

Assembly Hearing Slip

(please print plainly)

Date: 12/12/01

Bill No. AB647

Or Subject

Name Gail Sumi

Street Address or Route Number 14 W. Michigan

City, State, ZIP Code Madison

E-Mail Address gail@wisconsin.org

Organization You Represent Dr. Allison Fischer

Speaking in Favor:

Speaking Against:

Registering in Favor:

Registering Against:

Speaking for Information Only, neither for nor against:

Please promptly return this slip to the messenger at the hearing.

Provided by: Assembly Sergeant at Arms http://www.assemblysergeant.com

AB647 5

Tom Andy - Our Computer went down this morning - no printer

Assembly Hearing Slip

(please print plainly)

Date: 12-12-01

Bill No. AB 647

Or Subject

Name Tom Durak - DOR

Street Address or Route Number

City, State, ZIP Code

E-Mail Address

Organization You Represent

Speaking in Favor:

Speaking Against:

Registering in Favor:

Registering Against:

Speaking for Information Only, neither for nor against:

Please promptly return this slip to the messenger at the hearing.

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Assembly Hearing Slip

(please print plainly)

Date: 12/13/01

Bill No. AB 647

Or Subject

Name Bob Michael Johnson

Street Address or Route Number 1030 State Capital

City, State, ZIP Code Madison

E-Mail Address

Organization You Represent self - author

Speaking in Favor:

Speaking Against:

Registering in Favor:

Registering Against:

Speaking for Information Only, neither for nor against:

Please promptly return this slip to the messenger at the hearing.

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# Assembly Hearing Slip

(please print plainly)

Date: 12/2/01

Bill No. AB 647

Or  
Subject \_\_\_\_\_

Name Curt Witynski

202 State Street  
Street Address or Route Number

Madison, WI 53703  
City, State, ZIP Code

Witynski@lum-info.org  
E-Mail Address

League of WI Municipalities  
Organization You Represent

Speaking in Favor:	<input type="checkbox"/>
Speaking Against:	<input type="checkbox"/>
Registering in Favor:	<input checked="" type="checkbox"/>
Registering Against:	<input type="checkbox"/>
Speaking for Information Only, neither for nor against:	<input type="checkbox"/>

**Please promptly return this slip to the messenger at the hearing.**

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Assembly Sergeant at Arms  
<http://www.assemblysergeant.com>

647

How is paid

Amend → Tax Appeals Commission

↓  
Final Reviewing Authority

Restores Compromise

647

Portion of compromise that was vetoed by gov.

DRR supports. Portions should not have been vetoed.

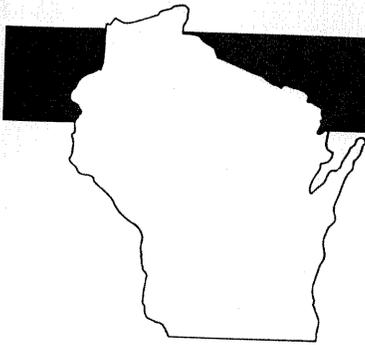
↳ Amend for "final determination"

↳ Amend for sum set. to sum cert.

~~scribble~~







# WISCONSIN ALLIANCE OF CITIES

14 W. MIFFLIN STREET #206 • MADISON, WI 53703-2576  
(608) 257-5881 FAX 257-5882 • EMAIL: wiscall@inxpress.net

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- Green Bay
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- Kenosha
- La Crosse
- Madison
- Manitowoc
- Marinette
- Marshfield
- Menasha
- Merrill
- Milwaukee
- Monroe
- Neenah
- Oshkosh
- Racine
- Sheboygan
- Stevens Point
- Superior
- Two Rivers
- Watertown
- Waukesha
- Wausau
- Wauwatosa
- West Allis
- West Bend
- Whitewater
- Wisconsin Rapids

December 12, 2001

To: Members of the Assembly Ways and Means Committee

From: Gail Sumi, Intergovernmental Coordinator

Re: AB 647 – Manufacturing Assessment

The Wisconsin Alliance of Cities supports AB 647, relating to manufacturing assessment. Because the state and not municipalities assess manufacturing property, responsibility for paying the interest if an assessment is successfully appealed rightfully lies with the state.

Let me explain, when manufacturers successfully appeal an assessment of their property, the refund of the overage puts cities in a bind. Even though the state is responsible for assessing the property, current law requires the city to pay the refund and the interest - at a rate of 9.6% annually. Although overlying taxing jurisdictions reimburse the city for their portion of the refund, the city alone is responsible for the interest payment.

