

## STATE SCHOOL LEVIES CREDIT

The state school levies credit provides direct relief to taxpayers by reducing the amount owed on their property tax bills.

### Background

Property tax credits were first paid in the 1962/63 property tax year. From 1962/63 to 1980/81, there were two tax credits – the general property tax relief credit (GPTR) for real property taxes and the personal property tax relief credit (PPTR) for personal property taxes. In its last four years, the PPTR was used as a means of phasing-in the tax exemption for merchants' and manufacturers' inventory and farmers' livestock.

From 1981/82 to 1985/86, the credit was renamed the Wisconsin state property tax relief (WSPTR) credit. A number of distribution formulas were used, based on items such as school levies, general school aids, and total levies. The last WSPTR credit was paid in 1985/86.

For 1986/87 and 1987/88 three credits were paid: a general government levies credit, a school levies credit, and a school aid credit. From 1988/89 to 1991/92, two credits were paid: a school levies credit and a general government levies credit. Since 1992/93, the credit has been based solely on school levies, which is why the credit is referred to as the state school levies credit.

Property tax credits traditionally were shown on tax bills as a subtraction from total taxes due. However, beginning in 1996/97, the credit has been subtracted from the school levy, with the credit amount shown separately on the tax bill.

### Payment

The school levies credit is allocated to municipalities based on their share of statewide school levies during the previous three years. The credit on 2007/08 tax bills was based on school levies for 2004/05, 2005/06, and 2006/07. School levies include taxes for K-8, union high, and K-12 school districts plus levies for county-operated schools for children with disabilities. If a municipality uses surplus funds to reduce the levies of other jurisdictions, school levies for credit purposes in that municipality are reduced by a pro-rata share of such surplus funds.

Municipalities are notified by December 1 of the credit payment they will receive in the following year. Municipalities allocate the credit to individual taxpayers in proportion to the taxpayer's share of the municipality's total assessed value. If a taxpayer chooses to pay his or her tax bill in installments, the credit is applied equally to each installment. The state pays the credit on the fourth Monday in July. The municipality treats the credit as general property tax collections paid by taxpayers.

Funding for the credit was \$469,305,000 from the 1996/97 to 2005/06 tax years, \$593,050,000 for the 2006/07 tax year, \$672,400,000 for the 2007/08 tax year, and \$747,400,000 for the 2008/09 tax year. Future years' credit will remain at this level until changed by the Legislature. The 2007/08 credit represents about 19.52% of average school levies for the past three years.

Credit payments since 1992/93 are summarized below:

Property Tax Year	Credit Payment (\$)	Average School Levies (\$)	Percent of Average School Levies Paid as Credit (%)
1992/93	\$ 319,305,000	\$ 2,367,761,098	13.49
1993/94	319,305,000	2,596,608,996	12.30
1994/95	319,305,000	2,808,202,871	11.37
1995/96	319,305,000	2,950,851,610	10.82
1996/97	469,305,000	3,010,602,873	15.59
1997/98	469,305,000	2,857,018,970	16.43
1998/99	469,305,000	2,722,505,592	17.24
1999/00	469,305,000	2,627,505,592	17.86
2000/01	469,305,000	2,716,980,665	17.27
2001/02	469,305,000	2,829,731,149	16.58
2002/03	469,305,000	2,941,843,500	15.95
2003/04	469,305,000	3,074,722,651	15.26
2004/05	469,305,000	3,222,198,160	14.56
2005/06	469,305,000	3,403,006,183	13.79
2006/07	593,050,000	3,537,405,254	16.77
2007/08	672,400,000	3,676,947,704	18.29
2008/09	747,400,000	3,828,329,232	19.52

Beginning with the 2008/09 tax year, a new property tax credit, called the "first dollar credit", will be paid through the same appropriation as the school levies credit. The amount of the "first dollar credit" (\$75 million for 2008/09) is excluded from the table above because this new credit has a different distribution methodology. (See the separate paper on the "first dollar credit" for information on how that credit is distributed.)