

# **STATE OF WISCONSIN**

## **REPORT OF THE JOINT SURVEY COMMITTEE ON TAX EXEMPTIONS**

### **1999 ASSEMBLY BILL 726**

[Introduced by Representatives Townsend, Porter, Musser, J. Lehman, Spillner, Hundertmark, Owens, Goetsch, Petrowski and Freese; cosponsored by Senators Breske, Roessler, Plache and Welch.]

#### **General Nature of Proposal**

The bill makes numerous changes to various property tax provisions of state law. Provisions affecting tax exemptions contained in the bill are more fully described below.

#### **Computer Equipment**

Under current law, computer equipment is exempt from the tax on personal property if the property owner files a return with the taxation district assessor that provides information about the computer equipment, including the equipment's fair market value. If a person who is required to file a return fails to report information about any exempt computer equipment owned by the person, the person is subject to a penalty of \$10 for every \$100 of value of such equipment and the taxation district collects the penalty. In addition, under current law, the state compensates a taxation district for the tax revenue that the district loses as a result of exempting computer equipment from the tax on personal property.

Under the bill, if the person who is required to file a return fails to report information about any exempt computer equipment owned by the person, the person is subject to a penalty of \$10 for every \$1,000 of value of such equipment and the Department of Revenue (DOR) collects the penalty. Under the bill, DOR may audit returns that are related to exempt computer equipment and, as the result of such an audit, adjust the payments made to taxation districts to compensate for the tax revenue that the district loses as a result of exempting computer equipment from the personal property tax.

#### **Treatment Plant and Pollution Abatement Equipment**

Under current law, treatment plant and pollution abatement equipment are exempt from the property tax, but the owners of the plants or equipment must apply to the DOR for their property tax exemptions. Under the bill, only utilities and certain insurers will be required to apply for the exemption.

#### **Legality Involved**

There are no questions of legality involved.

**Fiscal Effect Upon the State and Its Subdivisions**

The DOR estimates the fiscal effect of the above provisions as follows:

**Computer Equipment**

**Fiscal Effect.** No penalties were collected in 1999, the first year that exempt computer property was required to be reported. Future penalties are also expected to be minimal.

**Treatment Plant and Pollution Abatement Equipment**

**Fiscal Effect.** This provision has no fiscal effect on units of local government. The provision will require minor revisions to the waste treatment exemption application form and the *Wisconsin Property Assessment Manual*. The cost of these changes can be absorbed.

**Public Policy Involved**

The provisions of the bill affecting tax exemptions are good public policy.

March 14, 2000

Representative Eugene Hahn  
P.O. Box 8952  
Madison, WI 53708

E-mail: [Rep.hahn@legis.state.wi.us](mailto:Rep.hahn@legis.state.wi.us)

RE: AB 726

Dear: Representative Hahn:

I am writing to you as President of the Wisconsin Association of Assessing Officers (WAAO), a professional organization representing assessors throughout the state. WAAO is dedicated to professionalism in the assessment field. Our mission is to continually improve the assessment process through education and involvement.

WAAO was very involved in early discussions with the Department of Revenue (DOR) in brainstorming ideas to continue to "professionalize" all assessors by raising the standards for more equitable and fair assessments. AB 726 embodies many of the ideas that the DOR and WAAO agreed on. **We support AB 726 with a minor amendment.**

Section 11 and 12, 19, and 20, dealing with the penalty for failure to report information concerning exempt computers, should be deleted from this bill. These issues have been before the legislature and the Governor in the latest budget bill. The measures were not passed then and they should not be passed now, at least not in this bill. This measure is important enough to be considered as a separate bill, not attached as an "add-on" to this proposal.

Thank you for your consideration of this proposal.

Sincerely,

Robert Lorier  
President, WAAO



WISCONSIN ASSOCIATION OF ASSESSING OFFICERS

March 14, 2000

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P.O. Box 8952  
Madison, WI 53708

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Robert Lorier  
President, WAAO

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## DOR Property Tax Draft - AB 726 (LRB 4266/1)

### Eliminate Waste Treatment Application Form Requirement

Under the bill, manufacturers would no longer be required to file an application with DOR to get a waste treatment exemption. DOR would administer the exemption by using information from separate M-Forms used by manufacturers to report their property. This will save about 300 hours of DOR time annually as well as printing and mailing costs, and will save manufacturers the hassle of filling out the forms currently required. Manufacturers file more than 500 applications annually.

### Changes to Wisconsin's Assessment Noncompliance Law

The bill would shorten the time that taxation districts are allowed to remain out of compliance from 8 years to 4 years (if a district has not been assessed at a value that is within 10% of its full value, DOR may supervise a district assessment). And the bill eliminates the requirement that local assessors participate in DOR training in assessment procedures before DOR conducts a supervised assessment of the property.

Also, the bill redefines a major class of property from 5% of the full value of the district to 15% of the full value of the district. This is more representative of a "major" class.

Finally, the bill defines agricultural land as a major class of property. Agricultural land was part of a major class of property along with swamp/waste and forest, but was removed from this statute when ag land values were frozen at 1995 values for 1996 and 1997 and phased in for 1998 and 1999. Because the assessed and equalized values were frozen at their 1995 values, ag land values could not be accurately measured. Now that we have moved beyond the freeze, there is no reason to exclude ag land as a major class any longer.

These changes are strongly supported by Wisconsin Assn of Assessing Officers and Wis Towns Assn.

### Notice Requirement for Property Tax Assessment Changes

The bill provides an exception to the current 15-day notice requirement for property tax assessment changes if the property owner and the assessor both agree to the changed assessment (i.e., the assessment is lowered). Currently, if a property is assessed at a different value than the previous year, the assessor must notify the property owner of the difference at least 15 days before the meeting of the taxation district's board of review or board of assessors. The concern with current law is a slowing of the process. This provision will result in labor savings for assessors and speedier changes for property owners.

### Correction to Exempt Property Fines and Computer Exemption Administration

1997 Act 237 provided an exemption from property tax for computers and requires the state to compensate taxing jurisdictions for their tax revenue loss. To determine the state payment to taxing jurisdictions, owners of the exempt property must report the value of that property on their personal property returns.

Act 237 imposes a fine of \$10 per \$100 of unreported exempt value if a property owner fails to report the exempt property. This means the fine is four times as much as the tax would be if the property were taxable. LRB 4266/1 changes the fine to \$10 per \$1,000 of unreported value, a more reasonable amount.

Also, Act 237 made no provisions for administration and disposition of fines. LRB 4266/1 requires the taxation district clerk to notify DOR of instances of unreported property. Also, requires DOR to audit and, where appropriate, adjust computer compensation payments and assess the fine.

Finally, LRB 4266/1 changes the current law term "forfeiture" to "penalty" which is a more common term for tax law fines (forfeiture is typically used in criminal law).

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