  | \$298,031,494  |
| <b>Lottery Credit &amp; FTR to Farm Owners<br/>as % of Net Farm Taxes</b>                       | <b>7.58%</b>   | <b>8.82%</b>   |

Department of Revenue  
Division of Research and Analysis  
April 30, 1999  
t:\secmemo\rb\wood.530.xls



Michael (Mickey)  
**Lehman**


State Representative  
58th Assembly District

---

Committee Chair: Ways and Means

## Memorandum

To: Members, Wisconsin Assembly

From: Rep. Michael "Mickey" Lehman 

Date: May 18<sup>th</sup>, 1999

Re: Assembly Bill 300 – Lottery Tax Credit

Attached please find a copy of a Legislative Council Memo regarding Assembly Bill 300 as amended, which is scheduled to receive action on the floor by the Assembly on Wednesday, May 19<sup>th</sup>.

It should be noted that if the Senate passes Senate Bill 114 (companion to AB 300) today, May 18<sup>th</sup>, it is likely that the Assembly will take action tomorrow on SB 114 rather than AB 300.

---

Office: P.O. Box 8952, State Capitol, Madison, WI 53708-8952 • (608) 267-2367 • Toll-Free Legislative Hotline: (800) 362-9472  
Home: 1317 Honeysuckle Road, Hartford, WI 53027 • (414) 673-7979

58th District Includes - CITIES: Cedarburg, Hartford and West Bend (Wards 23-29, 34-38, 40, 41, 43-47); VILLAGES: Jackson, Neosho and Slinger;  
TOWNS: Addison, Cedarburg (Wards 1,2,3,6, and 7), Hartford, Jackson, Polk (Wards 1, 2, 3, 4, 5 and 8), Rubicon, Trenton and West Bend

  
Printed on recycled paper with a soy base ink.





---

## WISCONSIN LEGISLATIVE COUNCIL STAFF MEMORANDUM

One East Main Street, Suite 401; P.O. Box 2536; Madison, WI 53701-2536

Telephone: (608) 266-1304

Fax: (608) 266-3830

Email: leg.council@legis.state.wi.us

---

DATE: May 17, 1999

TO: REPRESENTATIVE MICHAEL LEHMAN

FROM: William Ford, Senior Staff Attorney

SUBJECT: Description of Assembly Substitute Amendment 2 to 1999 Assembly Bill 300,  
Relating to the Lottery Property Tax Credit

### A. INTRODUCTION

This memorandum describes Assembly Substitute Amendment 2 (the "Substitute Amendment") to 1999 Assembly Bill 300, relating to the property tax lottery credit. The Substitute Amendment is identical to Senate Substitute Amendment 2 to 1999 Senate Bill 114, which was recommended for passage by the Joint Committee on Finance on April 16, 1999. As will be explained in more detail below, the Substitute Amendment would:

1. Change the name of the lottery credit to the lottery and gaming credit and distribute the credit only to property used as the owner's principal dwelling. The Legislative Fiscal Bureau (LFB) estimates that the average lottery and gaming credit for property taxes levied in 1999 would be approximately \$82. (The LFB estimates that the average credit would be \$37 per parcel if, as under current law, the credit were distributed to each parcel of taxable property in the state regardless of whether it is used as a principal dwelling.)
2. Establish a procedure to claim the lottery and gaming credit under which owners of eligible properties file an application with the county (or City of Milwaukee) treasurer stating that they owned the property and used it as their principal dwelling as of January 1 of the year in which property taxes are levied. The application would be valid for five years. In addition, a person who is eligible for a credit but whose property tax bill does not reflect the credit would be authorized to claim the credit by applying for it by January 31 following the issuance of the person's property tax bill with the appropriate city, village or town treasurer.
3. Authorize any county (or the City of Milwaukee) to use an alternate procedure for certifying eligibility for the lottery and gaming credit (other than the certification procedure provided under the Substitute Amendment) if certain conditions apply.

4. Reimburse each county (and the City of Milwaukee) for the costs of certifying property eligible for the lottery and gaming credit. Reimbursement would occur every five years and would be 70¢ for each lottery and gaming credit certified for a principal dwelling located in that county (or the City of Milwaukee). A county (or the city) that adopts an alternate certification procedure would be reimbursed the lesser of 70¢ for each lottery and gaming credit certified for a principal dwelling located in that county or city or the actual costs of identifying a principal dwelling located in that county or city.

