



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

---

May 12, 2011

Joint Committee on Finance

Paper #606

### **First Dollar Credit (Shared Revenue and Tax Relief -- Property Tax Credits)**

[LFB 2011-13 Budget Summary: Page 401, #3]

---

#### **CURRENT LAW**

The first dollar credit is extended to each taxable parcel of real estate on which improvements are located. The credit is calculated for each eligible parcel of property by multiplying the property's gross school tax rate by a credit base value determined by the Department of Revenue (DOR), or the property's fair market value, whichever is less. The credit distribution is set at \$150,000,000 annually. Payments of the first dollar credit are provided from the same GPR appropriation used to make the state's school levy tax credit payments. Both credits are paid on the fourth Monday in July. DOR determines the first dollar credit payment amounts in the preceding March.

#### **GOVERNOR**

Provide \$5,000,000 GPR annually to provide full funding for the first dollar credit in the 2011-13 biennium. The 2009-11 biennial budget act (2009 Act 28) increased the statutory amount of the first dollar credit by \$5,000,000 annually, from \$145,000,000 to \$150,000,000, beginning with credits applied against property taxes levied in 2010, but payable in 2011. Because the payment of first dollar credits is made in July of each year, the payment of the 2011 credits (for 2010 property tax levies), will be made in 2011-12 and payment of the 2012 credits (for 2011 property tax levies) will be made in 2012-13. Consequently, the increase to the base level funding for the first dollar credit was not established under Act 28.

**MODIFICATION**

Decrease the funding recommended by the Governor to pay the first dollar credit by \$2,367,400 GPR in 2011-12, to reflect the actual amount of credits to be distributed to municipalities in July, 2011.

**Explanation:** DOR is required to establish a credit base (which was \$6,900 for taxes levied in 2010 and payable in 2011) for the first dollar credit by using the estimated fair market value, rounded to the nearest \$100, necessary to distribute the \$150,000,000 GPR available for the credit. DOR makes this determination and notifies each municipal clerk of the credit base by December 1. The credit amounts were used to reduce the 2010 property taxes that would have been otherwise payable in calendar year 2011. Based on the \$6,900 credit base and the number of eligible parcels on which the credit will be claimed, the actual cost of the credit in 2011-12 is expected to be \$147,632,600 GPR, or \$2,367,400 GPR less than the amount recommended for appropriation. The estimate of the 2012-13 credit remains at \$150,000,000 since DOR will continue to be required to set the credit base to expend this amount.

<b>Change to Bill Funding</b>	
GPR	- \$2,367,400

Prepared by: Al Runde