

SHARED REVENUE AND TAX RELIEF

Budget Summary by Funding Source					
	2020-21 Base Year Doubled	2021-23 Governor	2021-23 Jt. Finance/Act 58	Act 58 Change Over <u>Base Year Doubled</u>	
				Amount	Percent
Direct Aid Payments					
Expenditure Restraint	\$118,623,400	\$118,623,400	\$118,623,400	\$0	0.0%
County and Municipal Aid	1,383,037,400	1,452,149,500	1,408,273,000	25,235,600	0.9
Public Utility Distribution	157,000,000	169,755,900	169,755,900	12,755,900	4.1
State Aid; Tax Exempt Property	196,094,200	196,094,200	196,094,200	0	0.0
State Aid; Personal Property Tax Exemption	149,460,200	148,413,600	148,413,600	- 1,046,600	- 0.4
State Aid; Video Service Provider Fee	10,000,000	20,016,400	20,016,400	10,016,400	50.1
Interest Payments on Overassessments of Manufacturing Property	20,000	20,000	20,000	0	0.0
Payments for Municipal Services	37,168,400	41,298,400	37,168,400	0	0.0
Property Tax Credits					
Homestead Tax Credit*	142,000,000	199,980,000	118,000,000	- 24,000,000	- 8.5
Pre-2010 Farmland Preservation Credit	700,000	620,000	620,000	- 80,000	- 5.7
Farmland Preservation Per-Acre Credit	34,200,000	32,060,000	33,600,000	- 600,000	- 0.9
School Levy Tax Credit	1,880,000,000	1,880,000,000	1,880,000,000	0	0.0
First Dollar Credit	300,000,000	296,637,900	296,637,900	- 3,362,100	- 0.6
Other Credits					
Claim of Right Credit	240,000	264,000	264,000	24,000	5.0
Jobs Tax Credit	5,800,000	2,675,000	3,700,000	- 2,100,000	- 18.1
Business Development Credit	38,200,000	35,000,000	27,600,000	- 10,600,000	- 13.9
Enterprise Zone Jobs Credit	163,400,000	133,400,000	158,000,000	- 5,400,000	- 1.7
EITM Zone Credit	423,909,800	0	37,385,000	- 386,524,800	- 45.6
Research Credit	18,000,000	39,200,000	45,200,000	27,200,000	75.6
Veterans and Surviving Spouses Property Tax Credit	72,000,000	92,900,000	83,000,000	11,000,000	7.6
Cigarette and Tobacco Products Tax Refunds	63,400,000	61,730,000	59,900,000	- 3,500,000	- 2.8
Earned Income Tax Credit	52,400,000	193,283,600	45,800,000	- 6,600,000	- 6.3
Forestry Mill Rate					
Forestry Mill Rate -- GPR Transfer to Conservation Fund	<u>205,180,600</u>	<u>223,744,400</u>	<u>223,744,400</u>	<u>18,563,800</u>	4.5
GPR Total	\$5,450,834,000	\$5,344,566,300	\$5,111,816,200	-\$339,017,800	- 3.1%
Other Credits					
Earned Income Tax Credit; Temporary Assistance for Needy Families	<u>\$139,400,000</u>	<u>\$186,416,400</u>	<u>\$130,200,000</u>	<u>-\$9,200,000</u>	- 3.3%
PR Total	\$139,400,000	\$186,416,400	\$130,200,000	- \$9,200,000	- 3.3%
Direct Aid Payments					
County and Municipal Aid; Police and Fire Protection Fund	\$105,114,000	\$81,487,900	\$79,878,600	- \$25,235,400	- 12.0%
Property Tax Credits					
Lottery and Gaming Credit	\$513,157,800	\$512,962,300	\$618,672,400	\$105,514,600	10.3%
Lottery and Gaming Credit; Late Applications	<u>623,000</u>	<u>1,331,200</u>	<u>1,331,200</u>	<u>708,200</u>	56.8
SEG Total	\$618,894,800	\$595,781,400	\$699,882,200	\$80,987,400	6.5%
TOTAL	\$6,209,128,800	\$6,126,764,100	\$5,941,898,400	-\$267,230,400	- 4.3%
*The Governor's recommendation includes \$340,000 in 2021-22 and 2022-23 under provisions of 2021 Act 1.					

Budget Change Items

Direct Aid Payments

1. COUNTY AND MUNICIPAL AID INCREASE [LFB Paper 555]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$45,485,800	-\$45,485,800	\$0

Governor: Increase payments under the county and municipal aid program by \$15,061,500 in 2021-22 and by \$30,424,300 in 2022-23 to provide each county and municipality a 2% increase in their payment for 2021 and 2022. Currently, each county or municipality receives an aid payment equal to what it received in 2012.

County and municipal aid is primarily funded from a sum-sufficient GPR appropriation, but the amounts are partially offset by revenues from the police and fire protection fund (reestimated at \$53,333,400 annually, under current law). Set the statutory aid distribution from these sources at \$763,137,200 for the 2021 distribution (payable 2021-22), and set the statutory aid distribution from these sources at \$778,500,000 for the 2022 distribution (payable 2022-23) and thereafter to reflect the recommended 2% increase. Because the increase would first affect calendar year 2021 payments, the proposed increase would be available for current year municipal budgets, which were levied in December, 2020.

County and municipal aid is paid in July and November of each year. Therefore, local governments will receive calendar year 2021 payments in 2021-22. Modify the statutes to reflect that prior year aid amounts would no longer apply for 2020 and thereafter.

Joint Finance/Legislature: Provision not included.

