



## Legislative Fiscal Bureau

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

---

May 29, 2001

Joint Committee on Finance

Paper #835

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

[LFB 2001-03 Budget Summary: Page 606, #1 and #2]

---

#### **CURRENT LAW**

The adjusted base level funding is \$96,800,000 GPR for the homestead tax credit and \$16,000,000 GPR for the farmland preservation tax credit.

#### **GOVERNOR**

Decrease funding by \$5,800,000 GPR in 2001-02 and \$8,800,000 GPR in 2002-03 for the homestead tax credit sum sufficient appropriation to reflect anticipated costs of the credit in the biennium. With these adjustments, estimated total funding would be decreased to \$91,000,000 GPR in 2001-02 and \$88,000,000 GPR in 2002-03.

Decrease funding by \$1,400,000 GPR in 2001-02 and \$1,500,000 GPR in 2002-03 for the farmland preservation tax credit sum sufficient appropriation to reflect anticipated costs of the credit in the biennium. With these adjustments, estimated total funding would be decreased to \$14,600,000 GPR in 2001-02 and \$14,500,000 GPR in 2002-03.

#### **MODIFICATION TO BASE**

Reestimate the sum sufficient appropriations at \$91,900,000 GPR in 2001-02 and \$90,000,000 GPR in 2002-03 for the homestead tax credit and at \$17,200,000 GPR in 2001-02 and \$17,800,000 GPR in 2002-03 for the farmland preservation tax credit.

**Explanation:** The reestimate of the homestead tax credit reflects an analysis of the number of claimants that would claim the credit as a result of the tax year 2000 formula

changes enacted under 1999 Act 9 and projected changes in claimant income and property taxes in the biennium. The reestimate reflects a decrease of \$4,900,000 GPR in 2001-02 and \$6,800,000 GPR in 2002-03, compared to the base, and an increase of \$900,000 GPR in 2001-02 and \$2,000,000 GPR in 2002-03, compared to the bill.

The reestimate of the farmland preservation tax credit reflects the following: (a) an error in calculating the base level funding of the credit, as indicated in a budget errata submitted by DOA, that results in an increase in the credit, compared to the bill, of \$900,000 GPR annually; and (b) estimated increases in property taxes subsequent to the complete phase in of use value assessment and the shifting of property taxes back to farmland and improvements under use value assessment. The reestimate reflects an increase of \$1,200,000 GPR in 2001-02 and \$1,800,000 GPR in 2002-03, compared to the base, and an increase of \$2,600,000 GPR in 2001-02 and \$3,300,000 GPR in 2002-03, compared to the bill.

<u>Modification</u>	<u>GPR</u>
<b>2001-03 FUNDING</b> (Change to Base)	- \$8,700,000
<i>[Change to Bill]</i>	<i>\$8,800,000]</i>

Prepared by: Al Runde