Wisconsin Department of Administration
Division of Executive Budget and Finance

# Fiscal Estimate - 2005 Session

[X] Original [ ] Updated [ ] Corrected [ ] Supplemental

| LRB Number **05-1910/2** | Introduction Number **AB-212** |
|---|---|

**Subject**

Property tax deferrals based on improvements to residential property

**Fiscal Effect**

**State:**

- [ ] No State Fiscal Effect
- [ ] Indeterminate
  - [ ] Increase Existing Appropriations
  - [ ] Decrease Existing Appropriations
  - [ ] Create New Appropriations
  - [ ] Increase Existing Revenues
  - [X] 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. [X] Increase Costs — [X] Permissive [ ] Mandatory
  2. [ ] Decrease Costs — [ ] Permissive [ ] Mandatory
  3. [ ] Increase Revenue — [ ] Permissive [ ] Mandatory
  4. [ ] Decrease Revenue — [ ] Permissive [ ] Mandatory
  5. Types of Local Government Units Affected
     [X] Towns [X] Village [X] Cities
     [ ] Counties [ ] Others
     [ ] School Districts [ ] WTCS Districts

**Fund Sources Affected**

[ ] GPR [ ] FED [ ] PRO [ ] PRS [X] SEG [ ] SEGS

**Affected Ch. 20 Appropriations**

| Agency/Prepared By | Authorized Signature | Date |
|---|---|---|
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## Fiscal Estimate Narratives

## DOR 3/31/2005

| LRB Number **05-1910/2** | Introduction Number **AB-212** | Estimate Type **Original** |
|---|---|---|
| **Subject** | | |
| Property tax deferrals based on improvements to residential property | | |

### Assumptions Used in Arriving at Fiscal Estimate

Current law requires taxation districts to assess property at market value.

Under the bill, a municipality would be allowed to enact an ordinance to exclude the value of improvements made to a principal dwelling unit from the unit's assessed value for up to three years.

From 2002 to 2004, the equalized value of new residential construction, including improvements, averaged $5.6 billion per year. Based on discussions with Department appraisers, it is estimated that 15% of this amount is attributed to new improvements and 85% is attributed to new construction. If all municipalities enacted ordinances under the bill and assuming all improvements were to principal dwelling units, about $840 million ($5.6 billion x 15%) of equalized value would become exempt from taxation during the first year. Over a three year period, $2.5 billion would become exempt. At the 2003 average state property tax rate of $20.01 per $1,000 of property value, about $50 million ($2.5 billion x 0.02001) of property taxes would be shifted annually to other taxable property when the exemption is fully implemented.

Property assessment costs would increase in municipalities that enact ordinances to exclude the value of improvements for three years as assessors would be required to monitor the amounts of excluded improvements and the length of exclusions.

State forestry revenues would decrease by $0.5 million ($2.5 billion x 0.0002) under the bill.

### Long-Range Fiscal Implications

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# Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

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**Subject**

Property tax deferrals based on improvements to residential 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 | | |
| **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 (Forestry) | | -500,000 |
| **TOTAL State Revenues** | **$** | **$-500,000** |
| **NET ANNUALIZED FISCAL IMPACT** | | |
| | State | Local |
| NET CHANGE IN COSTS | $ | $ |
| NET CHANGE IN REVENUE | $-500,000 | $ |

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