2. COUNTY AND MUNICIPAL AID PROGRAM -- POLICE AND FIRE PROTECTION REVENUE REESTIMATE [LFB Paper 102]

GPR	-	\$1,552,600
SEG		<u>1,552,800</u>
Total		\$200

Governor/Legislature: Decrease funding by \$776,300 GPR annually and increase funding by \$776,400 SEG annually in the appropriations for the county and municipal aid program. The SEG adjustment reflects the estimated increase in revenue collected in the police and fire protection fund, which is the source for a portion of county and municipal aid program payments. Revenues deposited to the police and fire protection fund are from a fee imposed on each active retail voice communications service connection with an assigned telephone number at a rate of \$0.75 per month. The GPR reductions reflect a corresponding adjustment to the sum sufficient

appropriation to offset the estimated annual increase in police and fire protection fund (SEG) revenue. With these adjustments, estimated current law GPR payments for the county and municipal aid program would be \$692,295,500 annually. Under current law, estimated payments from the police and fire protection fund would be \$53,333,400 annually (these estimated amounts would be reduced under a separate recommendation, as shown below, that would use police and fire protection fund SEG funding for the Department of Military Affairs Next Generation 911 project implementation).

3. COUNTY AND MUNICIPAL AID PROGRAM -- POLICE AND FIRE PROTECTION FUNDING FOR NEXT GENERATION 911 [LFB Paper 416]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$25,178,900	\$1,609,300	\$26,788,200
SEG	<u>-25,178,900</u>	<u>- 1,609,300</u>	<u>- 26,788,200</u>
Total	\$0	\$0	\$0

Governor: Provide an increase in funding of \$3,447,500 GPR in 2021-22 and \$21,731,400 GPR in 2022-23 and make a corresponding decrease in funding of \$3,447,500 SEG in 2021-22 and \$21,731,400 SEG in 2022-23 in the appropriations that fund the county and municipal aid program. These funding changes reflect the Governor's recommendation to provide the Department of Military Affairs \$3,447,500 in 2021-22 and \$21,731,400 in 2022-23 from the police and fire protection fund for the implementation of Next Generation 911 (see "Military Affairs"). County and municipal aid is paid from sum sufficient GPR and police and fire protection fund SEG appropriations. The GPR increase reflects a reestimate of the GPR sum sufficient appropriation that would be needed to offset the police and fire protection fund SEG funding decrease. Under the bill, the sum-sufficient GPR appropriation for county and municipal aid would be offset by an estimated \$49,885,900 SEG in 2021-22 and \$31,602,000 SEG in 2022-23.

Joint Finance/Legislature: Make the following modifications in funding to the county and municipal aid program appropriations associated with funding for Next Generation 911: (a) increase funding by \$4,432,100 GPR in 2021-22 and decrease funding by \$2,822,800 GPR in 2022-23; and (b) decrease funding by \$4,432,100 SEG in 2021-22 and increase funding by \$2,822,800 SEG in 2022-23 in the appropriations for the county and municipal aid program. A total of \$7,879,600 SEG in 2021-22 and \$18,908,600 SEG in 2022-23 from the police and fire protection fund would be provided for Department of Military Affairs Next Generation 911 activities (See "Military Affairs"). The changes to GPR reflect corresponding adjustments to the county and municipal aid sum sufficient appropriation to offset the change in SEG funding from the police and fire protection fund.

4. PUBLIC UTILITY AID -- SUM SUFFICIENT REESTIMATE [LFB Paper 102]

GPR	\$12,755,900
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Governor/Legislature: Provide \$3,797,500 in 2021-22 and \$8,958,400 in 2022-23 to the sum sufficient utility aid distribution account to reflect estimated payment amounts in the

biennium. With these adjustments, base level funding of \$78,500,000 would increase to \$82,297,500 in 2021-22 and \$87,458,400 in 2022-23. The public utility aid distribution account is used to make aid payments to counties and municipalities containing certain types of public utility property that are exempt from local property taxation.

5. STATE AID FOR EXEMPT PERSONAL PROPERTY [LFB Paper 102]

GPR	- \$1,046,600
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Governor/Legislature: Decrease funding by \$523,300 annually to reflect a decrease in estimated payments due to the expected closure of tax incremental financing (TIF) districts. With these adjustments, base level funding of \$74,730,100 would decrease to \$74,206,800 in both years of the biennium. The appropriation provides aid payments to local governments for exempt personal property classified as non-manufacturing machinery, tools, and patterns. Under 2017 Act 59, payments to taxing jurisdictions will remain at the 2019-20 level for each year thereafter with only those entities receiving a payment in 2018-19 continuing to receive a payment. However, when a TIF district closes, the payment that had been made to the district is not redistributed among other overlying taxing jurisdictions.

6. VIDEO SERVICE PROVIDER FEE [LFB Paper 556]

GPR	\$10,016,400
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Governor: Increase funding by \$5,008,200 annually, for a total of \$10,008,200, to hold municipalities harmless for the required reduction to video service provider fees, effective January 1, 2021. Convert the sum certain GPR appropriation for the video service provider fee aid payment appropriation to a sum sufficient GPR appropriation. Under 2019 Act 9, for two consecutive years, municipalities were required to reduce by 0.5% per year the fee percentage that each municipality can assess on its video service providers' gross receipts. The first payment was made in July, 2020, to compensate municipalities for the first 0.5% required rate reduction. Effective January 1, 2021, this percentage is capped at the percentage applied on December 31, 2018, less 1.0%. The state aid payment was created to compensate municipalities for the reduction in fee revenues associated with the required rate reductions.

Joint Finance/Legislature: Provide the increased funding of \$5,008,200 annually, but maintain the existing sum certain GPR appropriation.

7. PAYMENTS FOR MUNICIPAL SERVICES PROGRAM [LFB Paper 557]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$4,130,000	-\$4,130,000	\$0
GPR-REV	2,065,000	- 2,065,000	0

Governor: Increase funding for the payments for municipal services program by \$2,065,000 annually, from a base level of \$18,584,200 to \$20,649,200. Increase GPR-REV amounts associated with agency chargebacks by \$1,032,500 annually. The program provides

annual payments to reimburse municipalities for all or a portion of property tax supported expenses incurred in providing services to state facilities, which are exempt from property taxation. When calculated entitlements under the program exceed the appropriation, payments are prorated. In 2020-21, payments under this program were prorated at 34.6% of total calculated entitlements.

