

2001 DRAFTING REQUEST

Senate Amendment (SA-SB55)

Received: 05/18/2001

Received By: jkreye

Wanted: As time permits

Identical to LRB:

For: Legislative Fiscal Bureau 6-9916

By/Representing: Olin

This file may be shown to any legislator: NO

Drafter: jkreye

May Contact:

Addl. Drafters:

Subject: Tax - property

Extra Copies:

Submit via email: NO

Requester's email:

Pre Topic:

LFB:.....Olin -

Topic:

Motion 245: property tax exemption for UW Foundation

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	jkreye 05/18/2001	jdyer 05/18/2001	jfrantze 05/21/2001	_____	lrb_docadmin 05/21/2001		
	jkreye 06/04/2001	jdyer 06/04/2001		_____			
/2			jfrantze 06/04/2001	_____	lrb_docadmin 06/04/2001		

FE Sent For:

<END>

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FE Sent For:

1/2 9/4 jld
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/1	jkreye	1 5/18 jld	5/21	Self 5/21			

FE Sent For:

<END>

13-3
in

Senator Burke *MOVE*
Representative Gard *SEC*

SHARED REVENUE AND TAX RELIEF -- PROPERTY TAXATION

Property Tax Exemption for the University of Wisconsin Medical Foundation

Motion:

Move to modify the current property tax exemption for the University of Wisconsin Hospitals and Clinics Authority to extend to all property owned by and leased to the University of Wisconsin Medical Foundation. Provide that the use of the property must be primarily related to the purposes of the foundation. Specify that the exemption would first apply to property assessed as of January 1, 2002.

Note:

The taxable value of property owned by or leased to the University of Wisconsin Medical Foundation is unknown. To the extent that taxable property would become exempt, the taxes on that property would be shifted to property that remains taxable. Also, the amount of state forestry tax collections would decrease by an unknown amount.

[Change to Base: Unknown]

13-3
in

SHARED REVENUE AND TAX RELIEF -- PROPERTY TAXATION

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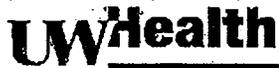
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[Change to Base: Unknown]



University of Wisconsin
Medical Foundation

Administration
555 Zor Shrine Place
Madison, WI 53719-2068

608.821.4100
608.821.4103 Fax

TO: Joint Committee on Finance Members
FROM: Dr. Jeffrey Grossman
UWMF Chief Executive Officer
RE: UWMF Position Paper
Clarification to Non-Profit Medical Research Foundation Tax Exemption
DATE: May 8, 2001

1. EXECUTIVE SUMMARY

1. The UW Medical Foundation (UWMF) is a support organization for medical research and education, and is organized as a non-profit foundation. UWMF is recognized by the Internal Revenue Service as exempt from the federal income tax under Internal Revenue Code (I.R.C.) § 501(c)(3). UWMF is an academic multispecialty physician group that supports the UW Medical School with its three missions of research, teaching and patient care. UWMF physicians are dedicated to providing quality patient care, charity care, conducting research, and providing medical education and training to medical students and resident physicians.
2. UWMF believes that its properties currently qualify for exemption from taxation under Wis. Stat. § 70.11(25), as property owned and used by a non-profit foundation as a support organization for medical research and education. The Wisconsin Department of Revenue has orally confirmed that UWMF's property is exempt under the existing statutes. In addition, five municipalities have recognized the relevant statutes and have exempted UWMF's property from taxation.
3. It is critical for UWMF to maintain its exemption from the payment of taxes on its properties in order to effectively meet its multiple patient care, research, and academic missions, and to maintain the economic benefits it currently provides to the State and the community.
4. In contradiction to the Wisconsin Department of Revenue's opinion and other municipalities' treatment of UWMF's property as exempt, the City of Madison and other municipalities have refused to acknowledge UWMF's tax exempt status.
5. As a result, UWMF has paid the taxes (now in excess of \$1 million/year) and has commenced a refund claim action in Dane County Circuit Court.
6. The diversion of funds to support litigation to secure an exemption from taxation places an additional economic burden on UWMF.
7. Therefore, UWMF is requesting that existing statute Wis. Stat. § 70.11(38), which exempts certain property owned and used by University of Wisconsin Hospital and Clinics Authority, be amended to specifically clarify that all the properties owned or leased by UWMF in support of its missions also qualify for property tax exemption.
8. The requested amendments to the existing statutory language, which specifically refer to UWMF, would apply only to UWMF, an entity supporting a medical school of a higher education institution.

