

**FISCAL ESTIMATE FORM**

**1999 Session**

- ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

<b>LRB #</b> 99-4673/2
<b>INTRODUCTION #</b> AB 853
<b>Admin. Rule #</b>

**Subject**  
 Create Madison Arts District

**Fiscal Effect**

- State:**  No State Fiscal Effect  
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation
- |  |  |   |
|--|--|---|
| <input type="checkbox"/> Increase Existing Appropriation | <input type="checkbox"/> Increase Existing Revenues            | <input type="checkbox"/> Increase Costs - May be Possible to Absorb Within Agency's Budget <input type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> Decrease Existing Appropriation | <input checked="" type="checkbox"/> Decrease Existing Revenues | <input type="checkbox"/> Decrease Costs   |
| <input type="checkbox"/> Create New Appropriation        |  |   |

- Local:**  No Local Government Costs    **See Text of Fiscal Note**
- |  |   |   |
|--|---|---|
| 1. <input type="checkbox"/> Increase Costs<br><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 3. <input checked="" type="checkbox"/> Increase Revenues<br><input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 5. Types of Local Governmental Units Affected:<br><input type="checkbox"/> Towns <input type="checkbox"/> Villages <input checked="" type="checkbox"/> Cities<br><input type="checkbox"/> Counties <input type="checkbox"/> Others<br><input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts |
| 2. <input type="checkbox"/> Decrease Costs<br><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 4. <input type="checkbox"/> Decrease Revenues<br><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                       |   |

- Fund Sources Affected**    **Affected Ch. 20 Appropriations**
- GPR     FED     PRO     PRS     SEG     SEG-S

**Assumptions Used in Arriving at Fiscal Estimate:**

The bill provides for creation of a local cultural arts district in cities with population of more than 150,000, and is intended to allow the creation of such a district in Madison.

State Fiscal Effect

The bill provides a corporate income and franchise tax exemption for income earned by such districts, and a sales and use tax exemption for sales to or purchases by such districts. These districts would be exempt from corporate and sales taxes under current law as a government entity, so the exemptions have no fiscal effect.

Income of bonds issued by a local cultural arts district would be exempt from the individual and corporate income tax. Information on the amount of bonds issued by the proposed Madison district or other potential districts is not available. Assuming a 6.25% interest rate and a 6.5% marginal tax rate, every \$10,000,000 in outstanding bonds would result in an annual revenue loss of approximately \$40,000 (\$10,000,000 X 0.0625 X 0.065), if all the bonds were held by individuals subject to the Wisconsin income tax.

SEG state forestry taxes would decrease by \$20 for each \$100,000 of exempt property under the bill.

Local Fiscal Effect

The bill exempts from property tax the cultural arts facilities of a cultural arts district, with two exceptions:

(continued on page two)

**Long-Range Fiscal Implications:**

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- ♦ property that is not part of a cultural arts facility if the property is used for a retail business or restaurant that is not exempt from property tax, unless the business or retail is operated by the cultural arts district or certain nonprofit associations, and
- ♦ parking lots or parking structures that are not used to support the operation of a cultural arts district.

At a tax rate of \$26 per \$1,000 of value, for each \$100,000 of exempt property of a cultural arts district that would be taxable in the absence of the bill, \$2,600 ( $\$100,000 \times 0.026$ ) in property taxes are shifted from a cultural arts district to owners of other taxable property.

Also under the bill, a sponsoring city of a cultural arts district may fix and collect a sum to be paid annually in lieu of the amount of property taxes that would be levied by the city on the property that is exempt. If a sponsoring city fixes such a payment at a rate of \$9 per \$1,000 of value, revenue of the sponsoring municipality would increase by \$900 for each \$100,000 of value ( $\$100,000 \times 0.009$ ).