The bill will require the state to pay the interest on manufacturing property if a reviewing authority finds that the assessment was excessive or that the property should be exempt. It caps the interest at a reasonable rate and allows the state to provide the refund to the municipality in the biennium following the municipality's outlay.

In addition, AB 647 allows the municipality to provide a refund in five installment payments if certain conditions are met. This will allow the municipality to plan for the refund in their budgeting process and will lessen the impact on property taxpayers.

We ask for your support of AB 647 and thank you for your consideration of our comments.



202 State Street  
Suite 300  
Madison, Wisconsin 53703-2215

608/267-2380  
800/991-5502  
Fax: 608/267-0645

E-mail: [league@lwm-info.org](mailto:league@lwm-info.org)  
[www.lwm-info.org](http://www.lwm-info.org)

**To: Representative Michael Lehman, Chair, Assembly Ways and Means Committee  
Members of Assembly Ways and Means Committee**

**From: Curt Witynski, Assistant Director, League of Wisconsin Municipalities**

**Date: December 12, 2001**

**Re: Support for Assembly Bill 647, Tax Refunds on Manufacturing Property**

The League of Wisconsin Municipalities supports AB 647, allowing municipalities to pay large manufacturing property tax refunds in 5 annual installments and requiring the state to reimburse municipalities for interest payments on manufacturing property tax refunds. We want to thank Rep. M. Lehman for authoring this important bill making the manufacturing assessment process in this state fairer for municipalities.

We support the bill for two reasons. First, it would allow municipalities, except the cities of Madison and Milwaukee, to spread the cost of large manufacturing property tax refunds over five years. Some communities around the state have in the past faced unanticipated, significantly large manufacturing property tax refund liabilities. This bill would allow municipalities in the future to spread such unanticipated liabilities over five budgets.

The second reason we support the bill is that it requires the state to reimburse municipalities for interest paid on manufacturing property tax refunds. Under current law, the municipality alone is responsible for paying the interest owed on manufacturing property tax refunds. We think it is only fair that since the state is responsible for assessing manufacturing property, the state should be responsible for the interest owed on refunds when it turns out that the assessed value was incorrectly determined. Under the bill, the state would not reimburse interest paid on refunds resulting from claims of unlawful tax or excessive assessment or of interest accrued after the date of the determination of the appeal by the tax appeals commission. According to the fiscal estimate prepared by DOR, the total state costs for reimbursing municipalities for interest payments are not expected to be significant.

For the foregoing reasons, we urge the Committee to vote in favor of recommending passage of AB 647. Thanks for considering our comments.



# WISCONSIN ALLIANCE OF CITIES

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- Kaukauna
- Kenosha
- La Crosse
- Madison
- Manitowoc
- Marinette
- Marshfield
- Menasha
- Merrill
- Milwaukee
- Monroe
- Neenah
- Oshkosh
- Racine
- Sheboygan
- Stevens Point
- Superior
- Two Rivers
- Watertown
- Waukesha
- Wausau
- Wauwatosa
- West Allis
- West Bend
- Whitewater
- Wisconsin Rapids

December 12, 2001

To: Members of the Assembly Ways and Means Committee

From: Gail Sumi, Intergovernmental Coordinator

Re: AB 647 – Communication from Two Rivers

Please find reproduced on the back of this memo correspondence from the City of Two Rivers in support of AB 647, related to manufacturing assessment. The letter arrived after the public hearing this morning.

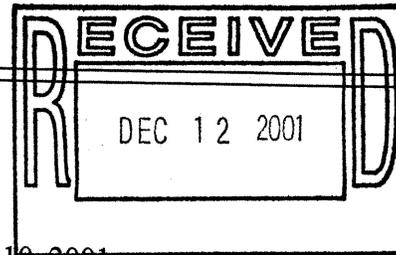
We look forward to your support of this legislation. If you have concerns or questions that will keep you from supporting the bill, please contact me in advance of the executive session on January 16, 2002.

Thank you.

WHYTE  
HIRSCHBOECK  
DUDEK S.C.

W  
H  
D  
LAW

John M. Bruce  
920-683-3500  
jbruce@whdlaw.com



December 10, 2001

Ms. Gail Sumi  
Intergovernmental Coordinator  
Wisconsin Alliance of Cities  
14W. Mifflin, Suite 206  
Madison, WI 53703

Re: Assembly Bill 647

Dear Gail:

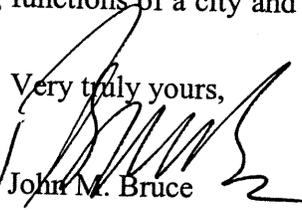
I regret that I am unable to come to Madison this Wednesday for the Committee meeting regarding Assembly Bill 647.

