



A Summary of the Governor's Proposal for Taxes and Revenue

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Governor Walker's budget includes more than \$300 million in new tax cuts. He proposes reducing the amount of support the state provides to critically important institutions, such as public schools and the University of Wisconsin system, to help pay for the new tax cuts and to close the deficit caused by last year's tax cuts.

The Governor has called on legislators to increase the amount of state borrowing for highways and to borrow to help pay for a new Milwaukee Bucks arena, while scaling back other building projects.

The proposed budget now moves to the budget committee of the legislature, where lawmakers will make changes to the state's tax and spending priorities.

MORE TAX CUTS

Governor Walker's budget continues his focus on cutting taxes. His proposal cuts property taxes for a typical home by \$5 in each year of the budget. He would use two mechanisms to deliver a combined \$319 million property tax cut:

- An increase of \$211 million in the school levy tax credit in the second year of the two-year budget. This amount is paid to municipalities who must pass the money through to property owners in the form of lower property taxes.
- An increase of \$108 million in the second year of the budget in the amount of general support the state provides to school districts. The Governor's budget would 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.

These tax cuts would provide property tax relief to all owners of property located in Wisconsin, regardless of whether they are residents of the state. About half the increase in the school levy tax credit would go towards lowering property taxes for Wisconsin residents on their primary homes. A large part of the remainder would reduce property taxes for owners of commercial and industrial property and out-of-state owners of vacation homes.

The higher the value of the property, the greater the school levy tax credit is for property owners within a school district. The result is that property owners with high incomes typically receive larger credits than owners with lower incomes, and would receive outsized benefits from the proposed increase in the school levy credit.

LIMITED RESOURCES FOR LOCAL GOVERNMENTS

This budget continues strict controls on the amount of property taxes that local governments are able to raise. Under the Governor's proposal, counties, municipalities, and technical colleges may not

increase the amount of money they raise from the property tax except to account for the growth in property values due to new construction.

In the first year of the two-year budget, the Governor's budget reduces the amount of state support most school districts receive, and does not allow districts to increase property taxes to make up for the lost aid. In the second year of the budget, the aid to schools is restored. School districts' budgets are mostly devoted to ongoing costs such as teacher salaries and maintenance requirements, making it difficult financially for districts to handle a one-year budget cut even if the support is restored the following year.

PUSHING TOUGH DECISIONS FOR HIGHWAY SPENDING INTO THE FUTURE

The state does not have nearly enough money in the state's transportation account to pay for highway expansion and other transportation projects planned for the next two years. Governor Walker has proposed a short-term fix for this problem, by recommending that the state increase the amount of money it borrows to build and maintain roads.

Most state spending on highways and other transportation comes from the state's Transportation Fund. The state deposits revenues from the gas tax and other transportation-related fees into the Transportation Fund.

Governor Walker's budget addresses the shortfall in the Transportation Fund by increasing bonding for highways by \$1.3 billion. The state's overall level of borrowing would drop, because Walker recommends that the state postpone the construction of other projects that require borrowing, including buildings for the University of Wisconsin System.

Debt repayments costs for the additional transportation borrowing would come from the Transportation Fund.

Borrowing money addresses the shortfall in the Transportation Fund for now. But the Governor's approach means that lawmakers will face another shortage in the fund in two years from now. A permanent solution to the shortfall would require either cutting spending on highways, increasing the taxes and fees that go into the Transportation Fund, or a combination of both approaches.

BORROWING FOR A NEW MILWAUKEE BUCKS ARENA

Governor Walker's budget proposes borrowing \$220 million to help build a new arena for the Milwaukee Bucks. Governor Walker said that the growth in players' salaries will generate enough new income tax revenue to cover repayment costs. However, the increase in income tax revenue is not a direct result of the new stadium, and diverting that growth to pay for the stadium will add to the state's budget challenges in future years.

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