

Fiscal Estimate - 2005 Session

Original Updated Corrected Supplemental

LRB Number 05-4284/1		Introduction Number SB-570	
Description The property tax exemption exemption for property owned by certain benevolent or educational associations and the use of income from certain tax-exempt leased property			
Fiscal Effect			
State:			
<input type="checkbox"/> No State Fiscal Effect			
<input checked="" type="checkbox"/> Indeterminate			
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Increase Existing Revenues	<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
<input type="checkbox"/> Decrease Existing Appropriations	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Create New Appropriations		<input type="checkbox"/> Decrease Costs	
Local:			
<input type="checkbox"/> No Local Government Costs			
<input checked="" type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Towns	<input type="checkbox"/> Village <input type="checkbox"/> Cities
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	<input type="checkbox"/> Counties	<input type="checkbox"/> Others
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> School Districts	<input type="checkbox"/> WTCS Districts
Fund Sources Affected		Affected Ch. 20 Appropriations	
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS			
Agency/Prepared By		Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 2/17/2006

LRB Number	05-4284/1	Introduction Number	SB-570	Estimate Type	Original
Description The property tax exemption exemption for property owned by certain benevolent or educational associations and the use of income from certain tax-exempt leased property					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, certain property of a benevolent association is exempt from the property tax. No definition of "benevolent" is provided, however. In addition, current law specifies that if exempt property is leased, the property retains its exempt status only if the lease income is applied toward maintenance of or debt retirement related to the leased property.

2003 Wisconsin Act 195 directed the Legislative Council to study property tax exemptions for housing. 2005 AB 573 contains the recommendations of the Legislative Council's Study Committee. This bill includes both similarities and alternatives to the study committee's recommendations.

Under the bill, a benevolent association is defined as an organization that is exempt from taxation under 501(c) of the Internal Revenue Code. Section 501(c) includes not only charitable, religious, education or scientific organizations, but also labor organizations, social and recreation clubs, chambers of commerce, and other entities.

Under the bill, separate subdivisions are created for tax exemptions for educational associations, churches and religious associations, women's clubs, historical societies, libraries, and fraternal societies. The exemption for housing owned and used by churches and religious associations to house pastors, ordained assistants and teachers, and members of religious orders is moved to the subdivision on churches and religious associations. Separate subdivisions are also created for non-residential property owned by benevolent associations and for low and moderate income housing owned by Wisconsin Housing and Economic Development Authority (WHEDA) sponsors.

Under the bill, a new subdivision is created that applies to residential property owned by benevolent associations, churches, and religious associations. Under this subdivision, residential property owned by these entities is exempt if it is any of the following:

- (1) a nursing home licensed under sec. 50.03;
- (2) a community-based residential facility licensed under sec. 50.03;
- (3) an adult family home certified under sec. 50.032 or licensed under sec. 50.033;
- (4) a residential care apartment complex registered or certified under sec. 50.034;
- (5) a domestic abuse shelter;
- (6) a shelter for the homeless;
- (7) housing for low-income persons that meet certain Internal Revenue Service requirements;
- (8) residential facilities whose primary purpose is providing services relating to alcohol or drug abuse;
- (9) residential housing in which at least one person has a permanent disability that meets certain eligibility requirements of the Social Security Administration; or
- (10) housing for elderly (defined as 62 years or older) if the community-based residential facility is associated with a nursing home or residential care apartment complexes.

In addition, the bill specifies that leasing property as residential housing may not render it taxable if all leasehold income is used to further the benevolent or educational activities of the owner or, for churches and religious associations, to further the religious activities of the church or association.

The bill applies retroactively to property tax assessments beginning January 1, 2004.

It is expected that most housing that is currently exempt from property taxes under current law will remain exempt under the bill. However, by defining benevolent associations as those organizations under section 501(c) of the Internal Revenue Code and by specifically enumerating certain properties, the bill may broaden the current property tax exemption.

The January 1, 2004, effective date could also require municipalities to make property tax refunds to owners

of newly exempt properties.

The Department of Revenue does not have data to estimate the shift in property taxes from any newly exempt property owners to owners of remaining taxable property that may occur as a result of the bill.

To the extent that additional property becomes exempt from property taxes under the bill, state forestry tax collections will decrease. This impact is expected to be minimal.

Long-Range Fiscal Implications