



Legislative Fiscal Bureau

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

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Joint Committee on Finance

Paper #681

Homestead Tax Credit Reestimate (Shared Revenue and Tax Relief -- Property Tax Credits)

[LFB 2005-07 Budget Summary: Page 450, #4]

CURRENT LAW

The adjusted base level funding for the homestead tax credit is \$108,600,000 GPR. In 2003-04, homestead tax credit claims totaled \$119,752,000.

GOVERNOR

Increase funding by \$2,500,000 GPR in 2005-06 and decrease funding by \$1,200,000 GPR in 2006-07 to reflect changes in income, property taxes, and program participation under current law provisions. Total credit claims of \$111,100,000 GPR in 2005-06 and \$107,400,000 GPR in 2006-07 are estimated.

Because the Committee is scheduled to act on this issue before it acts on the Governor's proposals related to local government fiscal controls and school aid funding, the estimated funding does not reflect the effect of those proposals. Under the bill, funding decreases of \$1,300,000 GPR in 2005-06 and \$2,800,000 GPR in 2006-07 are estimated as a result of those provisions, and total payments of \$109,800,000 GPR in 2005-06 and \$104,600,000 GPR in 2006-07 are estimated.

MODIFICATION

Increase funding from the base year amount by \$7,500,000 GPR in 2005-06 and \$3,300,000 GPR in 2006-07 to reflect changes in income, property taxes, and program participation under current law provisions. Estimate total aid payments, prior to any adjustment

for local government fiscal controls and school aid funding, of \$116,100,000 GPR in 2005-06 and \$111,900,000 GPR in 2006-07.

Explanation: Relative to the amounts estimated by DOA, the reestimates are \$5,000,000 higher in 2005-06 and \$4,500,000 higher in 2006-07. The increases are primarily due to the fact that the current base level funding of \$108,600,000 for the credit does not reflect recent increases in the number of claimants and total credits claimed. For example, in 2003-04, homestead credits totaled \$119,752,000 and participation increased by 9,200 claims, or 4.1%, from the previous year, with no change to the formula factors of the credit. The estimates under this modification will need to be revised based on the Committee's decisions regarding local government fiscal controls and school aid funding.

<u>Modification</u>	<u>GPR</u>
2005-07 FUNDING (Change to Bill)	\$9,500,000

Prepared by: Al Runde