Joint Finance/Legislature: Provision not included.

8. PERSONAL PROPERTY TAX

Joint Finance: Create a sum certain GPR appropriation, with \$0 appropriated in each year, to be used to make aid payments to taxing jurisdictions in the event that the Legislature eliminates the personal property tax under Chapter 70 of the statutes effective with January, 2022, assessments from taxation during the 2021-22 legislative session. Provide \$202,350,000 GPR in 2022-23, on a one-time basis, associated with the reduction in local property taxes associated with the elimination of personal property from property taxation in the 2021-22 legislative session, to the biennial JFC supplemental appropriation in 2022-23 (see "Program Supplements" for fiscal effect). Require the Department of Administration (DOA) to submit a request to the Committee under s. 13.10 for funds from the Committee's continuing supplemental appropriation to supplement the sum certain GPR appropriation in 2022-23 for the purpose of making payments to local taxing jurisdictions equal to the amount of revenue not collected due to the elimination of personal property from taxation during the 2021-22 legislative session.

Assembly/Legislature: Require the Joint Finance Committee to supplement the property tax exemption sum certain appropriation with funding placed in the Committee's supplemental appropriation, rather than doing so under s. 13.10. Delete the requirement for DOA to submit a request under s. 13.10. Delete references to making payments to local taxing jurisdictions in the newly-created sum certain appropriation and refer instead to the similar non-statutory provisions indicating how the payments are to be made.

[Act 58 Sections: 93 and 9125(1)]

9. EXPENDITURE RESTRAINT PROGRAM -- DEFINITION OF MUNICIPAL BUDGET

Governor: Specify that for the purposes of determining eligibility for an expenditure restraint payment, the definition of "municipal budget" would not include revenues resulting from the following; (a) a referendum to exceed the municipal levy limit; or (b) a referendum to increase a premier resort tax rate from 1.0% to 1.25% in the City of Wisconsin Dells and Village of Lake Delton. This provision would first apply to expenditure restraint program distributions made in 2022.

Under current law, a municipality must satisfy two eligibility criteria to receive an expenditure restraint payment: (a) a municipality must have a full value property tax rate that exceeds five mills; and (b) a municipality must restrict the rate of year-to-year growth in its municipal budget to a percentage determined by a statutory formula. For the purpose of

determining eligibility for an expenditure restraint payment, this provision would exclude from a municipality's budget the amount by which a municipality would be allowed to adjust its allowable levy following passage of a referendum to increase the municipal levy limit.

The provision would also exclude from a municipality's budget the amount of revenues associated with an increase in the City of Wisconsin Dells and Village of Lake Delton premier area resort tax rate approved at referendum. Premier area resort taxes are applied to sales made by certain tourism-related retailers. Under 2009 Wisconsin Act 28, any municipality that enacted an ordinance to impose a 0.5% premier resort area tax prior to January 1, 2000, can amend its ordinance to increase the tax rate to 1.0%. Only the Village of Lake Delton and the City of Wisconsin Dells meet this specified date. Both municipalities increased their premier resort area tax rates to 1%, effective January 1, 2010. Subsequently, under 2013 Wisconsin Act 20, the rate in these two municipalities could be increased to 1.25%, if approved by a majority of the municipal electors. Following such approval, both municipalities increased their premier resort area tax rate to 1.25%, effective July 1, 2014.

Joint Finance/Legislature: Provision not included.

Property Tax Credits

1. FIRST DOLLAR CREDIT REESTIMATE [LFB Paper 102]

GPR	- \$3,362,100
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Governor/Legislature: Decrease funding by \$1,862,100 in 2021-22 and \$1,500,000 in 2022-23 to reflect the \$148,137,900 actual amount of property tax year 2020(21) credits be paid in 2021-22 and the estimated credits to be paid in 2022-23 for property tax year 2021(22). The 2020(21) credits are to be distributed in July, 2021, based on the \$7,100 credit base established by the Department of Revenue in November, 2020, and an estimate of the eligible parcels on which the credit was claimed. The current law funding level for the first dollar credit is \$150 million.

2. FARMLAND PRESERVATION CREDIT REESTIMATE [LFB Paper 102]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	- \$2,220,000	\$1,540,000	- \$680,000

Governor: Decrease funding by \$1,090,000 in 2021-22 and \$1,130,000 in 2022-23 to reestimate the sum-sufficient appropriations for the farmland preservation tax credit, which applies to certain lands in farmland preservation zoning districts and under farmland preservation agreements. With these reestimates, farmland preservation tax credits are estimated at \$16,360,000 in 2021-22 and \$16,320,000 in 2022-23.

Joint Finance/Legislature: Increase funding by \$770,000 annually to reflect the reestimate of the farmland preservation tax credit at \$17,130,000 in 2021-22 and \$17,090,000 in 2022-23.

3. LOTTERY AND GAMING CREDIT REESTIMATE [LFB Paper 545]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG	- \$195,500	\$105,710,100	\$105,514,600

Governor: Increase funding by \$9,103,300 in 2021-22 and decrease funding by \$9,298,800 in 2022-23 to the sum sufficient appropriation to reflect estimates of lottery proceeds available for property tax credit distribution. With these adjustments, estimated total funding for the credit would increase from an adjusted base level of \$256,578,900 to \$265,682,200 in 2021-22 and decrease to \$247,280,100 in 2022-23. The estimated cost of the credit for 2020-21 is \$237.4 million.

Joint Finance/Legislature: Increase funding by \$75,874,200 SEG in 2021-22 and \$29,835,900 SEG in 2022-23 to reflect the reestimate of the lottery fund condition. With these increases, funding for the credit would equal an estimated \$341,556,400 SEG in 2021-22 and \$277,116,000 SEG in 2022-23.