II. INTRODUCTION

This memorandum begins by describing UWMF's structure and the benefits it provides to the University, State and community. The memo then describes the conceptual background surrounding the current tax situation, and the resulting need for a legislative budget amendment that will confirm and clarify UWMF's existing exemption from taxation on properties used by UWMF for clinical, research, and teaching purposes.

It is important to emphasize that UWMF, the Department of Revenue, and five municipalities believe that UWMF's property currently qualifies for exemption under Wis. Stat. § 70.11(25), as property owned and used by a non-profit foundation. While five municipalities believe that UWMF's properties qualify for exemption under existing statutes, other municipalities have not recognized this status, forcing the UWMF to seek other remedies for securing its property tax exemption. To remedy the inconsistent municipal interpretation and treatment of UWMF property under current tax law, UWMF is requesting that Wis. Stat. § 70.11(38) which exempts certain property owned and used by the University of Wisconsin Hospital and Clinics Authority, be amended to stipulate that all property owned or leased by UWMF in support of its missions qualifies for property tax exemption.

III. UWMF STRUCTURE

Purpose: UWMF is a support organization for medical research and education, and is organized as a non-profit foundation. UWMF is recognized by the Internal Revenue Service as exempt from the federal income tax under Internal Revenue Code (I.R.C.) § 501(c)(3). UWMF is an entity authorized by the UW Board of Regents. All of the physicians employed by the UWMF are also employees of the UW Medical School, and have teaching, research, and administrative responsibilities to the University and the State. The UWMF also generates quality jobs that provide a positive economic impact throughout the State. Through its supporting relationship with the UW Medical School, UWMF physicians conduct medical research, provide education and training for medical students, resident trainees and practicing physicians, and provide charity care for Wisconsin residents.

History: UWMF was established on January 1, 1996. Currently, UWMF is an organization comprised of 805 physicians and governed by a 25-member Board of Directors composed of physicians, the public and University members. The Dean of the Medical School and the UW-Madison Vice Chancellor of Administration are participants in the governance of UWMF. UWMF physicians care for patients at 50 locations around the State and at UW Hospital and Clinics, Meriter Hospital and other statewide facilities. UWMF physicians also provide outreach services at many other facilities. More than 1,500 non-physician employees provide clinical, technical and administrative support.

UWMF acquired the Physicians Plus Medical Group on February 1, 1998. The acquisition was reviewed and approved by the Federal Trade Commission and the Wisconsin Attorney General. The acquisition has supported the teaching mission of the UW Medical School, and has enhanced UWMF's ability to execute its non-profit missions in the following ways:

- Physicians Plus doctors have become UW Medical School faculty and, therefore, provide teaching, research and patient care.
- Patients have benefited from the combined organizations in that they now have an increased choice in the number of physicians and provider locations.

- Through its acquisition of Physicians Plus, UWMF has been able to increase the number of patient care sites in which its medical residents can be educated and trained, which is an important function that supports the accreditation of the UW Medical School.

Provider Locations: UWMF conducts research, instruction and education, and provides quality medical care at 50 locations throughout Wisconsin, including Madison, Milwaukee, Appleton, Eau Claire and Wausau. Of these 50 provider locations, UWMF currently owns and leases several properties and is seeking property tax exemption where these services are provided.

