Wisconsin Department of Administration
Division of Executive Budget and Finance
DOA-2048 (R07/2000)

Fiscal Estimate - 2001 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **01-2221/2**	Introduction Number **AB-335**

Subject

Late payment of property taxes

Fiscal Effect

State:
- ☐ No State Fiscal Effect
- ☐ Indeterminate
  - ☐ Increase Existing Appropriations
  - ☐ Decrease Existing Appropriations
  - ☐ Create New Appropriations
  - ☐ Increase Existing Revenues
  - ☐ Decrease Existing Revenues
  - ☐ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☐ No
  - ☐ Decrease Costs

Local:
- ☐ No Local Government Costs
- ☐ Indeterminate
  1. ☒ Increase Costs — ☒ Permissive ☐ Mandatory
  2. ☐ Decrease Costs — ☐ Permissive ☐ Mandatory
  3. ☐ Increase Revenue — ☐ Permissive ☐ Mandatory
  4. ☒ Decrease Revenue — ☒ Permissive ☐ Mandatory
  5. Types of Local Government Units Affected
     ☒ Towns ☒ Village ☒ Cities ☒ Counties ☐ Others ☐ School Districts ☐ WTCS Districts

Fund Sources Affected

☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 5/4/01

LRB Number **01-2221/2**	Introduction Number **AB-335**	Estimate Type **Original**
Subject Late payment of property taxes		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, property taxes are due by January 31 but taxpayers have the option of paying the tax in installments, at no interest. However, if an installment is late, the entire unpaid balance is subject to interest from February 1, regardless of the date the installment was due. Interest is assessed at 1% per month and a penalty, typically at 0.5% per month, is assessed by about half the counties.

Under the bill, a unit of government to which taxes are paid may enact an ordinance providing that a first installment that is paid within 3 business days after January 31 is not delinquent if the taxpayer had made timely property tax payments in each of the 5 previous years and the taxpayer had paid in installments the previous year. The ordinance may also provide that if a second or subsequent installment is late, but earlier installments were paid timely, the late subsequent installment is not delinquent but is subject to interest and penalties from the day after the installment was due rather than from February 1 as under current law.

The bill does not apply to the City of Milwaukee.

The fiscal effect of the bill is due to the potential reduction in interest and penalties where such ordinances are enacted. Since counties typically collect late-paid and delinquent taxes, they would bear most of the revenue loss under the bill. In addition, counties and municipalities would incur costs to revise their tax accounting systems to track payments dates.

For purposes of the analysis of the fiscal effect, it is assumed that all property tax collections would be subject to the ordinances authorized by the bill. The discussion of the fiscal effect is then divided between the revenue loss attributable to the first installment and the revenue loss attributable to subsequent installments.

First Installments. Based on department data on taxes payable in 2000, about $176 million in taxes on real property was delinquent as of February 1. Since the counties that impose a penalty for delinquent payments contain about 75% of total equalized value, penalties are calculated at 0.375% (0.5% x 75%) per month or fraction thereof. Assuming 10% of delinquent taxes are paid within 3 business days after January 31, interest and penalties would be about $0.2 million ($176 x 10% x 1.375%) under current law.

Under the bill, only the first installments--accounting for half of the $176 million or $88 million--would be subject to interest and penalties if paid within 3 business days after January 31. Assuming 10% of the late first installments are paid within 3 business days, interest and penalties paid to the county or municipality would be about $0.1 million ($88 x 10% x 1.375%) under the bill. Thus, interest and penalties would decrease by about $0.1 million under the bill.

Subsequent Installments. Based on department data on taxes payable in 2000, an estimated $76 million in taxes on real property was delinquent as of August 1. Of the $76 million, it is assumed that 25% ($19 million) had been delinquent since February 1 and so would not be affected under the bill. Thus, the bill would only affect the $57 million that was not paid by July 31.

Regardless of the date the taxes became delinquent, interest and penalties are calculated from February 1 under current law. If $5.7 million of the delinquent taxes is paid each month for the 10-month period beginning in August, a total of $9.0 million in interest and penalties would be paid.

Under the bill, the $57 million that became "late" on August 1 is subject to interest only from August 1 rather than from the preceding February 1. Assuming $5.7 million is paid in each of the next 10 months, a total of about $4.3 million in interest and penalties would be paid on taxes that were late on August 1. Thus, interest and penalties would decrease by about $4.7 million ($9.0 million - 4.3 million) under the bill.

Summary. If counties and municipalities adopt ordinances implementing the bill, total interest and penalties could decrease by as much as $4.8 million ($0.1 million + 4.7 million) under the bill.

Administrative Effects. If counties and municipalities elect to enact an ordinance to implement the bill, they will incur a one-time cost to reprogram their billing and collection systems. Data are not available to estimate these costs.

The bill would require minor revisions in the property tax bill and training materials, the costs of which the Department would absorb.

Long-Range Fiscal Implications

Wisconsin Department of Administration
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Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

County and municipal programming costs – not estimated.

II. Annualized Costs:	**Annualized Fiscal Impact on funds from:**	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	$	
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	**$**	**$**
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		

III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)		
	Increased Rev	Decreased Rev
GPR Taxes	$	$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	**$**	**$**

NET ANNUALIZED FISCAL IMPACT

	State	Local
NET CHANGE IN COSTS	$	$
NET CHANGE IN REVENUE	$	$(4,800,000)

Agency/Prepared By	**Authorized Signature**	**Date**
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