4. LOTTERY AND GAMING CREDIT: LATE APPLICATIONS [LFB Paper 102]

SEG	\$708,200
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Governor/Legislature: Increase funding by \$354,100 annually to the sum sufficient appropriation to reflect estimates of the amounts of credits to be paid to persons who apply for the credit after tax bills have been issued. As a result, funding for tax credit distributions for late applications would increase from an adjusted base level of \$311,500 to \$665,600 annually.

Property Taxation

1. LEVY LIMITS -- 2% MINIMUM LEVY INCREASE

Governor: Increase the minimum allowable percentage change that counties and municipalities may increase their allowable levies from 0% to 2%. Current law prohibits counties and municipalities from increasing their levies by a percentage that exceeds their valuation factor. The "valuation factor" is currently defined as a percentage equal to the greater of either the percentage change in a county or municipality's January 1 equalized value due to new construction, less improvements removed between the previous year and current year ("net new construction"), or 0%. This valuation factor is then multiplied by each county's and municipality's actual prior

year levy to obtain their allowable levy for the current year prior to any allowable exclusions or adjustments.

Under this provision, the definition of "valuation factor" would be changed so that the minimum allowable percentage change to county and municipal levies is 2% rather than 0%. As a result, this modification would allow counties and municipalities to increase their annual levies over their prior year actual levies by the greater of the percentage change in equalized values due to net new construction or 2%. This provision would first apply to property tax levies imposed in December, 2021.

For tax year 2019(20), the statewide average change in levies due to the change in equalized value from net new construction was 1.2% for towns, 1.3% for villages, 1.4% for cities, and 1.3% for counties. For 2019(20), 122 towns, 80 villages, 35 cities, and seven counties had a change in their levy above 2% due to the change in equalized value from net new construction.

Joint Finance/Legislature: Provision not included.

2. LEVY LIMITS -- REPEAL OF NEGATIVE ADJUSTMENT FOR FEES FROM COVERED SERVICES

Governor: Repeal the negative levy limit adjustment for covered services. Current law requires counties and municipalities to reduce their allowable levies by an amount equal to the estimated fee revenues received in lieu of property taxes for providing a covered service that was funded with the property tax levy in 2013. A "covered service" is defined to mean garbage collection, fire protection, snow plowing, street sweeping, or storm water management, although some specific exceptions exist (garbage collection for any county or municipality that owned and operated a landfill on January 1, 2013, and fire protection services, including the production, storage, transmission, sale and delivery, or furnishing of water for public fire protection services). Under this provision, counties and municipalities that receive new or additional annual fee revenues for covered services, which were previously funded from their levy, would no longer be required to reduce their allowable levies by the estimated annual fee revenues.

Joint Finance/Legislature: Provision not included.

3. LEVY LIMITS -- REPEAL OF NEGATIVE ADJUSTMENT FOR TRANSFERRED SERVICES

Governor: Repeal the negative adjustment to the annual levy limit that is required for a county or municipality that transfers services to another local government. Current law requires a county or municipality to reduce their allowable levy after transferring the responsibility for providing a service to another unit of government. The amount of this reduction is equal to the cost that the county or municipality would have incurred if it had continued to provide the transferred service. Under this provision, any county and municipality that transfers services to another unit of government would no longer be required to reduce their annual allowable levy associated with the cost of the transferred service. Specify that this provision would first apply to levies imposed in December, 2021 (payable in 2022).

Joint Finance/Legislature: Provision not included.

4. LEVY LIMIT -- EXCLUSION FOR REGIONAL PLANNING COMMISSION CONTRIBUTIONS

Governor: Create an exclusion to county and municipal levy limit for amounts levied in a year to pay for the county or municipality's share of a regional planning commission's budget. As a result, these costs would not be subject to the annual levy limit of the affected local governments. This provision would first apply to levies imposed in December 2021. Further, specify that for the purpose of a levy imposed in December, 2021, the amount levied in the previous year to pay for a county or municipality's share of a regional planning commission's budget would not be included in the base levy amount to which the levy limit applies.

Joint Finance/Legislature: Provision not included.

5. LEVY LIMIT -- EXCLUSION FOR CROSS-BORDER TRANSIT ROUTES

Governor: Create an exclusion to the county and municipal annual levy limit for amounts levied in a year for operating and capital costs directly related to the provision of new or enhanced transit services across adjacent county or municipal borders. As a result, these costs would not be subject to the annual levy limit of the affected local governments.

Specify that all of the following would have to apply for the exclusion to be taken: (a) the starting date for the new or enhanced transit services occurs after the effective date of the bill; (b) the political subdivisions between which the new or enhanced transit routes operate have entered into an intergovernmental cooperation agreement to provide for the new or enhanced transit routes, and the agreement describes the services and the amounts that must be levied to pay for those services; and (c) the intergovernmental cooperation agreement is approved in a referendum, by the electors of each political subdivision that is a party to the agreement. Specify that the referendum be held at the next succeeding spring primary or election, partisan primary, or general election, which could be held no earlier than 70 days after the adoption of the agreement by all parties. Require the governing body that has proposed the referendum to file the resolution to be submitted to the electors under current law referenda filing procedures.

Joint Finance/Legislature: Provision not included.

6. DARK PROPERTY AND LEASED PROPERTY TAX ASSESSMENTS ("DARK STORES")

Governor: Require that real property be valued by an assessor at its highest and best use. Define "highest and best use" to mean: (a) the specific current use of the property; or (b) a higher use for which the property may be used as of the current assessment date, if the property is marketable for that use, is legally permissible, physically possible, not highly speculative, and financially feasible and provides the highest net return. Specify that "legally permissible" would not include a conditional use that has not been granted as of the assessment date. Further specify

that when the current use of a property is the highest and best use of that property, the value in the current use would equal full market value.

Under current law, an assessor is required to consider recent arm's-length sales of the assessed property. The bill would define "arm's-length sale" to mean a sale between a willing buyer and willing seller, neither being under compulsion to buy or sell, and each being familiar with the attributes of the property.

