

WISCONSIN PROPERTY TAX RELIEF PROGRAMS

Wisconsin has several ongoing property tax relief programs aimed primarily at reducing the burden of school property taxes. The programs take several forms but may be classified generally in two approaches--tax credits providing direct reduction of property tax bills and tax credits delivered through the income tax system. Some of the programs are structured to provide a greater share of relief to lower-income taxpayers.

PROPERTY TAX BILL CREDITS

Wisconsin provides three credits aimed at direct reduction of school property tax levies. The programs are referred to as the school levy credit, lottery and gaming credit, and first dollar credit.

The school levy credit is distributed based on the local share of total statewide levies for school purposes over the most recent three-year period. Statewide funding of \$747.4 million was provided for the 2008-09 school year. This provided an average reduction in the school portion of property tax bills of 17.5 percent. According to an informational paper prepared by the Wisconsin Legislative Fiscal Bureau, based on statewide averages this provided a home with a full market value of \$150,000 a credit of \$225 against a school property tax bill that otherwise would have been \$1,287. Because the credit is meant to reduce individual property tax bills and is not to be considered a source of revenue in determining the municipal budget, the notification date of school levy credit payments has been set at a point after most local governments have established their budgets.

The lottery and gaming credit provided approximately \$120 million of property tax relief in 2009. Wisconsin voters approved a constitutional amendment in 1987 authorizing a state lottery and requiring the net proceeds to be used for property tax relief. For several years, the lottery tax credit was applied by legislation only to the primary residence of a taxpayer. In 1996 a court decision ruled the statutory provision unconstitutional because it violated the Wisconsin constitutional requirement of uniformity for property taxes. A constitutional amendment was approved by the voters in 1999 to exempt lottery allocations from the uniform taxation requirement of the Constitution of Wisconsin and allow use of lottery revenues for property tax relief for Wisconsin residents. The lottery and gaming credit applies only against elementary and secondary education school taxes against the first \$9,000 of property value. This

has the effect of providing a tax credit that is a greater percentage of value for lower-value properties.

The first dollar credit is the most recent of the property tax credits and is extended to each taxable parcel of real estate on which improvements are located. The first dollar credit was first established for property taxes payable in 2009. The credit applies only to taxes levied for elementary and secondary education. Levies by technical college districts or county children with disabilities education boards are excluded. The annual funding level for the first dollar credit is \$75 million. The credit is applied only to the credit base amount of the value of the property (\$3,900 for the 2008-09 tax year), which means that owners of lower-value property received first dollar credits that are a larger percentage of total property value than the credit for owners of higher-value property.

PROPERTY TAX CREDITS THROUGH THE INCOME TAX

Renters and homeowners with income less than \$24,500 may qualify for the Wisconsin homestead credit, which is a refundable income tax credit of up to \$1,160. The homestead credit provided an estimated \$125.1 million in property tax relief for fiscal year 2008.

Renters are eligible for an income tax credit for school property taxes for rental of a principal home that is subject to property taxes. The credit is based on the amount of rent paid during the year and is a maximum income tax credit of \$300. Homeowners are entitled to an income tax credit for school property taxes of up to \$300 based on the amount of property taxes paid for a primary residence.

Veterans and surviving spouses may be entitled to an income tax credit based on property taxes paid for the claimant's principal residence.

For agricultural property, taxpayers may claim either the farmland preservation income tax credit or the farmland tax relief income tax credit. A claimant of the farmland tax relief income tax credit may also claim the homestead credit, but a claimant of the farmland preservation income tax credit may not claim the homestead credit. The farmland preservation income tax credit is dependent upon the household income and property taxes paid. The farmland tax relief income tax credit is based on a percentage of the property taxes paid and the maximum credit is \$1,500.