5. Increase the farmland tax relief credit, which is a refundable income tax credit funded from the tax lottery fund, from 10% to 20% of up to \$10,000 in net property taxes levied on farmland.

### **B. CONSTITUTIONAL AMENDMENT**

The Substitute Amendment implements the amendment to Wis. Const. art. IV, s. 24, that was approved by the electorate on April 6, 1999.

For property taxes levied in 1991 through 1995, the lottery credit was provided exclusively to reduce property taxes on property used as the owner's principal dwelling. In 1996, a circuit court decision ruled that the distribution of the lottery credit violated Wis. Const. art. VIII, s. 1 (the "Uniformity Clause"). Briefly, the court's ruling was that the Uniformity Clause requires all property subject to taxation to be taxed equally, according to value, and the lottery credit violated the uniformity requirement by extending property tax credits only to property owned as the owner's principal dwelling. In response to this court decision, the Legislature enacted a statute which, for the property tax levies of 1997 and 1998, distributed the lottery tax credit to each *parcel* of taxable property in the state, regardless of whether it is used as a principal dwelling, and to each description of taxable personal property in the state.

The April 6, 1999 amendment to Wis. Const. art. IV, s. 24, requires that the distribution of proceeds of the state lottery and the net proceeds from the bingo gross receipts tax and the pari-mutuel tax are not subject to the Uniformity Clause and "shall be used for property tax relief for residents of this state as provided by law." The constitutional amendment prohibits the distribution of moneys from these sources from varying based on the income or age of the person provided the property tax relief.

### **C. LOTTERY AND GAMING CREDIT UNDER THE SUBSTITUTE AMENDMENT**

Essentially, the Substitute Amendment implements the constitutional amendment by reinstating the lottery tax credit (renamed as the "lottery and gaming credit") that was in effect for the 1991 through 1995 property tax levies and that was ruled unconstitutional in the circuit court decision. In addition, the Substitute Amendment adds the net proceeds from the gross receipts tax on bingo and the pari-mutuel tax on on-track betting (approximately \$2.5 million in 1999-00 used to fund the lottery and gaming credit) to the revenues from the state lottery for distribution as lottery and gaming credits.

Under the Substitute Amendment, beginning with property taxes levied in 1999, the lottery and gaming credit will be provided to reduce property taxes levied on property that is

owned by a person who uses the property as a principal dwelling. [SECTION 29.] "Principal dwelling" is defined in SECTION 26 of the Substitute Amendment to mean "any dwelling that is used by the owner of the dwelling as a primary residence and includes improvements (mobile homes) that are classified under ch. 70 as taxable real property or personal property. [s. 79.10 (1) (dm), Stats.] Wisconsin Administrative Code s. Tax 20.11 contains definitions of "primary residence," "dwelling" and "owner" which further define persons who are eligible for a lottery and gaming credit.

The amount of the lottery and gaming credit for any principal dwelling is computed by multiplying the school property tax levy for the school district in which the property is located by the lesser of the property's fair market value or a "credit base." [SECTION 32.] The estimated credit base for the 1999 lottery and gaming credit is \$7,500. Because most principal dwellings have a value in excess of the credit base, most taxpayers' lottery and gaming credit equals the school tax rate times the credit base. The amount of the credit base is established by the Department of Administration (DOA) and the Joint Committee on Finance and is established at a level that distributes the total amount of revenues approved for distribution as lottery and gaming credits. [SECTION 36.]

For the 1999 property tax levy, the LFB estimates that approximately \$122 million will be available in the lottery fund. The Substitute Amendment would distribute approximately \$20 million of this amount as farmland tax relief credits, as will be discussed below. The remaining \$102 million would be distributed as lottery and gaming credits, which the LFB estimates would provide an average property tax credit of \$82. The property tax credit is generally entered on the property tax bill and reduces the amount of property tax owed on the property. The amount of the credit for each municipality is distributed to that municipality on the fourth Monday in March by the Department of Administration. The municipal treasurer is required to pay each taxing jurisdiction its appropriate share of the lottery and gaming credit, or pay these amounts to the county treasurer for distribution to each taxing jurisdiction, by April 15 of each year.

