2025-2027 Governor Evers Budget - Quick Overview of real estate industry topics – 2.19.25 Subject to change

Property taxes

- Create a new county and municipal property tax freeze incentive program to provide aid payments to counties and municipalities that commit to holding the line on property taxes. Communities that certify they did not increase their levy in the previous year will receive aid payments based on the revenue a 3 percent levy would have generated, helping them maintain essential services without raising taxes. The first eligible levies for this incentive will be for the 2026 tax year, delivering meaningful property tax relief to Wisconsinites.
- Provide more than $1.1 million GPR over the biennium to support towns and counties impacted by a federal court decision that reduced their property tax base, ensuring they have the resources to maintain essential services and lessening the tax burden on the remaining property tax base.
- Exempt radio, cellular, and telecommunication towers from the property tax to alleviate the administrative burden on municipalities and landowners, as assessment of these assets are difficult and complex.
- Shift the assessment jurisdiction of pipelines currently assessed by municipalities to the state, simplifying administration and filing for both pipeline companies and local governments, while providing corresponding aid payments to local governments to offset the loss of the local property tax revenue.

Referenda

- Remove restrictions on advisory referenda to empower counties and municipalities to seek public input on important issues.

Landlord tenant

- Modify current law related to open housing prohibitions on discrimination to include receipt of rental or housing assistance.
- Modify statutory language related to landlord-tenant responsibilities and eviction processes and procedures that were enacted over the past decade to provide a better balance of rights and protections for landlords and tenants. Under the modifications, municipalities will no longer be restricted from enacting certain ordinances related to inspection fees, prohibiting evictions in winter months, and safety disclosures.

Tax Incremental Financing (TIF)

- Increase the current law allowable extension to a tax incremental district's lifespan from one year to three years for the purpose of investments in affordable housing if the district's joint review board approves the additional two-year extension.
- Modify current tax incremental financing law to allow municipalities to use districts to spur the creation of workforce housing by lifting the current law limitation on the share of a mixed-use district's area that can be used for newly platted residential developments from 35 percent to 60 percent if that additional 25 percent is comprised of workforce housing. Also, extend the current law impact fee exemption or reduction provisions to apply to workforce housing.
- Permit other types of tax incremental finance districts to convert their type of district to a mixed use district subject to a unanimous vote of the joint review board of the district,

provided that the district adopts a new project plan consistent with the requirements of a mixed-use district.
- Allow a municipality to exceed the 12 percent of equalized value limitation on the creation of new tax incremental districts if the municipality certifies to the Department of Revenue that a district or districts with sufficient value increment to bring the municipality back below the 12 percent threshold will close in the following year and that the municipality will not take actions to extend the lives of those districts.

Local government Incentive for housing
- Create a Zoning Incentive Pilot Program and provide $20 million GPR in fiscal year 2025-26 to increase affordable housing by incentivizing local units of government, including Tribal nations, to adopt policy initiatives that eliminate zoning barriers to foster affordable housing developments.
- Provide $1 million GPR in fiscal year 2025-26 for the creation of a grant program to local units of government, school districts, and businesses for the start-up of programs that focus on the development of the skilled workforce through the building or rehabilitation of affordable housing in their communities.

Flood disclosures
- Support Wisconsinites in preparing for and protecting themselves and their property in disasters by:
    - Providing $2 million GPR over the biennium for predisaster flood resilience grants to identify flood vulnerabilities, identify options to improve flood resiliency, and restore hydrology in order to reduce flood risk and damages in flood-prone communities.
    - Allowing pretax catastrophe savings accounts to be created through financial institutions for the purposes of paying for catastrophic event insurance coverage and repairs to property from damage resulting from a catastrophic event, including floods, tornadoes, hailstorms, and cold weather-related damage.
    - <u>Strengthening real estate flood disclosure requirements among real estate sellers and landlords to include more detailed flood-related information about the property.</u>
- Provide $2 million in Tribal gaming revenues over the biennium to provide a grant for Tribal Nations in the state to support home repairs that reduce energy burdens and improve health outcomes.

Tax credits
- Modify the State Housing Tax Credit program to help address the need for affordable housing in the state by: (a) increasing the limit on the total amount of state housing tax credits that may be authorized annually by the Wisconsin Housing and Economic Development Authority from $42 million to $100 million and (b) modifying current financing requirements for developments to allow the authority to continue to allocate state housing tax credits even if the federal private activity tax-exempt bond volume cap limit is reached.
- Ensure millionaires and billionaires in Wisconsin pay their fair share by creating a new individual income tax bracket with a marginal rate of 9.8 percent on taxable income above $1 million for single and married-joint filers and $500,000 for married-separate filers beginning with tax year 2025. The fiscal impact is an estimated increase in tax revenue of $719.3 million in fiscal year 2025-26 and $578.4 million in fiscal year 2026-27.
- Limit the amount of qualified production activities income that may be claimed by manufacturing firms under the manufacturing and agriculture credit to $300,000 per tax year. This would leave the agricultural portion of the credit unchanged compared to current law while curbing excessive benefits to high-income earners. The fiscal impact is an estimated

increase in tax revenue of $418.5 million in fiscal year 2025-26 and $373.8 million in fiscal year 2026-27
- Preserve the current law 30 percent long-term capital gains exclusion for single filers with federal adjusted gross income below $400,000 and below $533,000 for married-joint filers while eliminating it for taxpayers above those income levels. Taxpayers with non-capital gains income below those thresholds could claim capital gains income that, when combined with other sources, would stay within those limits for purposes of the exclusion, but not those amounts above the income limits. These modifications will preserve the exclusion for low- and middle-income investors while creating greater equity in the tax treatment of different sources of income for higher-income taxpayers. These modifications do not affect the 60 percent capital gains exclusion for farm assets. The fiscal impact is an estimated increase in tax revenue of $242.5 million in fiscal year 2025-26 and $177.6 million in fiscal year 2026-27.
- Modify the Business Development Tax Credit's incentive related to workforce housing to specify that the qualifying workforce housing does not need to be exclusively for the employer's workers to qualify as eligible for credit earnings. Also expand the eligibility of this earnings category to include contributions to a workforce housing revolving loan fund. These changes will improve workforce housing incentives in the program and increase investment in Wisconsin's housing supply.