As you are aware, the City of Two Rivers, which I represent, was required in the late 1990's to refund a very substantial amount of manufacturing taxes, plus interest, when an assessment of property made by the Wisconsin Department of Revenue was overturned by the Tax Appeals Commission. The Department of Revenue elected not to appeal the decision of the Commission overturning the Department's assessment, relying on its authority to "nonacquiesce" to the decision under Section 73.01(4)(e).

Pursuant to that statute, the Commission's decision was not binding on the Department in future cases. However, the decision was binding as to the City, and, as a result, the City was compelled to refund what was for it a huge amount in taxes paid pursuant to an assessment it did not make. It had no reason to believe the assessment would be found invalid, and so had no reason to believe it would be liable for the refund, plus interest.

At that time, no provision was made in the law allowing the City to pay the refund in installments, as proposed in AB 647, nor were there limitations on the amount of interest payable as is proposed. If the proposed Bill becomes law, municipalities, especially small municipalities, will be given some relief from what can be a potentially enormous burden which has significant implications for the budgeting and planning functions of a city and other jurisdictions within the impacted taxation district.

Very truly yours,

  
John M. Bruce

JMB/blt

cc: Mr. Gregory E. Buckley, City Manager

MAN/688638.1

1028 SOUTH 9TH STREET P.O. Box 2225 MANITOWOC, WI 54221-2225  
TELEPHONE: (920) 683-3500 and (920) 682-8181 FAX: (920) 683-9844 and (920) 682-2123 INTERNET: www.whdlaw.com  
OFFICES IN MILWAUKEE, WI • MADISON, WI • MENOMONEE FALLS, WI • MANITOWOC, WI

Assembly Bill 647

- 1 Assembly Bill 647 allows municipalities to pay manufacturing property tax refunds in five annual installments, changes the interest rate on refunds of manufacturing property taxes and reimburses municipalities for interest paid on these refunds.
2. Under current Law, the department of revenue, rather than municipalities, assesses manufacturing property for property taxes. If the owner of manufacturing property appeals the assessment, the municipality is required to refund the amount to the manufacturer, in one lump sum. In addition, the municipality is required to pay the manufacturer interests and refund amount at the rate of 9.6 percent annually.
3. Assembly Bill 647 would provide an option for a municipality to refund manufacturing property taxes in five annual installments, rather than in one lump sum. This installment method would be available if:  
the municipalities property tax levy for general operations for the year of the refund is less than \$100 million (excludes Milwaukee Madison and Green Bay, based in 2001 tax levy).  
The amount of the refund is at least one-quarter of one percent of the municipalities tax levy for general operations for the year of the refund;  
the amount of the refund is more than \$10,000.
4. The bill also changes the interest rate paid on refunds. Currently, the interest rate is 9.6 percent annually (.8 percent a month). The bill would provide that the interest rate would be either at a rate of 10 percent a year or a rate determined by the last auction of six-month treasury bills, whichever is less. (Currently, about 1.6 percent).
5. The bill would require the department of administration, each biennium, to refund interest paid by municipalities on refunds of manufacturing property taxes. This payment would be made both for refunds made under the installment method provided by the bill and under the lump sum method.
- 6.. The bill would first apply to the refund of taxes based on the January 1st, 2001 property tax assessment.
7. Interest paid the decision of final reviewing authority not just AAC.

## MEMORANDUM

December 3, 2001

**TO:** Joseph Kreye  
Legislative Reference Bureau

**FROM:** Brian Pahnke  
Department of Revenue

**SUBJECT:** Technical Memorandum on AB 647 - Appeals of Property Taxes Imposed on Manufacturing Property

The department is concerned by language in Section 4 of the bill. Under section 4, the department of administration would reimburse municipalities for interest payments made in the previous biennium that "has accrued up to the date of the determination of the tax appeals commission of the municipality's obligation". There are two concerns. First, the language limits the state's obligation to interest accrued up until a determination at the tax appeals commission (TAC). Should an appeal of the TAC determination result in interest payments by the municipality, the municipality would not be reimbursed for interest accrued after the TAC's determination. Secondly, a TAC determination may relate to the property's valuation and may not address the "municipality's obligation".

To address these two concerns, it may be preferable to replace the phrase "determination of the tax appeals commission of the municipality's obligation" with "determination of the final reviewing authority". Thus, the department of administration would reimburse municipalities for interest accrued up to the date of the determination made by the final reviewing authority.

If you have questions regarding this technical memorandum, please contact Rebecca Boldt at 266-6785.

