

STATE OF WISCONSIN
REPORT OF THE JOINT SURVEY COMMITTEE ON TAX EXEMPTIONS

2005 SENATE BILL 3

[Introduced by Senators Kanavas, Reynolds and A. Lasee; cosponsored by Representatives Jensen, Nischke, Vrakas, McCormick, Richards and Ziegelbauer.]

General Nature of Proposal

Under current law, real property is generally subject to the property tax unless exempted by law. Current law contains a number of property tax exemptions, including one for property owned by a nonprofit organization that operates a theater if the property includes one or more buildings that are listed on the National Register of Historic Places and one or more theaters that have a total seating capacity of at least 800 persons.

Current law also contains an exemption for all of the property owned or leased by a tax exempt organization if the property contains one or more outdoor theaters for performing theater arts which have a total seating capacity of not less than 400 persons.

Additionally, current law contains an exemption for property of a local cultural arts district.

The bill creates another theater and arts-related property tax exemption. Under the bill, all property owned or leased by a corporation, organization, or association that is exempt from taxation section 501 (c)(3) of the Internal Revenue Code is exempt from taxation if all of the following conditions apply:

- The property is used for the purposes for which the exemption under section 501 (c)(3) of the Internal Revenue Code was granted.
- The property includes one or more buildings that are owned or leased by the corporation, organization, or association and that are located within, or are surrounded by, a municipal park.
- The property includes one or more theaters for the performing arts that are operated by the corporation, organization, or association and the seating capacity of the theater or theaters is not less than 600 persons.
- The property includes facilities that are used for arts education.

The exemption under the bill would first apply to property tax assessments as of January 1, 2005.

It appears that the exemption created by the bill is intended to apply to the Sharon Lynne Wilson Center for the Arts in Brookfield, Wisconsin. The "Fiscal Effect" portion of this report contains more details on the facility in question.

Legality Involved

There are no questions of legality involved.

Fiscal Effect Upon the State and Its Subdivisions

The Department of Revenue explains the fiscal effect of the bill as follows:

The bill would provide an exemption for all property owned or leased by a non-profit entity under section 501 (c)(3) of the Internal Revenue Code if the property includes buildings owned or leased by the entity, including one or more theaters with a seating capacity of at least 600 persons, and is located within or surrounded by a municipal park.

The exemption is intended for the Sharon Lynne Wilson Center for the Arts. The property is currently owned by the City of Brookfield and is located in a park in the city. The Wilson Center for the Arts, a non-profit entity that provides performances, exhibitions and educational programs, leases the property. The Elmbrook School District leases performance and rehearsal space in the facility for a portion of the year. The arts facility was financed by the city, but the non-profit entity is paying off the cost of the facility through the lease agreement.

Under current law, personal property owned by the Wilson Center is taxable. In 2004, the Center's personal property was assessed at \$117,000 and its taxes were about \$2,500. Under the bill, the \$2,500 in taxes would be shifted to owners of taxable property in Brookfield.

Currently, the real property used by the center is exempt from tax because it is owned by the city. However, once the entity has paid off the cost of the facility, the intent is to transfer ownership of the property from the city to the non-profit entity. Under current law, the property would become taxable at the time of the transfer, expected to be in about 17 years. Because the transfer would occur so far off in the future, its effect cannot be estimated since the value of the property and the tax rate at the time of the transfer cannot be known.

State forestry taxes would decrease by about \$25 per year under the bill.

The bill would require minor revisions to the Wisconsin Property Assessment Manual, various forms and publications, the cost of which can be absorbed.

Public Policy Involved

This bill is good public policy.