

# Shared Revenue and Tax Relief

## Property Tax Credits

(LFB Budget Summary Document: Page 385)

### LFB Summary Items for Which an Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
3	Farmland Preservation Credit Reestimate (Paper #660)
-	2018(19) First Dollar Credit Reestimate (Paper #661)





## Legislative Fiscal Bureau

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May, 2019

Joint Committee on Finance

Paper #660

### **Farmland Preservation Credit Reestimate (Shared Revenue and Tax Relief -- Property Tax Credits)**

[LFB 2019-21 Budget Summary: Page 386, #3]

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#### **CURRENT LAW**

The farmland preservation tax credit consists of two refundable income tax credits. The older tax credit, known as the pre-2010 credit, is provided to landowners with farmland preservation agreements entered into prior to 2009 Wisconsin Act 28. Pre-2010 credits are based on the claimant's income and property tax liability. The newer tax credit, known as the per-acre credit, is provided to landowners at \$10, \$7.50, or \$5 per acre, depending on whether the land is located in a farmland preservation zoning district (\$7.50), subject to a farmland preservation agreement (\$5), or both (\$10). Both farmland preservation zoning and farmland preservation agreements limit covered lands to agriculture-related uses, and eligibility for the credit requires compliance with state land and water conservation standards. Credits are paid from sum-sufficient appropriations of general purpose revenues (GPR). In the 2019-21 biennium, base funding for the pre-2010 credit is \$380,000, and base funding for the per-acre credit is \$17,800,000.

#### **GOVERNOR**

Delete \$30,000 GPR in 2019-20 and \$130,000 GPR in 2020-21 to reestimate the pre-2010 farmland preservation tax credit. Further, delete \$2,400,000 GPR each year to reestimate the per-acre farmland preservation tax credit.

#### **MODIFICATION**

Reestimate the pre-2010 credit by \$50,000 GPR each year. Further, reestimate the per-acre credit by \$1,800,000 GPR in 2019-20 and \$2,200,000 GPR in 2020-21.

**Explanation:** The modification would reestimate pre-2010 credits at \$400,000 in 2019-20 and \$300,000 in 2020-21 to reflect expected expirations of farmland preservation agreements eligible for the credit. Per-acre credits would be reestimated at \$17,200,000 in 2019-20 and

\$17,600,000 in 2020-21 to reflect currently estimated claims and anticipated program trends. The administration's estimate assumed no growth in program eligibility. Subsequent detail from the Department of Revenue and the Department of Agriculture, Trade and Consumer Protection suggest both the base and anticipated growth will be higher than reflected in the bill credit estimates.

	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
GPR	- \$860,000	\$4,100,000

Prepared by: Rory Tikalsky



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May, 2019

Joint Committee on Finance

Paper #661

### 2018(19) First Dollar Credit Reestimate (Shared Revenue and Tax Relief -- Property Tax Credits)

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#### 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 \$150,000,000 GPR annually to fund the first dollar credit in the biennium. The 2019-20 credit amount provides property tax relief on 2018, payable 2019, property taxes.

#### MODIFICATION

Decrease funding recommended by the Governor to pay the first dollar credit by \$1,462,700 GPR in 2019-20 to reflect the actual amount of credits to be distributed to municipalities in July, 2019.

**Explanation:** DOR is required to establish a credit base (which was \$7,000 for taxes levied in 2018 and payable in 2019) for the first dollar credit by using the estimated fair market value of an improved parcel, 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 November 20. The credit amounts were used to reduce the 2018 property taxes that would have been otherwise payable in calendar year 2019. However, the credit amounts associated with 2018 property taxes will be paid in July, 2019 (2019-20). Based

on the \$7,000 credit base and the 2,253,617 eligible parcels on which the credit will be claimed, the actual cost of the credit in 2019-20 is expected to be \$148,537,300 GPR, or \$1,462,700 GPR less than the recommended appropriation amount. The estimate for the 2020-21 credit would remain at \$150,000,000 since DOR will continue to be required to set the credit base to expend this amount.

	<b>Change to Base</b>	<b>Bill</b>
GPR	- \$1,462,700	- \$1,462,700

Prepared by: Emma Drilias

# SHARED REVENUE AND TAX RELIEF

## Property Tax Credits

### LFB Summary Item for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
5	Lottery and Gaming Credit; Late Applications

### LFB Summary Item Addressed in a Separate Paper

<u>Item #</u>	<u>Title</u>
4	Lottery and Gaming Credit Reestimate (Paper #630)

### LFB Summary Items Removed From Budget Consideration

<u>Item #</u>	<u>Title</u>
1	Elimination of School Levy Tax Credit and First Dollar Tax Credit for Property Tax Year 2020(21)
2	Impact of Property Tax Credit and School Funding Changes on Gross TIF District Tax Increments (This item is informational only and is related to Item #1.)