WISCONSIN
BUDGET
PROJECT

An Summary of the Final 2017-19 Budget
for Taxes and Revenue

The 2017-19 state budget includes more than $400 million in tax cuts, as well as a smaller amount of tax and fee increases. Most of the tax cuts are aimed at reducing the amount of property taxes that individuals and businesses pay. The two-year budget period runs until June 2019.

PROPERTY TAX CUTS FOR SOME, AN INCREASE FOR OTHERS

Lawmakers included several property tax cuts in the budget, as well as a property tax increase for some Wisconsin residents with low incomes.

Property tax cuts in the budget include:

- Elimination of the state portion of the property tax, which funds the Wisconsin's forestry program. Instead, the state will use general tax money to support the forestry program. This move will reduce state tax revenue by $181 million over two years.

- An increase of $87 million in the school levy tax credit in the second year of the two-year budget. This amount is paid to municipalities which must pass the money through to property owners in the form of lower property taxes. About half the increase in the school levy tax credit will go towards lowering property taxes for Wisconsin residents on their primary homes. A large part of the remainder will reduce property taxes for owners of commercial and industrial property and out-of-state owners of vacation homes.

- Cut the personal property tax paid by businesses by $74 million a year, by exempting machines and tools from the property tax. This change will take effect in the second year of the budget and the state will reimburse local governments $74 million a year for the forgone property tax revenue.

- An increase of $73 million in the second year of the budget in the amount of general support the state provides to school districts. The budget will not allow districts to increase their budgets to use the additional resources in the classroom, instead requiring districts to use that money to reduce property taxes.

Mostly Tax Cuts, Some Tax Increases in 2017-19 Budget

Selected tax and fee changes in the 2017-19 budget. Dollar figures are for both years of the budget. Negative figures show tax cuts and positive figures show tax increases.

TAX AND FEE CHANGE	AMOUNT IN MILLIONS
Income tax	
End Alternative Min Tax	-$1.8
Property tax	
Eliminate state forestry tax*	-$180.9
Increase school levy credit	-$87.0
Cut personal property tax	-$74.4
Increase K-12 school aids	-$72.8
GPR funding of lottery	-$48.0
Cut Homestead Credit	+$10.2
Fees	
Higher fees for efficient cars	+$8.4

* Fiscal effect occurs in both years of the budget. For other provisions listed, the fiscal effect occurs mostly or exclusively in the second year.
Source: Analysis of 2017-19 budget bill   WISCONSIN BUDGET PROJECT

- Using $48 million over two years in general tax revenue to pay for part of the operations of the state lottery, replacing revenue generated from the lottery. Since the net proceeds from the lottery are used to fund property tax relief, this move will increase the amount of relief available. Only resident homeowners are eligible to receive the lottery property tax credit.

The budget includes several changes to the Homestead Credit, which reduces property taxes for owners and renters with low incomes. The overall effect of the changes to the Homestead Credit will be that individuals with low incomes will pay $10 million more in property taxes during the next two years compared to what they would otherwise pay if no changes were made to the Homestead Credit. The bill ends eligibility for this property tax relief for an estimated 11,400 households who have no earned income.

The budget continues to limit the ability of school districts and municipalities to increase property taxes.

OTHER CHANGES TO TAXES AND REVENUE

Other provisions in the budget that affect taxes and revenue include:
- An increase in the annual registration fees for hybrid and electric vehicles, from $75 to $150 and $175, respectively. This fee increase will boost the amount of revenue in the state's transportation fund by $2.6 million in the first year of the budget and $5.8 million in the second year. The revenues raised by making it more expensive to operate fuel-efficient cars add up to only a tiny fraction of the shortfall in the Transportation Fund, which is estimated to be $852 million to $7.9 billion over ten years, according to a 2016 Department of Transportation study.

- The reauthorization of 38 positions at the Wisconsin Department of Revenue to increase auditing activity and improve tax collections. These positions are expected to increase state tax collections by $24.0 million in the first year of the budget and $32.0 million in the second year.

- The complete repeal of the Alternative Minimum Tax, which insures that people with high incomes pay at least some level of income tax. This tax was largely eliminated in the 2015-17 budget, and the remainder of the tax is repealed in this budget, starting with tax year 2019. This provision reduces state tax revenue by $1.8 million in the second year of the budget and $7.0 million annually in subsequent years.

- Limiting the historic rehabilitation credit for developers to $500,000 per parcel, which will increase tax revenues by $1.2 million in fiscal year 2019, an amount that grows to $47.4 million in fiscal year 2023.

WHAT THE BUDGET DOESN'T INCLUDE

- An increase in the gas tax, which has been set at 30.9¢ per gallon since 2006. Since then, inflation has eaten away at the value of this transportation funding source.
- A deposit to the state's rainy day fund. The last deposit was made in 2013.
- Tax incentives for Foxconn to build a facility in Wisconsin and hire workers. Those incentives are included in separate legislation (August 2017 Special Session Assembly Bill 1).
- Several provisions that Governor Walker proposed but were rejected by the legislature, including a sales tax holiday, cutting the rate for the bottom income tax bracket, and putting more money into the state's Earned Income Tax Credit to reduce taxes for working parents with low incomes.

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