#### **D. PROCEDURE TO CLAIM THE LOTTERY AND GAMING CREDIT**

The Substitute Amendment provides that an owner may claim a lottery and gaming credit by submitting an application to the county (or City of Milwaukee) treasurer of the county in which the property is located on a form prescribed by the Department of Revenue (DOR). On the form, the claimant shall attest that, as of the preceding January 1, he or she is the owner of the property and that the property was used by the owner as a "principal dwelling." A claim for a lottery and gaming credit is valid for five years. A county (or the City of Milwaukee) may adopt an alternate procedure for certifying eligibility for lottery and gaming credits if certain conditions apply and if the alternate procedure is approved by DOR. [SECTION 35.]

The Substitute Amendment also provides that a person who becomes eligible for a lottery and gaming credit because of a purchase of property may claim the credit by applying for it on the real estate transfer return. A real estate transfer return is filed by the purchaser of property when his or her interest in the property is recorded at the county register of deeds. [SECTION 35.]

In addition, the Substitute Amendment provides that a person who is eligible for a lottery and gaming credit but whose property tax bill does not reflect the credit may claim it by

applying for it by January 31 following the issuance of the property tax bill. The application is made to the treasurer of the city, village or town in which the property is located. That treasurer is required to compute the amount of the credit, subtract the amount of the credit from the person's property tax bill, notify the person of the reduced amount of property taxes, issue a refund to the person if the person has paid the property taxes in full and enter the person's property on the next tax roll as property that qualifies for a lottery and gaming credit. [SECTION 35.]

The Substitute Amendment requires a person who is certified to claim the lottery and gaming credit but who becomes ineligible for the credit to, within 30 days of becoming ineligible, notify the treasurer of the county in which the property is located. If the DOR determines that a lottery and gaming credit was claimed by a taxpayer who was not entitled to the credit, for reasons other than that the taxpayer failed to complete the application required to claim the credit, the DOR shall instruct the appropriate city, village or town to collect the credit as a special charge on the next property tax bill issued for that property. [SECTION 35.]

#### **E. COSTS FOR ADMINISTERING LOTTERY AND GAMING CREDIT**

Under the Substitute Amendment, counties (and the City of Milwaukee) would receive a payment from the lottery fund to reimbursement them for administering the certification of principal dwellings for the lottery and gaming credit. The amount of reimbursement would be 70¢ for each lottery and gaming credit certified for a principal dwelling located in that county (or City of Milwaukee). In addition, a county (or City of Milwaukee) that adopts an alternate certification procedure would be reimbursed the lesser of 70¢ for each lottery and gaming credit certified for a principal dwelling located in that county or city or the actual costs of identifying a principal dwelling located in that county or city. The amount of reimbursement would be distributed by the DOA on the first Friday in September 1999 and every fifth year thereafter, based on certifications for the lottery and gaming credit on file with the county (or City of Milwaukee) on August 1. [SECTION 31.]

#### **F. FARMLAND TAX RELIEF CREDIT**

Under current law, the lottery fund is used to provide farmland tax relief credits, distributed through the state income tax system, to eligible farmland. Eligible farmland is defined to be farmland that is 35 or more acres of real property, exclusive of improvements, in agricultural use as defined in s. 91.01 (1), Stats. The farmland must have produced gross farm profits of at least \$6,000 in the preceding year or at least \$18,000 of gross farm profits in the preceding three years, or have been enrolled in the federal Conservation Reserve Program. [16 U.S.C. s. 3831-3836.] Under current law, the amount of the credit is 10% of up to \$10,000 of net property taxes levied on farmland, which provides a maximum annual credit of \$1,000. The amount of the farmland tax relief credit is refundable and is paid to the owner of the farmland if the tax credit exceeds the person's income tax liability. [ss. 71.07 (3m), 71.28 (2m) and 71.47 (2m), Stats.]

The Substitute Amendment would increase the credit rate from 10% to 20% with the result that maximum credit amounts would be raised to \$2,000. The LFB estimates that this would increase the estimated distribution of farmland tax relief credits by \$10.6 million in

1999-00 and \$10 million in 2000-01. The increase would first apply to credits claimed on property taxes levied in 1999. [SECTIONS 23-25.]