WHEDA loans and bonding
- Modify current law relating to the newly created Infrastructure Access Loan program, the Vacancy-to-Vitality program, and the Restore Main Street program to encourage greater use by local units of government and Tribal Nations, as well as improving the effectiveness of the programs.
- Increase the limit on notes and bonds the Wisconsin Housing and Economic Development Authority can issue that are secured by a capital reserve fund from $1 billion to $1.3 billion to continue to finance projects supported with an allocation of state and federal housing tax credits

Roads, local government, etc.
- Provide $100 million GPR in fiscal year 2025-26 for the local road improvement supplement program. The program provides direct support to local and bridge projects throughout the state.

Sales Tax
- Allow counties, other than Milwaukee County, to impose an additional sales tax of up to 0.5 percent and allow municipalities with populations over 30,000, other than the city of Milwaukee, to impose a sales tax of up to 0.5 percent to diversify local revenue sources and better empower local governments to fund police and fire protection, transit, roads, and other important services, if approved by local referendum. This includes the flexibility to allow counties to set their tax rates in 0.1 percent increments from 0.1 to 1.0 percent. Municipalities would also have the flexibility to set their rates in 0.1 percent increments from 0.1 to 0.5 percent

Small business
- Provide $50 million GPR in fiscal year 2025-26 to restart funding for the Main Street Bounceback grant program to help businesses to open or expand into vacant commercial spaces. Eligible expenses under the program include leases, mortgages, and business operational expenses related to opening a new location. This critical investment will help continue to revitalize local business corridors and transform communities across the state.

- Create an income and franchise tax credit for small businesses that install universal changing stations for personal hygiene use by an individual with a disability. The credit will be equal to 50 percent of the amount the small business pays to install the universal changing station, up to a maximum credit of $5,125. The credit will be available to businesses that have gross receipts of no more than $1 million or employ no more than 30 full-time employees. The fiscal impact of this credit is an estimated reduction of income tax revenue of $5.3 million in fiscal year 2025-26 and $10.6 million in fiscal year 2026-27.

Other
- Increasing the document recording fee from $30 to $45
- Restore the ability of cities, villages, and towns to use eminent domain to build pedestrian and bike paths.
- Restore the inclusion of roadway design considerations in state law that support nonmotorist infrastructure known as "complete streets".
- Shift the assessment jurisdiction of pipelines currently assessed by municipalities to the state, simplifying administration and filing for both pipeline companies and local governments, while providing corresponding aid payments to local governments to offset the loss of the local property tax revenue.
- Provide more than $5 million SEG in fiscal year 2025-26 and more than $10 million SEG in fiscal year 2026-27 to support the operation of passenger rail service in Wisconsin as well as continue ongoing studies of passenger rail expansion routes across the state.

Transportation
- Enumerate the expansion, reconstruction and modernization of the I-39/90/94 corridor from the Beltline in Madison through the Wisconsin Dells.
- The budget provides $2,629,383,700 in funding over the biennium for the state highway rehabilitation program. This is the largest amount of funding for the program in its history.
- The budget provides $790,925,900 in total funding over the biennium for the major highway development program to fund half of the I-41 expansion project between Appleton and DePere, fund half of the total USH-51 project in southern Dane County, finishes the I-43 expansion north of Milwaukee and starts work on the I-39-90-94 expansion.
- The Governor further recommends providing $300,665,900 in total funding over the biennium for the southeast megaprojects program to continue work on the I94 East/West project.
- Provide $19.5 million SEG in fiscal year 2025-26 to build additional sound barriers between 27th street and 76th street in Milwaukee along I-894.
- Provide $100 million GPR in fiscal year 2025-26 for the local road improvement supplement program. The program provides direct support to local and bridge projects throughout the state.

Energy reduction
- Provide $7.2 million GPR in fiscal year 2025-26 to create a grant program that provides funding for administration and implementation for whole-home upgrades in Milwaukee to reduce energy burdens and create a healthier living environment for households with lower incomes.
- Provide $2 million in Tribal gaming revenues over the biennium to provide a grant for Tribal Nations in the state to support home repairs that reduce energy burdens and improve health outcomes.

DSPS

- Provide $40,000 PR over the biennium to the Wisconsin Department of Safety and Professional Services to support the awarding of funds for environmentally sound disposal of abandoned manufactured homes, and critical repairs to low-income, elderly, or disabled homeowneroccupied manufactured homes.

Local government

- Eliminate an existing disincentive for local government service consolidation by removing the required negative levy limit adjustment that the transferring government must take when transferring the provision of a service to another government.
- Allow for the creation of regional transit authorities statewide to empower local governments to improve their transportation infrastructure.
- Make it easier for communities to work together to create cross-boundary transit corridors by creating an exclusion to county and municipal levy limits for cross-municipality transit routes where the counties and municipalities meet a number of criteria, including that the counties and municipalities claiming the exclusion must be adjacent, must have entered into an intergovernmental cooperation agreement to provide new or enhanced transit services across county or municipal boundaries, and that each participating county or municipality must have passed a referendum approving the agreement.
- Include utility-owned energy storage facilities in the calculation of shared revenue utility aid payments to counties and municipalities to encourage the construction of facilities necessary for energy storage and incentivize local governments to host this form of utility property in their communities.