Require that in determining the value of real property, an assessor must consider any lease provisions and actual rent pertaining to a property and affecting its value. Specify that the assessor include the lease provisions and rent associated with a sale and leaseback of the property, if all such lease provisions and rent are the result of an arm's-length transaction involving persons who are not related, as provided under section 267 (b) of the Internal Revenue Code (relating to certain transactions between related taxpayers) for the year of the transaction. With regard to this provision, an "arm's-length transaction" would mean an agreement between willing parties, neither being under compulsion to act, and each being familiar with the attributes of the property.

Specify that in determining the value of property using generally accepted appraisal methods, an assessor would be required to consider all of the following as comparable to the property being assessed:

a. sales or rentals of properties exhibiting the same or a similar highest and best use, with placement in the same real estate market segment. Define "real estate market segment" to mean a pool of potential buyers and sellers that typically buy and sell properties similar to the property being assessed, including potential buyers who are investors or owner-occupants. Specify that depending on the property being assessed, the pool of potential buyers and sellers may be found locally, regionally, nationally, or internationally.

b. sales or rentals of properties, that may be found locally, regionally, or nationally, which are similar to the property being assessed with regard to age, condition, use, type of construction, location, design, physical features, and economic characteristics, including similarities in occupancy and the potential to generate rental income.

For the purpose of determining the value of a property using generally accepted appraisal methods, specify that a property would not be comparable to the property being assessed if at, or before, the time of the sale: (a) the seller places any deed restriction on the property that changes the highest and best use of the property or prohibits competition, so that it no longer qualifies as a comparable property; and (b) the property being assessed lacks such a restriction. Further specify that a property would not be comparable if the property is dark property and the property being assessed is not dark property. Define "dark property" to mean property that is vacant or unoccupied beyond the normal period for property in the same real estate market segment. Specify that what would be considered vacant or unoccupied beyond the normal period could vary depending on the property location.

Modify the current law definition of "real property," "real estate," and "land" to include fixtures and leases, as well as assets that cannot be taxed separately as real property, but are inextricably intertwined with the real property, enable the real property to achieve its highest and

best use, and are transferrable to future owners. With regard to this definition, a "lease" would mean a right in real estate that is related primarily to the property and not to the labor, skill, or business acumen of the property owner or tenant. Specify that, similar to the current law definition, the proposed changes to the definition of real property, real estate, and land would apply to the statutes pertaining to property taxes, income taxes, motor vehicle fuel and general aviation taxes, and state shared revenue.

Specify that these provisions first apply to property tax assessments as of January 1, 2022 (property tax year 2022(23)).

The provisions related to the assessment of leased property would attempt to remove the legal basis of a 2008 decision by the Wisconsin Supreme Court (*Walgreen Company v. City of Madison*) that held an assessment of leased retail property using the income assessment approach must be based on market rent, which is what a person would pay based on similar rentals, rather than the actual rent.

Joint Finance/Legislature: Provision not included.

7. COMMUNITY HEALTH CENTER PROPERTY TAX EXEMPTION

Governor: Provide an exemption from property taxation for any property owned and used exclusively by a community health center. Specify the community health center must have all the following characteristics in order to qualify for this exemption: (a) is a federal section 501(c)(3) nonprofit organization that is exempt from federal income taxation; (b) receives a federal health center grant for providing primary health services to a population that is medically underserved, or a special medically underserved population comprised of migratory and seasonal agricultural workers, the homeless, or residents of public housing; and (c) annually treats at least 30,000 patients. Limit the exemption to 25 acres of land, necessary for location and convenience of buildings while such property is not used for profit. Under the bill, this provision would first apply to property tax assessments as of January 1, 2020. However, the administration indicates that this provision was intended to first apply to property tax assessments as of January 1, 2022. Allow owners of such property to claim the exemption by filing a property tax exemption form with the assessor of the taxation district within 30 days of the effective date of the bill.

The administration indicates that the provision would apply to the 16th Street Community Health Center in Milwaukee and any others who meet the criteria for the exemption.

Joint Finance/Legislature: Provision not included.

8. COLLECTION OF MANUFACTURING PROPERTY ASSESSMENT FEES

Governor: Direct the Department of Revenue (DOR) to collect manufacturing property assessment fees by reducing municipalities' shared revenue payments in the following year by the amount of the fee rather than first attempting to directly collect the fee from each municipality. Any amount that the Department is unable to collect from a municipality by reducing its shared revenue payment, would be directly imposed on the municipality.

DOR is responsible for assessing manufacturing property for the purposes of the property tax, and imposes a fee on municipalities where manufacturing property is located in order to cover the cost of that assessment. Under current law, this fee is first imposed directly on municipalities, and only if a municipality does not pay by March 31 of the following year can the Department reduce its July shared revenue payment by the amount of the fee.

Joint Finance/Legislature: Provision not included.

9. CITY OF WISCONSIN DELLS TIF DISTRICTS -- EXTENSION OF ALLOWABLE EXPENDITURE PERIOD

Governor: Extend the allowable expenditure period for which project costs may be made for tax incremental district number two (TID #2) in the City of Wisconsin Dells through November 2026. While the maximum life of TID #2 was previously extended from November 20, 2027, to November 20, 2031, current law allows that the district may only incur project costs through November 20, 2022.

In addition, extend the allowable expenditure period for tax incremental district number three (TID #3) in the City of Wisconsin Dells through May, 2040. The maximum life of TID #3 was previously extended from May 17, 2025, to May 17, 2045, but current law only allows expenditures for project costs for the district to be incurred through May 17, 2020.

Under current law, a TIF district's expenditure period is the period of time during the life of the district when expenses may be incurred to implement approved projects. Unless a specific exception is provided in statute, the maximum expenditure period for TIF districts (except for certain environmental remediation districts) ends five years before the unextended maximum life of the district.

Joint Finance/Legislature: Provision not included.