**G. MISCELLANEOUS PROVISIONS**

The Substitute Amendment would repeal provisions of current law distributing funds from the lottery, bingo and pari-mutuel on-track betting to certain programs. First, pari-mutuel on track betting racing funds provided to the Department of Agriculture, Trade and Consumer Protection for aids to county and district fairs (up to \$650,000 annually) and aid to the Wisconsin Livestock Breeders Association (up to \$50,000 annually) would be eliminated. Second, lottery funds and pari-mutuel racing funds (\$36,000 and \$14,000 annually, respectively) provided to the Department of Health and Family Services for compulsive gambling awareness programs would be eliminated and replaced with funding from Indian gaming proceeds. Third, an appropriation under DOA for county fair association grants (\$50,000 annually) relating to wagering on horse races at fairs would be eliminated. These provisions of the Substitute Amendment are required in order to comply with the constitutional amendment to Wis. Const. art. IV, s. 26, described above.

Please contact me at the Legislative Council Staff offices if I can be of further assistance.

WF:ksm:kjf:wu:rv;ksm



## BILL SUMMARY

SB114/AB300: Property Tax Lottery Credit

Date: May 19<sup>th</sup>, 1999

### BACKGROUND

Under current law, as result of a 1996 court decision that resulted from a legal challenge initiated by Wisconsin landowners who are not residents of this state, the property tax lottery credit is distributed to all taxable parcels of property regardless of the class of property. During the 1997-99 legislative session, Rep. Michael Lehman (R-58) and Senator Russ Decker (D-29) initiated the process to modify state law regarding the property tax lottery credit in an effort to return the credit to those for which it was initially intended: Wisconsin owner-occupied, primary residences. This required amending the State Constitution. Amendments to the Wisconsin Constitution must be adopted by two successive Legislatures and ratified by the voters before becoming effective. A proposed change is introduced in the form of a joint resolution. In 1997, the Legislature approved 1997 Assembly Joint Resolution 80. On January 7, 1999, Assembly Joint Resolution 2 (containing the same language as 1997 AJR 80) was introduced. AJR 2 had passed both houses of the legislature by January 28<sup>th</sup>, 1999. The voters of the State of Wisconsin then ratified the proposed constitutional change on April 6<sup>th</sup>, 1999. Enabling legislation was then required to modify state law to reflect the change to the constitution. SB 114/AB 300 is that enabling legislation.

### SUMMARY OF SB 114/AB 300 (AS AMENDED)

Senate Bill 114/Assembly Bill 300, as amended would make several changes to state law as it relates to the use of gaming proceeds. The following information can be found in more detail in a memo provided to the Wisconsin Legislature from the Legislative Fiscal Bureau on April 26<sup>th</sup>, 1999.

#### Gaming Related Appropriations-

Gaming related appropriations would become more specific. DOA and DOJ would receive appropriations for the administration, regulation and enforcement of gaming related operations and revenues. Also, the legislation would eliminate the provision of gaming-related funds to other agencies for purposes unrelated to operations, regulation or enforcement of gaming.

#### Tax Credit for Properties Used as Principal Dwelling-

The lottery credit, under this legislation, would become the "gaming credit" and be distributed *only* to property used as the *owner's* principal dwelling.

#### Certification of Properties Eligible for the Credit-

Owners of eligible properties would be required to file an application on which they attest that they owned the property and used it as their principal dwelling as of January 1 of the year in which taxes are levied. This application would be valid for 5 years.

The legislation also allows for municipalities to devise their own procedure for determining properties eligible for the credit so long as that procedure is approved by the DOR.

3. The increase in the farmland tax relief credit will help ease the tax burden place on Wisconsin Farmers.

### CONS

1. Not all taxable parcels of property would be eligible for the gaming credit.
2. By increasing the farmland tax relief credit, gaming proceeds would be taken from residential property tax relief and utilized in a method for which they were not originally intended.

### SUPPORTERS

Rep. Michael Lehman, author; Sen. Russ Decker, lead co-sponsor; Peggy Ross, Rock County Treasurer; City of Milwaukee; Wisconsin Alliance of Cities; Rep. Wayne Wood; Juneau County Treasurer; Wisconsin Farm Bureau.

### OPPOSITION

Wisconsin Property Taxpayers, Inc.

### HISTORY

Senate Bill 114 was introduced on 4-13-1999, and referred to the Senate Committee on Economic Development, Housing and Governmental Operations. On 4-14-1999, the Committee voted 4-0 to recommend SB 114 for passage. On 4-16-1999, SB 114 was referred to the Joint Committee on Finance. On 4-21-1999, the Committee recommended SSA 2 to SB 114 for passage by a vote of 16-0. On 5-18-1999, the Senate passed SB 114 on a **(insert Senate vote here)** vote. Senate action on SB 100 was messaged to the Assembly, and SB 114 was referred to the Assembly floor for consideration.

