



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #661

2018(19) First Dollar Credit Reestimate (Shared Revenue and Tax Relief -- Property Tax Credits)

CURRENT LAW

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. The credit distribution is set at \$150,000,000 annually. Payments of the first dollar credit are provided from the same GPR appropriation used to make the state's school levy tax credit payments. Both credits are paid on the fourth Monday in July. DOR determines the first dollar credit payment amounts in the preceding March.

GOVERNOR

Provide \$150,000,000 GPR annually to fund the first dollar credit in the biennium. The 2019-20 credit amount provides property tax relief on 2018, payable 2019, property taxes.

MODIFICATION

Decrease funding recommended by the Governor to pay the first dollar credit by \$1,462,700 GPR in 2019-20 to reflect the actual amount of credits to be distributed to municipalities in July, 2019.

Explanation: DOR is required to establish a credit base (which was \$7,000 for taxes levied in 2018 and payable in 2019) for the first dollar credit by using the estimated fair market value of an improved parcel, rounded to the nearest \$100, necessary to distribute the \$150,000,000 GPR available for the credit. DOR makes this determination and notifies each municipal clerk of the credit base by November 20. The credit amounts were used to reduce the 2018 property taxes that would have been otherwise payable in calendar year 2019. However, the credit amounts associated with 2018 property taxes will be paid in July, 2019 (2019-20). Based

on the \$7,000 credit base and the 2,253,617 eligible parcels on which the credit will be claimed, the actual cost of the credit in 2019-20 is expected to be \$148,537,300 GPR, or \$1,462,700 GPR less than the recommended appropriation amount. The estimate for the 2020-21 credit would remain at \$150,000,000 since DOR will continue to be required to set the credit base to expend this amount.

	Change to	
	Base	Bill
GPR	- \$1,462,700	- \$1,462,700

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