10. WORKFORCE HOUSING LAWS RELATED TO TIF DISTRICTS, LOCAL HOUSING INITIATIVES AND STATE GRANTS, AND IMPACT FEES

Governor: Make the following changes to current law pertaining to low-cost and affordable housing related to TIF districts, local housing initiatives and related state grants, and impact fees.

TIF Law Modifications. Modify current tax incremental financing law to allow that after a district created by a city, village, or towns of a certain size (\$500 million of total assessed value and a population of at least 3,500) pays off all of its project costs, the life of the district may be extended for up to three years, instead of one year, if a city or village: (a) adopts a resolution extending the life of the district for a specified number of months that specifies how it intends to increase the number of affordable and workforce housing units, instead of only stating how the city intends to improve its housing stock; and (b) uses the tax increments received during the district's extended life to increase the number of affordable and workforce housing units, instead of being required under current law to use at least 75% of the increments received to benefit

affordable housing in the city, village, or town, and the remaining portion of the increments to improve the municipality's housing stock. A city or village would have to continue to meet the current law requirement to forward a copy of the resolution adopted under these provisions to DOR, which notifies the Department to continue to authorize the allocation of tax increments to the district.

Delete the definition of "affordable housing" under current TIF law and replace with the term "workforce housing." The bill would define "workforce housing" to mean housing to which all of the following apply: (a) the housing costs a household no more than 30% of the household's gross median income, and (b) the residential units are for initial occupancy by individuals whose household median income is no more than 120% of the county's gross median income. Under the bill, income and housing cost figures would be adjusted for family size and the county in which the household is located, based on the county's five-year average median income and housing costs as calculated by the U.S. Census Bureau in its American Community Survey. Under current law, affordable housing is defined as housing that costs a household no more than 30% of the household's gross monthly income.

Modify the definition of "mixed-use development" under current TIF law to allow newly platted residential uses to exceed the current law limit of 35% of the real property area of a TIF district, to up to 60% of the real property area within the TIF district, if the residential use that exceeds the existing 35% limit is used solely for workforce housing. Under current law, "mixed-use development" means a development that contains a combination of industrial, commercial, or residential uses, except that lands proposed for newly-platted residential use, as shown in the project plan, may not exceed 35%, by area, of the real property within the district.

Workforce Housing Initiatives and Grant Priority. Specify that, after June 30, 2021, if a political subdivision has in effect at the same time at least three workforce housing initiatives, a housing agency must give priority to housing grant applications from, or that relate to a project in, the political subdivision.

To implement a workforce housing initiative, a political subdivision may enact an ordinance, adopt a resolution, or put into effect a policy to accomplish any of the following: (a) reduce by at least 10% the processing time for all permits related to workforce housing; (b) reduce by at least 10% the cost of impact fees that a political subdivision may impose on developments that include workforce housing units; (c) reduce by at least 10% the parking requirements for developments that include workforce housing units; (d) increase by at least 10% the allowable zoning density for developments that include workforce housing units; (e) establish a mixed-use TIF district with at least 20% of the housing units to be used for workforce housing; (f) demonstrate compliance with a housing affordability report as specified under current law; (g) rehabilitate at least five dwelling units of existing, uninhabitable housing stock into habitable workforce housing; (h) modify existing zoning ordinances to allow for the development of workforce housing in areas zoned for commercial or mixed-use development, or in areas near employment centers or major transit corridors; (i) extend the life of a TIF district to increase the number of affordable and workforce housing units; (j) reduce by at least 10% the cost of roads for developments that include workforce housing units; or (k) implement any other initiative to address the workforce housing needs of the political subdivision.

Specify that after a political subdivision completes one of the specified workforce housing initiatives, the initiative be considered in effect once the political subdivision submits to the Department of Administration (DOA) a written explanation of how the action complies with the workforce housing initiative and posts the explanation on the political subdivision's website. Provide that, once a political subdivision's action takes effect, its workforce housing initiative remains in effect for five years.

Create the following definitions related to workforce housing initiatives: (a) "housing agency" would mean the Wisconsin Housing and Economic Development Authority, the Wisconsin Economic Development Corporation, or DOA; (b) "housing grant" would mean any grant administered by a housing agency that relates to housing; and (c) "political subdivision" would mean any city, village, town, or county.

Impact Fee Exemptions and Deductions. Extend the low-cost housing impact fee exemption and fee deduction specified in current law to also apply to workforce housing, as defined above. Currently, a municipality may provide an exemption from, or a reduction in the amount of, impact fees on land development that provides low-cost housing, except that no amount of an impact fee for which an exemption or reduction is provided may be shifted to any other development in the land development in which the low-cost housing is located or to any other land development in the municipality. Under the bill, workforce housing would be included with low-cost housing for the purposes of these impact fee exemptions and deductions.

Joint Finance/Legislature: Provision not included.

11. PROPERTY EXEMPTION FOR A CHURCH OR RELIGIOUS ASSOCIATION

Assembly/Legislature: Create a property tax exemption for any parcel of vacant land owned by a church or religious association that is no more than 0.8 acres and located in a first class city. The parcel must be less than a quarter mile from the shoreline of Lake Michigan, and be adjacent or contiguous to a city incorporated in 1951 with a 2018 estimated population exceeding 9,000 (St. Francis). Specify that the property is first exempt from taxation in property tax year 2022(23).

[Act 58 Sections: 238x and 9337(3a)]

Forestry Mill Rate

1. FORESTRY MILL RATE -- GPR TRANSFER TO CONSERVATION FUND [LFB Paper 102]

GPR	\$18,563,800
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Governor/Legislature: Increase funding by \$7,101,200 in 2021-22 and \$11,462,600 in 2022-23 for the annual transfer to the conservation fund from the sum sufficient appropriation to

reflect projected changes in statewide equalized values. Funds equal to the amount calculated by multiplying the value of all taxable property in the state, as determined by DOR, by a rate of 0.1697 mills (0.01697%) are transferred from the general fund to the conservation fund annually. This transfer occurs due to the repeal of the state forestry mill tax as of property taxes levied in 2017, payable in 2018. With these adjustments, base level funding of \$102,590,300 would increase to \$109,691,500 in 2021-22 and \$114,052,900 in 2022-23. Additional information on this program, as it relates to the Department of Natural Resources is included under a separate item (see "Natural Resources -- Forestry and Parks").