Assembly Bill 300 was introduced on 4-22-1999, and referred to the Assembly Committee on Ways & Means. A public hearing was held on 4-28-1999. On 5-5-1999, the Committee voted 11-5 [Representatives La Fave, Meyerhofer, Morris-Tatum, Turner and Ziegelbauer voting no] to recommend passage of AB 300 as amended.

**CONTACT:** Andrew Nowlan, Office of Rep. Michael Lehman



## BILL SUMMARY

AB300/SB 114: Property Tax Lottery Credit

Date: May 19<sup>th</sup>, 1999

### BACKGROUND

Under current law, as a result of a 1996 court decision ensuing from a legal challenge initiated by Wisconsin landowners who are not residents of this state, the property tax lottery credit is distributed to all taxable parcels of property regardless of the class of property. During the 1997-99 legislative session, Representative Michael Lehman and Senator Russ Decker initiated the process to modify state law regarding the property tax lottery credit in an effort to return the credit to those for which it was initially intended: Wisconsin owner-occupied, primary residences. This required amending the State Constitution. Amendments to the Wisconsin Constitution must be adopted by two successive Legislatures and ratified by the voters before becoming effective. A proposed change is introduced in the form of a joint resolution. In 1997, the Legislature approved 1997 Assembly Joint Resolution 80. On January 7, 1999, Assembly Joint Resolution 2 (containing the same language as 1997 AJR 80) was introduced. AJR 2 had passed both houses of the legislature by January 28<sup>th</sup>, 1999. The voters of the State of Wisconsin then ratified the proposed constitutional change on April 6<sup>th</sup>, 1999. Enabling legislation was then required to modify state law to reflect the change to the constitution. AB 300/SB 114 is that enabling legislation.

### SUMMARY OF AB 300/SB 114 (AS AMENDED BY COMMITTEE)

Assembly Bill 300/Senate Bill 114, as amended, would make several changes to state law as it relates to the use of gaming proceeds. The following information can be found in more detail in a memo provided to the Wisconsin Legislature from the Legislative Fiscal Bureau dated April 26<sup>th</sup>, 1999.

#### Gaming Related Appropriations-

Gaming related appropriations would become more specific. The Department of Administration and the Department of Justice would receive appropriations for the administration, regulation and enforcement of gaming related operations and revenues. Also, the legislation would eliminate the provision of gaming-related funds to other agencies for purposes unrelated to operations, regulation or enforcement of gaming.

#### Tax Credit for Properties Used as Principal Dwelling-

The lottery credit, under this legislation, would become the "gaming credit" and be distributed *only* to property used as the *owner's* principal dwelling.

#### Certification of Properties Eligible for the Credit-

Owners of eligible properties would be required to file an application on which they attest that they owned the property and used it as their principal dwelling as of January 1 of the year in which taxes are levied. This application would be valid for 5 years.

The legislation also allows for municipalities to devise an alternate procedure for determining properties eligible for the credit so long as that procedure is approved by the Department of Revenue.



The legislation would allow eligible properties to receive the credit if the credit is not initially extended on tax bills.

Certification Reimbursement-

The legislation would create a sum sufficient appropriation within the lottery fund to reimburse counties and the City of Milwaukee for administering the certification requirement. The reimbursement would be 70 cents per credit. Local governments using an alternate certification procedure would be required to submit their administrative costs to DOR. Their reimbursement payment would equal their actual cost or 70 cents per credit, whichever is less.

Funds Available for Distribution-

Funds available for distribution as the gaming credit would include pari-mutuel, on-track betting and bingo revenues and exclude monies for the local certification reimbursement payment.

Farmland Tax Relief Credit-

The legislation would increase the credit rate from 10% to 20%, and the limit on credit amounts would be raised from \$1,000 to \$2,000. This would increase the estimated distribution of farmland tax relief credits by \$10.6 million in 1999-00 and \$10.0 million in 2000-01.

**AMENDMENTS**

**Assembly Substitute Amendment 1** to Assembly Bill 300 is described above. [adopted 9-7 in Ways & Means on party line vote].

**Senate Substitute Amendment 2** to Senate Bill 114 is described above. [adopted 14-0 in Joint Finance].

**NOTE:** ASA 1 to AB 300 and SSA 2 to SB 114 are identical.

**FISCAL EFFECT**

A fiscal estimate prepared by the DOR, indicates that there would be no net increase or decrease in revenues, rather the legislation changes where those revenues are deposited and how excess revenues are handled.

