



Legislative Fiscal Bureau

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May 5, 2009

Joint Committee on Finance

Paper #705

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

[LFB 2009-11 Budget Summary: Page 571, #2]

CURRENT LAW

The 2007-09 biennial budget act (2007 Act 20) created the first dollar credit, funded at \$75,000,000 GPR annually. The first dollar credit was first established for property taxes levied in 2008, payable in 2009. Payments of the first dollar credit are provided from the same appropriation used to make the state's school levy tax credit payments. Both credits are paid on the fourth Monday in July.

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.

GOVERNOR

Provide \$75,000,000 GPR annually to provide funding for the first dollar credit in the 2009-11 biennium. Because the payment of the credits will be made in July of each year, the payment of the 2009 credits will be made in 2009-10 and payment of the 2010 credits will be made in 2010-11. Consequently, base level funding for the first dollar credit was not established under Act 20.

MODIFICATION

Decrease the funding recommended by the Governor to pay the first dollar credit by \$2,324,800 GPR in 2009-10, to reflect the actual amount of credits to be distributed to municipalities in July, 2009.

Explanation: DOR is required to establish a credit base (which was \$3,900 for taxes levied in 2008 and payable in 2009) for the first dollar credit by using the estimated fair market value, rounded to the nearest \$100, necessary to distribute the \$75,000,000 GPR available for the credit. DOR makes this determination and notifies each municipal clerk of the credit base by December 1, of each year. The credit amounts were used to reduce the 2008 property taxes that would have been otherwise payable in calendar year 2009. Based on the \$3,900 credit base and the number of eligible parcels on which the credit will be claimed, the actual cost of the credit in 2009-10 is expected to be \$72,675,200 GPR, or \$2,324,800 GPR less than amount recommended for appropriation. The estimate of 2010-11 remains at \$75,000,000 since DOR will continue to be required to set the credit base to expend this amount.

Change to Bill	
Funding	
GPR	- \$2,324,800

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