



[2017-2019 State Budget - Summary of Provisions Impacting the Real Estate Industry](#)

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Categories: Legislative

Earlier this week, the Governor announced the State of Budget for 2017-19. This announcement is the first step in a budget process that will extend through the legislature over the next several months. The WRA lobby team has been extremely active not only in introducing economic development initiatives, but ensuring that our industry interests are protected. Click [here](#) for the text of the [Governor's Budget Address](#) and to see more details in the [Budget in Brief](#). For questions related to this, please contact [Tom Larson](#), [Adam Williquette](#) or [Tracy Johnson](#).

State property tax -- Eliminate the state portion of the property tax beginning in 2017 and provide the forestry account with a GPR appropriation equal to 0.1697 mills multiplied by the state's total equalized value. This will provide \$88,759,300 in property tax relief in fiscal year 2017-18 and \$91,695,600 in fiscal year 2018-19 while eliminating the state's portion of the property tax bill.

Historic tax credits -- Modify the Historic Rehabilitation Tax Credit by limiting the credit to annual awards of \$10,000,000 to be competitively awarded on the basis of job creation potential while creating a clawback provision to ensure credits are repaid if pledged job creation totals are not met. The imposition of a \$10,000,000 annual cap is expected to save the state

\$3,000,000 in fiscal year 2017-18 and \$14,100,000 in fiscal year 2018-19. These modifications will focus state resources most directly on those projects with the greatest job creation potential. Limiting the annual state exposure to this program is prudent to ensure that its rapidly growing expenditures do not crowd out other economic development priorities. Without a cap, the program has grown to being one of the state's most expensive tax expenditures.

Southeast Wisconsin -- Provide a total of \$121,943,200 in funding for the Southeast Megaprojects program to continue construction and ensure the core of the Zoo Interchange project remains on schedule. Funding of \$31,000,000 would also be provided for work on the I-94 North/South project. Combined with funding authorized from fiscal years 2011-12 to 2016-17, \$1,473,543,300 will have been invested into this program over eight years. However, the proposed budget does not include funding for the I-94 east-west project.

Levy limits -- Continue the Governor's commitment to property tax relief by increasing the School Levy Tax Credit by \$87,000,000 in fiscal year 2018-19 to pay for credit distributions in the 2017/18 property tax year. This, combined with an increase in school equalization aids and continued prudent controls on property tax levies, will ensure that the Governor's promise of keeping the bill for the median value home below its levels in the 2014/15 property tax year is achieved.

Debt service -- Require county and municipal governments to reduce property tax levies by the amount by which pre-July 2005 debt service decreases from the previous year. More heavily-indebted local governments have been able to take advantage of a loophole in the levy limits by shifting levies for older debt service onto the operating levy while issuing new debt. The Governor recommends leveling the playing field and protecting property taxpayers by closing this loophole.

Transportation fund -- Enhance the Transportation Fund's future revenues by annually depositing to the Transportation Fund, beginning in fiscal year 2019-20, excess revenues from the existing petroleum inspection fee. This action is projected to provide approximately \$107,000,000 for transfer to the Transportation Fund in the 2019-21 biennium and approximately \$431,000,000 from fiscal year 2019-20 to fiscal year 2026-27.

School levy tax credit -- Keep the bill for the median value home below its 2014-15 property tax level by increasing the School Levy Tax Credit by \$87,000,000 in fiscal year 2018-19 to pay for credit distributions in the 2017-18 property tax year. This, combined with an increase in school equalization aids of \$72,750,000 and continued prudent controls on property tax levies, will ensure the Governor's promise of continued property tax relief is achieved.

REINS Act -- Adopt state version of federal REINS Act by requiring the Legislature to approve all administrative regulations that have an impact of \$10,000,000 or more on regulated individuals and entities. Provide for greater transparency of an administrative rule's potential impact on businesses, local governmental units, and individuals by requiring, at Joint Committee Review of Administrative Rules' (JCRAR) request, a preliminary hearing and

comment period to allow for stakeholder feedback earlier in the process. In addition, allow an independent economic impact analysis of regulations at the request of Department of Administration or JCRAR. Provide a process for agencies to follow regarding guidance documents to ensure that public comment is considered. Additional modifications to the process include: require Department of Administration approval of economic impact analyses, changes to emergency rule extensions, an expedited process for repealing unauthorized rules, and sunset of rule-making authority for agencies that have not promulgated a rule in ten years or more.

WEDC funding -- Increase funding to the Wisconsin Economic Development Corporation in fiscal year 2018-19 by \$6,300,000 to provide the corporation with greater resources to assist Wisconsin businesses. In addition, modify the corporation's funding structure to allow larger amounts of the Economic Development Surcharge to fund the corporation's operations and reduce the state's general fund commitments.

Construction contracts -- Expand the lump sum contract sales tax exemption to all construction contracts involving real property construction activities if the total sales prices of the taxable products are less than 10 percent of the total contract price, and allow the exemption to also apply to all subcontractors of a qualifying general contractor. This change will decrease the cost for the construction and renovation for general contractors and homeowners. This modification will decrease collections \$1,250,000 in fiscal year 2017-18 and \$1,500,000 in fiscal year 2018-19.

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