



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #716

Homestead Tax Credit -- Current Law Reestimate (Shared Revenue and Tax Relief -- Property Tax Credits)

Bill Agency

[LFB 2007-09 Budget Summary: Page 509, #5]

CURRENT LAW

The adjusted base level funding for the homestead tax credit is \$117,500,000 GPR. In 2005-06, homestead tax credit claims totaled \$122,400,000.

GOVERNOR

Provide decreases in funding of \$2,800,000 GPR in 2007-08 and \$6,100,000 GPR in 2008-09 for the sum sufficient appropriation to reflect anticipated costs of the current law credit in the biennium. With these adjustments, estimated total, current law funding would be decreased to \$114,700,000 GPR in 2007-08 and \$111,400,000 GPR in 2008-09.

MODIFICATION

Decrease funding from the base year amount by \$4,200,000 GPR in 2007-08 and \$8,500,000 GPR in 2008-09 to reflect changes in income, property taxes, and program participation under the current law credit provisions. Estimate total credits of \$113,300,000 GPR in 2007-08 and \$109,000,000 GPR in 2008-09. These amounts reflect the expectation that the total credit amounts will decline as income rises under the current law formula factors of the credit. These estimates also reflect the estimated changes in property tax levels under the Governor's proposals related to local government fiscal controls and local aid funding. However,

these reestimates do not reflect the proposed changes in the homestead tax credit formula, which are addressed in a separate paper.

Explanation: Relative to the current law credit amounts estimated by the Department of Revenue, this reestimate is \$1,400,000 lower in 2007-08 and \$2,400,000 lower in 2008-09. These estimates reflect lower estimated property tax increases in the biennium than the Department assumed due to the Governor's proposals related to local government fiscal controls and school aid funding. The estimates under this modification will need to be revised based on the Committee's decisions regarding local government fiscal controls and local aid funding.

	Change to Bill Funding	Change to Base Funding
GPR	- \$3,800,000	- \$12,700,000

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