Benefits of UWMF: The benefits provided by UWMF have a local, state, national and international impact. These benefits include the following:

- UWMF properties are used for medical research, education, and the provision of diagnostic and treatment facilities for destitute individuals, including those who may not be eligible for assistance from other charitable or governmental institutions. In 2000, UWMF contributed charitable care services totalling over \$6 million.
- UWMF physicians devote a large segment of their time to providing patient care in the context of teaching medical students (undergraduate), residents (graduate) and other health professions students (professional and continuing education).
- UWMF is one of Dane County's largest employers, with approximately 805 physicians and 1,500 non-physician employees.
- Patients of UWMF receive state-of-the-art care. UWMF physicians have been nationally recognized as outstanding providers. Over one hundred UW faculty physicians are included in the 1999 edition of The Best Doctors in America database. In 2000 alone, 377,700 patients were served and over 1 million outpatient visits were held.
- In 2000, UWMF provided approximately \$66 million in direct financial support to the UW Medical School for faculty teaching salaries, medical education, research and operations functions. In 2001, UWMF payments to the UW Medical School are budgeted for approximately \$70 million to support these activities.
- The UW Medical School is one of the country's leading biomedical research institutions and has a worldwide reputation for extensive contributions to the advancement of medicine. Recruitment of sufficient patients for clinical trials is dependent on the availability of a large patient base.
- UWMF physicians provide substantial medical care at no cost to the State for patients with financial hardships. They also provide, without reimbursement, outpatient and inpatient care for the State's correctional institution inmates.
- UWMF physicians provide substantial care on a *pro bono* basis in developing countries through their work in organized international health projects.
- UWMF financially supports causes that benefit the public good, including contributions to the Center for Tobacco Research and Intervention (\$150,000) and support (donated system availability and support, terminals and lease lines at no cost, and staff time) of the Madison Community Health Center.

IV. CONCEPTUAL BACKGROUND

In 1997, UWMF acquired property located in the City of Madison (at 8007 Excelsior Drive). Because property is assessed as of January 1st of each year, the exempt status of this property was first at issue for the 1998 tax year. In 1998, UWMF acquired PPMG, and, as a result, acquired additional properties in Madison and 11 other municipalities, all located in Dane County. The exempt status of these additional properties was first at issue for the 1999 tax year. UWMF filed timely property tax exemption requests in 1998 and 1999, but received no response (either approving or denying the exemption requests) from most of the municipalities. UWMF thereafter made timely payment of the 1998 and 1999 property taxes - of approximately \$70,000 for 1998 and \$1.2 million for 1999 - and subsequently filed refund claims. The refund claims were denied, by operation of statute or otherwise, forcing UWMF to file an action in Dane County Circuit court to recover the 1998 and 1999 taxes paid. UWMF will soon be required to commence another action with regard to the refund claims for the 2000 tax year.

The action currently pending in Dane County Circuit Court is based on UWMF's exemption under Wis. Stat. § 70.11(25), as a non-profit support organization for medical research and education. UWMF's position is supported by a redacted written opinion of the Wisconsin Department of Revenue finding that an entity providing patient care through clinics and supporting research activities is exempt from Wisconsin property tax. The Department has orally conveyed to UWMF that it also qualifies for exemption. It is significant to note that no other organization in Wisconsin supports the UW Medical School (or any other medical school) to the same extent and scope as UWMF supports the UW Medical School.

In summary, UWMF has been attempting for approximately three and a half years to resolve this issue. UWMF has offered payment in lieu of tax (PILOT) agreements to pay for cost of municipal services, which were not accepted. This extended process has been costly to UWMF. UWMF is concerned that even if it is successful in its attempt to recover a refund of the taxes it has paid, such outcome will not be achieved for years to come. The resulting additional costs will hinder UWMF's ability to meet its service missions. Moreover, should UWMF not prevail, its services may have to be curtailed, with the possibility of reduced services being provided in certain locations.

V. CONCLUSION

UWMF is a support organization for medical research and education and is organized as a non-profit foundation. UWMF is recognized by the Internal Revenue Service as exempt from the federal income tax under Internal Revenue Code (I.R.C.) § 501(c)(3). As such, UWMF has to meet multiple University, State and community obligations. UWMF's properties are being used to meet these obligations by successfully conducting medical research, providing education and training to medical students and resident physicians, and providing charity care. UWMF's properties are also being used to meet these obligations by providing quality jobs in these properties that provide a positive economic impact throughout the State and the community. Therefore, it is critical that UWMF's current property tax exemption be clarified so that UWMF may continue to effectively carry out and meet its multiple education, research and patient care missions, and to retain the positive economic benefits it currently provides to the State and the community. If UWMF is not successful in securing the property tax exemption clarification, payment of the property tax dollars will negatively impact UWMF's ability to fulfill its charitable purpose and education, research and patient care missions. Without property tax exemption clarification, the current situation may have a rippling effect on medical services that are provided in Wisconsin and ultimately it may be the Wisconsin constituents that will suffer.