### Fiscal Estimate - 2001 Session

Original     
  Updated     
  Corrected     
  Supplemental

**LRB Number** 01-3539/1     
 **Introduction Number** AB-647

**Subject**  
 Appeals of property taxes imposed on manufacturing property

**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
  - Villages
  - Cities
  - Counties
  - Others
  - School Districts
  - WTCS Districts

**Fund Sources Affected**

GPR   
  FED   
  PRO   
  PRS   
  SEG   
  SEGS 20.835(2)(bm)

**Affected Ch. 20 Appropriations**

**Agency/Prepared By**

DOR/ Rebecca Boldt (608) 266-6785

**Authorized Signature**

Brian Pahnke (608) 266-2700

**Date**

12/4/01

## Fiscal Estimate Narratives

DOR 12/5/01

LRB Number 01-3539/1	Introduction Number AB-647	Estimate Type	Original
Subject Appeals of property taxes imposed on manufacturing property			

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, manufacturing property owners may contest the valuation of their property to the state board of assessors; appeal of decisions by the board of assessors are made to the tax appeals commission. Tax appeal commission decisions may be appealed to the circuit court for Dane County.

Under current law, if a reviewing authority has not completed its work with respect to a particular objection prior to the time the property tax is extended, the tax levy is based on the contested assessed value of the property. If the reviewing authority subsequently reduces the valuation of property, the taxpayer may file a claim for a refund. Interest on the refund is paid at the rate of 0.8% per month. The municipality may charge back to the other taxing jurisdictions their share of the refund but cannot charge back the interest paid.

Under the bill, a municipality may pay the refund for manufacturing claims in five annual instalments if the following conditions are met:

- 1) The municipality's property tax levy for general obligations for the year for which the taxes are to be refunded is less than \$100 million;
- 2) The refund is at least 0.25% of the municipality's levy for its general operations; and
- 3) The refund is more than \$10,000.

Each instalment, except the final one, must be equal to 20% of the sum of the refund and interest. Under the bill, the annual rate of interest is 10% or the rate determined by the last auction of six-month U.S. treasury bills, whichever is less.

Under the bill, the department of administration shall refund municipalities for interest costs paid for refunds on manufacturing property due to reduced valuation by a reviewing authority.

The bill would allow municipalities, except for the cities of Madison and Milwaukee, to spread the cost of sizable manufacturing property tax refunds over five years.

The interest paid on manufacturing refunds would be tied to six-month U.S. treasury bills. According to the November 29, 2001 Wall Street Journal, the annual yield on a six-month U.S. treasury bill is 1.91%. Assuming a 2% annual rate of interest for a \$100,000 refund with interest accruing for one year, a refund paid in equal instalments over five years, the bill would result in the attached payment schedule.

Thus, the total interest paid under the bill would be \$6,080 over five years compared to \$9,600 ( $\$100,000 \times 0.8\% \times 12$  months) paid in one year under current law. Interest costs would rise as the discount rate for six-month treasury bills increases. For example, a discount rate of 5% on six-month U.S. treasury bills would result in total interest costs of approximately \$15,500 compared to \$9,600 under current law.

Municipalities would be reimbursed for interest on manufacturing property tax refunds resulting from a reduced valuation by a review authority. However, the state would not reimburse interest paid on refunds resulting from claims of unlawful tax or excessive assessment or for interest accrued after the date of the determination by the tax appeals commission. Thus, if a municipality chooses to refund manufacturing property taxes in instalments over five years, the state would reimburse the municipality for the first year's interest payment only.

Data are not available to estimate total interest costs statewide; however, the total state costs are not expected to be significant.

### Long-Range Fiscal Implications

**AB 647: Payment Schedule for \$100,000 Refund  
12 Months Interest, 5-Instalments**

<u>Instalment</u>	<u>Outstanding Refund</u>	<u>Annual Interest Payment</u>	<u>Instalment Amount</u>
1	\$ 100,000	\$ 2,000	\$ 21,216
2	80,784	1,616	21,216
3	61,184	1,224	21,216
4	41,192	824	21,216
5	20,800	416	21,216
<b>TOTAL:</b>		\$ 6,080	\$ 106,080

## Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>01-3539/1</b>		Introduction Number <b>AB-647</b>	
Subject Appeals of property taxes imposed on manufacturing property			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
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			
<b>TOTAL State Costs by Category</b>		\$	\$
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, etc.)			
	Increased Rev	Decreased Rev	
GPR Taxes			
GPR Earned	\$		\$
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	\$		\$
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State	Local	
NET CHANGE IN COSTS			
NET CHANGE IN REVENUE	\$See text of fiscal note.	\$See text of fiscal note.	
	\$		\$
Agency/Prepared By DOR/ Rebecca Boldt (608) 266-6785		Authorized Signature Brian Pahnke (608) 266-2700	Date 12/4/01