Local Revenue Options

1. LOCAL SALES TAX AUTHORITY

Governor: Specify that a county or a municipality with a population exceeding 30,000 may enact an ordinance, if approved by a majority of electors in the county or municipality at a referendum, to impose a 0.5% local sales and use tax. Provide that the revenue from the taxes may be used for any purpose designated by the county board or governing body of the municipality or as specified in the ordinance or in the referendum approving the ordinance. Specify that a municipality with a population exceeding 30,000 would be determined by data from the 2020 federal decennial census or under the Department of Administration's (DOA) population estimates for 2020.

Similar to the existing county sales and use taxes, require that the taxes imposed under these provisions may be imposed only in their entirety (meaning at only a 0.5% rate). Specify, that any tax imposed by a county under these provisions would be in addition to its existing authority to impose a 0.5% county sales and use tax. Including the state 5.0% sales and use tax rate, under these provisions, the maximum sales and use tax rate that could be imposed in the state would be 6.5%, if the electors of a county and an eligible municipality in a county, that has the existing county sales and use tax both choose to impose the taxes allowed under these provisions.

Create provisions related to the imposition, collection, distribution, enforcement, and administration of the newly created county and municipal sales and use taxes similar to those that currently exist for the county sales and use tax. However, the current law provision for the existing county sales and use taxes that specifies that those taxes may only be imposed for the purpose of directly reducing the property tax levy would not apply to the taxes allowed under these provisions.

Using current law authority, 68 of Wisconsin's 72 counties have adopted a 0.5% sales tax and use tax imposed on the same goods and services that are subject to the state sales tax. The current 0.5% county tax applies to items purchased within the county and to some items purchased in a county without a tax, if they are customarily kept in a county with a tax (this is the "use" tax). The existing county tax is "piggybacked" onto the state sales tax in that the county rate is added to the state rate and is administered, enforced, and collected by the state. The Department of Revenue

(DOR) retains 1.75% of the county sales and use taxes to cover the administrative costs of collecting the existing county taxes. At the end of each fiscal year, any unencumbered balance in DOR's appropriation account for administration of the taxes is lapsed to the general fund. In addition, retailers are permitted to retain 0.5% of the taxes collected to cover their administrative costs. Thus, 97.75% of county sales and use tax collections are paid to the county. As with the existing county sales and use tax, the county and municipal sales tax authority provided under the bill would "piggyback" onto the state sales and use tax and be administered and enforced by DOR in the same manner. Given that the additional local sales and use tax authority allowed under these provisions would be subject to referendum, no estimate of an increase in amount of lapses to the general fund from DOR's county sales tax administration appropriation resulting from Department's administration of any taxes imposed under these provisions are included in the bill.

Joint Finance/Legislature: Provision not included.

2. CITY OF SUPERIOR LOCAL EXPOSITION DISTRICT

Governor: Provide that, upon approval by a majority of electors in the city, the City of Superior may create a local exposition district for the purpose of funding the development and construction of an exposition center. Specify that the district may impose a room tax of up to 2.0% and a food and beverage tax of 0.25% or 0.50% for the purposes of the district. A district created by the City of Superior would not be allowed to impose the local vehicle rental tax that is currently allowed for other local exposition districts.

Room Tax. Specify that if a local exposition district created by the City of Superior adopts a resolution imposing a room tax, the amount of the tax may not exceed 2.0% of total room charges, and the City of Superior may also impose and collect a room tax without regard to whether the local exposition district also imposes a room tax. Currently, the City of Superior imposes a room tax of 7.5%.

Food and Beverage Tax. As allowed under current law for local exposition districts, provide a local exposition district created by the City of Superior the authority to impose a tax on the retail sale within the district's jurisdiction of all of the following: (a) alcoholic beverages, if the alcohol is consumed on the seller's premises; (b) candy and soft drinks; and (c) prepared food. The tax would be imposed on the sale of taxable products at the rate of 0.25% of the sales price, except that the district, by a vote of a majority of its board of directors, may impose the tax at the rate of 0.5% of the sales price. A majority of the authorized members of the district's board may also vote that, if the balance in a special debt service reserve fund of the district is less than what is required to satisfy the special debt service reserve fund requirement, the tax rate is 0.5% of the sales price.

Referendum Requirements. Specify that, before an enabling resolution adopted by the City of Superior may take effect, it must be approved by a majority of the electors in the city voting on the resolution at a referendum. The referendum must be held at the first spring or general election following by at least 70 days the date of adoption of the resolution.

Bonding Limitations. Limit the maximum amount of bond proceeds that a district may receive from bonds issued to fund the development and construction of an exposition center to

\$20,300,000. Allow the district to receive additional proceeds from the bonds to pay issuance or administrative costs related to the bonds, to make deposits in reserve funds related to the bonds, to pay accrued or funded interest on the bonds, and to pay the costs of credit enhancement for the bonds. Specify that the amount of all bonds, other than refunding bonds that may be secured by all special debt service reserve funds of the district, must not exceed \$20,000,000.

District Dissolution. Specify that, subject to providing for the payment of its bonds, including interest on the bonds, and the performance of its other contractual obligations, a local exposition district must be dissolved by the joint action of the district's board of directors and the City of Superior.

Other Provisions. Require a local exposition district created by the City of Superior to contract with a local tourism entity, as defined under current law, to promote, advertise, and publicize its exposition center, exposition center facilities, and related activities.

With regard to a district that is created by the City of Superior, define "exposition center" to mean one or more related structures, including fixtures and equipment, owned, operated, or leased by a district and used primarily for conventions, expositions, trade shows, musical or dramatic events, other events involving educational, cultural, or commercial activities, or sporting tournaments and intended to be used by transient tourists and to generate tourism activity including paid overnight stays and purchases at establishments where local food and beverage sales taxes are imposed.

