



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #706

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

[LFB 2009-11 Budget Summary: Page 572, #5]

CURRENT LAW

The adjusted base level funding for the homestead tax credit is \$111,300,000 GPR. In 2007-08, homestead tax credit claims totaled \$125,104,000.

GOVERNOR

Provide increases of \$14,023,000 GPR in 2009-10 and \$15,068,900 GPR in 2010-11 for the sum sufficient appropriation to reflect anticipated costs of the credit in the biennium. With these adjustments, estimated total funding would increase to \$125,323,000 GPR in 2009-10 and \$126,368,900 GPR in 2010-11.

MODIFICATION

Increase funding for the credit by an additional \$1,277,000 GPR in 2009-10 and decrease funding by \$968,900 GPR in 2010-11 to reflect estimated changes in income, property taxes, and program participation under the current law credit provisions. These reestimates do not reflect the Governor's proposed changes to the homestead tax credit formula, which are addressed in a separate paper. Estimate total credits of \$126,600,000 GPR in 2009-10 and \$125,400,000 GPR in 2010-11.

Explanation: Relative to the current law credit amounts estimated by the Department of Revenue, this reestimate would increase the cost of the credit by \$308,100 in the biennium. These estimated credit amounts reflect the expectation that the total credit amounts will increase for the 2009 tax year (2009-10) due to an increase in the number of

claims associated with a slowing economy and due to limited income growth among existing claimants. For the 2010 tax year (2010-11), income growth is expected to more than offset the expected growth in property taxes and rents, resulting in a lower credit total compared to 2009-10. These estimates reflect the estimated property tax levels in the biennium under the Governor's proposals related to local government fiscal controls and local aid funding (including school aids). The estimates under this modification may need to be revised based on the Committee's decisions regarding local government fiscal controls and local aid funding.

Change to Bill	
Funding	
GPR	\$308,100

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