According to the Legislative Fiscal Bureau, under this legislation, revenues available for the gaming credit are estimated at \$122 million annually. This amount is net of funds expended on operations, regulation and enforcement activities related to gaming. Subtract the estimated \$20 million for the farmland tax relief credit and \$102 million would remain for the homeowner credit. Under current law, that would equate to an average gaming credit of approximately \$37. However, under this legislation, the average credit would be about \$82.

**PROS**

1. The legislation returns the lottery, or gaming credit to that for which it was originally intended: Owner-occupied residential property.
2. Wisconsin homeowners would see a marked increase in the lottery credit on their primary residence. Under this legislation, the average credit would be approximately \$82 as opposed to \$37.

3. The increase in the farmland tax relief credit will help ease the property tax burden place on Wisconsin Farmers.

### CONS

1. Not all taxable parcels of property would be eligible for the gaming credit.
2. By increasing the farmland tax relief credit, gaming proceeds would be taken from the intended residential property tax relief and utilized for agricultural property tax relief.

### SUPPORTERS

Rep. Michael Lehman, author; Sen. Russ Decker, lead co-sponsor; Rep. Wayne Wood; Peggy Ross, Rock County Treasurer; Laurie Kuiper, City of Milwaukee; Ed Huck, Wisconsin Alliance of Cities; Ann Marie Vinopal, Juneau County Treasurer; Roger Cliff, Wisconsin Farm Bureau.

### OPPOSITION

Mike Birkley, Wisconsin Property Taxpayers, Inc.

### HISTORY

Assembly Bill 300 was introduced on 4-22-1999, and referred to the Assembly Committee on Ways & Means. A public hearing was held on 4-28-1999. On 5-5-1999, the Committee voted 11-5 [Representatives La Fave, Meyerhofer, Morris-Tatum, Turner and Ziegelbauer voting no] to recommend passage of AB 300 as amended.

Senate Bill 114 was introduced on 4-13-1999, and referred to the Senate Committee on Economic Development, Housing and Governmental Operations. On 4-14-1999, the Committee voted 4-0 to recommend SB 114 for passage. On 4-16-1999, SB 114 was referred to the Joint Committee on Finance. On 4-21-1999, the Committee recommended SSA 2 to SB 114 for passage by a vote of 16-0.

**NOTE:** If SB 114 passes in the Senate on Tuesday, May 18, 1999, it is likely the Assembly will address SB 114, rather than AB 300, on Wednesday, May 19, 1999.

**CONTACT:** Andrew Nowlan, Office of Rep. Michael Lehman

Committee Chair: Ways and Means

**NEWS RELEASE**

FOR IMMEDIATE RELEASE

May 20<sup>th</sup>, 1999

For more information, contact:

Rep. Michael Lehman 1-888-534-0058

**ASSEMBLY PASSES PROPERTY TAX LOTTERY CREDIT  
DISTRIBUTION LEGISLATION**

Madison, Wisconsin – The Wisconsin Assembly this week passed legislation designing the distribution method for the property tax lottery credit. The property tax lottery credit originates from revenue generated through the lottery, bingo, and pari-mutuel on-track betting.

“This very important piece of legislation returns the property tax lottery credit to those for which it was originally intended: Wisconsin resident property owners” said Representative Michael Lehman (R-Hartford), the Assembly author.

Under this legislation which passed the Assembly on a vote of 93-6 on Wednesday, May 19<sup>th</sup>, the average Wisconsin homeowner will see a gaming credit of \$82 on their residential property tax bill. Without passage of this proposal, the average credit would be \$37.

“With this legislation we were able to more than double the gaming credit for the average homeowner,” continued Rep. Lehman. “An \$82 credit rather than a \$37 credit will be a nice bonus on property tax bills.”

In addition to more than doubling the homeowner’s credit, the legislation successfully maintains the average gaming generated credit for Wisconsin farmers.

“In fact, the average Wisconsin farmer will actually see a very slight *increase* in their property tax gaming credits,” said Rep. Lehman. “By maintaining farmers’ current credit level, we are continuing our efforts to try and ease the highest farmland property tax burden in the country.”

Before the legislation is enacted into law, the Senate and Assembly must both approve the same version of the legislation and it must then be signed by the Governor.

-30-