Specify that, with regard to any district that is created by the City of Superior, the following current law provisions relating to an exposition district would not apply: (a) legislative findings that the district, as well as its facilities for which bonds are issued, both serve a statewide public purpose; (b) adoption of a resolution by the sponsoring municipality certifying that the development meets certain facility size, job creation, economic impact, visitor attraction, and tax revenue criteria; (c) that the bonds, other than refunding bonds, be issued no later than December 31, 2021; and (c) the authority of the district to impose local car rental tax.

Current Exposition District Laws Applying to City of Superior District

The following items represent the current law provisions relating to a local exposition center that would apply to a district created by the City of Superior.

Creation and Organization of a District. A sponsoring municipality may create a special purpose district that is a unit of government independent of the state and the sponsoring municipality and that has the powers delegated to it under current exposition center law, if the sponsoring municipality does all of the following: (a) adopts an enabling resolution, that declares the need for establishing the district, contains findings of public purpose, names the district, and contains a description of the exposition center to be developed, owned, leased or operated by the district; and (b) files copies of the enabling resolution with the DOA Secretary, the DOR Secretary and the county executive.

Board of Directors Composition, Appointments, and Terms. A district must be governed by a board of directors consisting of six members, all of whom must reside in the district and be

appointed by the sponsoring municipality's chief executive officer. Three of the members must be elected or appointed public officials of the sponsoring municipality, and: (a) one must own, operate or manage a hotel, motel and lodging industry that is located within the district; (b) one must own, operate or manage a food and beverage establishment that is located within the district; and (c) one must be an at-large appointment who is an employee or officer of a private sector entity. Board appointments are subject to confirmation by the governing body of the sponsoring municipality. After the initial staggering of terms after the board is created, board members serve a three year term.

District Powers. In addition to all other powers granted to a local exposition district under current law, a district may do any of the following: (a) acquire, construct, equip, maintain, improve, operate and manage the exposition center and exposition center facilities, or engage other persons to do these things; (b) acquire, lease, transfer, or accept transfers of property; (c) with approval from the sponsoring municipality of the district, acquire property by condemnation; (d) employ personnel and maintain an office; (e) mortgage, pledge or otherwise encumber the district's property or funds; (f) maintain funds with financial investments; (g) establish rates or charges for the use of its exposition center facilities; and (h) enter into partnerships and joint ventures to the further the district's purposes.

Contracting Requirements. A minimum percentage of the total value of contracts awarded by a district must be to minority (25%), women (5%) and disabled veteran-owned (1%) businesses. A person who is awarded a contract by a district must hire a minimum percentage of minority employees (25%), women employees (5%), and employees of a disabled veteran-owned business (1%).

Issuance of Bonds. A district may issue bonds for costs that are related to an exposition center, including: (a) costs of acquiring, constructing, equipping, maintaining or improving an exposition center; (b) costs of acquiring or improving an exposition center site; (c) costs related to engineering, architectural or consultant fees, environmental or feasibility studies, permit and license fees; (d) budgeted costs for an exposition center facilities for the six-month period immediately following the completion of its construction; (e) expenses related to the authorization, issuance and sale of the bonds, and (f) funding reserves authorized by the bond resolution.

Establishment of Special Debt Service Reserve Funds. A district may establish one or more special funds to secure its bonds, referred to as a special debt service reserve fund, if the DOA Secretary determines that certain conditions are satisfied, including whether there is a reasonable likelihood that the bonds will be repaid without the necessity of drawing on funds in the special debt service reserve fund that secures the bonds. As provided under current law, the Secretary may not make this determination unless: (a) the balance in a special debt service reserve fund is less than the debt service reserve requirement required under current law (in general, the requirement equals the annual debt service for any fiscal year); and (b) the district's board has approved an increase in the room tax to 3.0% and an increase in the food and beverages tax to 0.5%, if needed to meet the debt service reserve requirement. However, since a local exposition district created by the City of Superior would be limited in the bill to a maximum room tax rate of 2.0%, the DOA Secretary would not be permitted to make the determinations required for the district to establish a special debt service reserve fund. Further, without the establishment of this special debt service

reserve fund, the state's moral obligation pledge, as provided under current exposition district law, could not apply to the debt issued for a local exposition district created by the City of Superior. If the intent is to provide the City of Superior local exposition district with the ability to create a special debt service reserve fund, a technical modification would be required to specify that the determination related to the imposition of a 3.0% room tax would not apply to the creation of such a fund by the district.

State Moral Obligation Pledge on Bonds. Extend provisions relating to a state moral obligation pledge on bonds issued by a local exposition district to a district created by the City of Superior. Under these provisions, if the debt service reserve requirement exceeds the amount of moneys in the special debt service fund, the district board would have to certify to the state the amount of funds needed in the reserve fund to meet the debt service reserve requirement. If this certification is received by the DOA Secretary, the Secretary would be required to include the certified amount in DOA's November 20, even numbered year, biennial budget report, if the amount is certified prior to the submission of that report. Further, the Joint Committee on Finance would be required to introduce in either house, in bill form, an appropriation of the amount so certified to the appropriate special debt service reserve fund of the district. The legislative moral obligation recognition and pledge to provide that appropriation would also apply to debt issued by a City of Superior local exposition district. While the Governor's recommendations would allow the state's moral obligation pledge on the proposed district's bonds, other provisions would prohibit the DOA Secretary from making current law determinations necessary to invoke the moral obligation pledge. As mentioned earlier, a technical modification would be needed to ensure that the DOA Secretary could make these determinations.

Joint Finance/Legislature: Provision not included.

Other Credits

Descriptions of budget provisions related to the homestead tax credit, earned income tax credit, enterprise zone tax credits, veterans property tax credit, other tax credits, and cigarette and tobacco products tax refunds are provided under "General Fund Taxes -- Refundable Tax Credits and Other Payments."