VI. REQUESTED ACTION

Wis. Stat. § 70.11(38) be amended to read:

(38) University of Wisconsin Hospitals and Clinics Authority and University of Wisconsin Medical Foundation. Notwithstanding the provisions of s. 70.11 (intro.) that relate to leased property, all property owned by ~~the University of Wisconsin Hospitals and Clinical Authority~~ and all property leased to the University of Wisconsin Hospitals and Clinics Authority ~~that is owned by the state~~ and all property owned by and leased to the University of Wisconsin Medical Foundation, provided that use of the property is primarily related to the purposes of the authority or the foundation.

Jakel, Carri

From: Kussow, Matt
Sent: Tuesday, May 08, 2001 4:19 PM
To: Jakel, Carri
Subject: Motion requests

As we discussed, I need two motions for tomorrow:

1. UW Hospitals: Amend 70.11(38) to read : (38) University of Wisconsin Hospitals and Clinics Authority and University of Wisconsin Medical Foundation. Notwithstanding the provisions of s. 70.11 that relate to leased property, all property owned by and leased to the University of Wisconsin Hospitals and Clinics Authority and all property owned by and leased to the university of Wisconsin Medical Foundation, provided that use of the property is primarily related to the purposes of the authority or the foundation.
2. MU: increase the number of students who qualify for assistance from 25 to 40 per year. Appropriate the necessary GPR to accommodate the increase. Note: we don't want the individual level of tuition assistance to increase.

Thanks for your help. Let me know if this is confusing.

Joe -

ignore item 2.

RO



State of Wisconsin
2001 - 2002 LEGISLATURE

LRBb0306/1

JK:.....

Jld

LFB:.....Olin - Motion 245: property tax exemption for UW Foundation

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

LFB AMENDMENT

TO 2001 SENATE BILL 55 AND 2001 ASSEMBLY BILL 144

m 5-18-01
SOON

1 At the locations indicated, amend the bill as follows:

2 1. Page 936, line 15: after that line insert:

3 "SECTION 2108m. 70.11 (38) of the statutes is amended to read:

4 70.11 (38) UNIVERSITY OF WISCONSIN HOSPITALS AND CLINICS AUTHORITY AND
5 UNIVERSITY OF WISCONSIN MEDICAL FOUNDATION. Notwithstanding the provisions of
6 s. 70.11 (intro.) that relate to leased property, all property owned by the University
7 of Wisconsin Hospitals and Clinics Authority and all property leased to the
8 University of Wisconsin Hospitals and Clinics Authority that is owned by the state,
9 provided that the use of the property is primarily related to the purposes of the
10 authority and all property owned by and leased to the University of Wisconsin



State of Wisconsin
2001 - 2002 LEGISLATURE

LRBb0306/1
JK:jld:jf

LFB:.....Olin – Motion 245: property tax exemption for UW Foundation
FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION
LFB AMENDMENT
TO 2001 SENATE BILL 55 AND 2001 ASSEMBLY BILL 144

in 6-4-01
SOON

1 At the locations indicated, amend the bill as follows:
2 **1.** Page 936, line 15: after that line insert:
3 **“SECTION 2108m. 70.11 (38) of the statutes is amended to read:**
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5 **UNIVERSITY OF WISCONSIN MEDICAL FOUNDATION.** Notwithstanding the provisions of
6 s. 70.11 (intro.) that relate to leased property, all property owned by the University
7 of Wisconsin Hospitals and Clinics Authority and all property leased to the
8 University of Wisconsin Hospitals and Clinics Authority that is owned by the state,
9 provided that the use of the property is primarily related to the purposes of the
10 authority and all property owned by and leased to the University of Wisconsin
11 Medical Foundation, provided that the use of the property is primarily related to the
12 purposes of the foundation.”

revert to plain text

revert

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10 authority and all property owned by and leased to the University of Wisconsin
11 Medical Foundation, provided that the use of the property is primarily related to the
12 purposes of the foundation.”.

