



Division of Research and Policy  
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## **Lottery and Gaming Tax Credit**

The lottery and gaming credit originated as part of 1987 Wisconsin Act 119. Funding for the tax credit varies based on Wisconsin Lottery sales and available net lottery proceeds. The first payment occurred in the 1991-92 property tax year. The credit provides direct property tax relief to homeowners as a credit on their property tax bills.

### **Background**

In April 1987, Wisconsin voters approved a state constitutional amendment authorizing the Legislature to create a state-operated lottery. The lottery's net proceeds were to be used for property tax relief. Wisconsin enacted the law creating the lottery in November 1987, and the first lottery sales occurred in September 1988.

Net lottery proceeds were initially used to fund a Farmland Tax Relief Credit, partially fund school equalization aids, and fund district attorney salaries. In May 1991, a Dane County Circuit Court decision held that supplementing school aids was not property tax relief. In response to the court decision, the law was changed in August 1991.

Under the revised law, for the 1991-92 to 1995-96 property tax years, a lottery credit was paid on a property owner's primary residence. In October 1996, a Dane County Circuit Court decision held that the credit violated the state's uniformity in taxation clause (Article VIII, Section 1) and prohibited a credit distribution for the 1996-97 property tax year. The Legislature extended the lottery credit for the 1997-98 and 1998-99 property tax years to all property owners.

In April 1999, Wisconsin voters approved a state constitutional amendment exempting the distribution of net lottery funds from the uniformity in taxation clause. The exemption from the uniformity clause permitted the credit to be paid only to resident homeowners. The Legislature enacted provisions limiting the lottery credit to primary residences beginning with the 1999-00 property tax year.

### **Payment**

The Wisconsin Lottery operates in a segregated fund as a division within the Department of Revenue. After deducting operating expenditures, the net proceeds are available for the lottery and gaming credit. Annually, the Department of Administration and Legislature's Joint Committee on Finance determines the amount available for distribution. The Department of Administration notifies the Department of Revenue of the distribution amount around October 16. The amount available for distribution in 2018-19 is \$236,450,800.

The Department of Revenue distributes the lottery credit by multiplying a credit value by the school tax rate. The Department of Revenue calculates the credit value based on the estimated number of claims and school property tax rates for K-8, Union High, and K-12 school districts.

The credit value is \$17,000 for the 2018-19 property tax year. If the market value of a qualifying owner's home is more than the credit value, a full credit is paid. If the market value is less than the credit value, the credit is paid on the actual value. The average credit for 2018-19 is \$160.

The lottery and gaming credit is shown on tax bills as a reduction of property taxes due. If a taxpayer pays their taxes in two or more installments, the credit is applied to the first installment. The credit is paid by the state to counties or municipalities on the fourth Monday in March. The county or municipality receiving the payment settles with overlying taxing jurisdictions.

Mobile homeowner's subject to a municipal monthly parking fee (a property tax equivalent), receive the credit proportionately to each month's fee. The credit for such mobile homes is also paid by the state to municipalities which impose the parking fee on the fourth Monday in March. After deducting 10% for administrative costs, the municipality receiving the payment settles with overlying taxing jurisdictions.

In 2017-18, the lottery and gaming credit reduced the property taxes owed for approximately 1,425,300 homeowners and reduced parking fees owed for approximately 27,900 mobile home owners. The average credit in 2017-18 was \$116.

Lottery and gaming credit payments since the credit was first established are summarized in the table below.

Property Tax Year	Credit Value (\$)	Homeowners Payments	Payments made to all Taxpayers	Average Credit (\$)	Total Credits (\$ millions)
1991-92	\$8,200	X		\$142	\$173.4
1992-93	9,150	X		167	203.9
1993-94	5,900	X		105	128.7
1994-95	6,700	X		110	136.3
1995-96	8,200	X		125	155.9
1996-97	None	None	None	None	None
1997-98	6,800		X	77	205.8
1998-99	4,600		X	52	142.7
1999-00	15,500	X		166	216.3
2000-01	6,400	X		67	90.6
2001-02	7,600	X		77	105.0
2002-03	7,800	X		76	106.2
2003-04	8,700	X		83	118.2
2004-05	9,600	X		91	131.9
2005-06	9,400	X		81	119.9
2006-07	11,600	X		96	144.7
2007-08	10,100	X		85	129.6
2008-09	9,000	X		77	118.1
2009-10	8,100	X		74	113.2
2010-11	8,700	X		85	131.2
2011-12	9,000	X		89	136.3
2012-13	9,200	X		94	141.5
2013-14	10,900	X		113	171.4
2014-15	11,000	X		113	166.5

Property Tax Year	Credit Value (\$)	Homeowners Payments	Payments made to all Taxpayers	Average Credit (\$)	Total Credits (\$ millions)
2015-16	10,500	X		107	159.9
2016-17	12,600	X		126	183.4
2017-18	11,900	X		116	171.0
2018-19 Est.	17,000	X		160	236.3