

Fiscal Estimate Narratives

DOR 9/22/2011

LRB Number	11-0390/1	Introduction Number	AB-0236	Estimate Type	Original
Description Property tax exemptions for certain machinery and tangible personal property used to conduct research.					

Assumptions Used in Arriving at Fiscal Estimate

The bill creates a property tax exemption from both real estate taxes and personal property taxes for machinery and equipment and other tangible personal property used exclusively and directly in qualified research by persons who are primarily engaged in manufacturing or biotechnology, but not including embryonic stem cell research.

The Department of Revenue (DOR) does not have information which would permit an accurate estimate of the amount of existing property that would be exempt from property taxation under the bill. However, based on information from a National Science Foundation (NSF) survey in 2007, the DOR estimates that the taxable amount of such property in Wisconsin is roughly \$660 million. This estimate assumes Wisconsin's share of manufacturing and biotechnology research and development is equal to the state's share of overall industrial research and development expenditures as identified by the NSF survey. It further assumes that investments in applicable research and development equipment depreciate at 10% annually and that a portion of the equipment is already exempt from taxation under the existing computer equipment exemption.

Under the bill, the state forestation property tax, currently imposed at a rate of about \$0.17 per \$1,000 full value, would decline by about \$112,000. Based on the statewide average net property tax rate (excluding the state rate) for 2010/11 of about \$19.22 per \$1,000 full value, about \$12.7 million in property taxes would be shifted from owners of the affected research property to all remaining taxable property.

The proposed exemption first applies to property assessments as of January 1, 2011.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Property tax exemptions for certain machinery and tangible personal property used to conduct research.			
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, etc.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S (Forestry)		-112,000
	TOTAL State Revenues	\$	-\$112,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-112,000	\$
Agency/Prepared By		Authorized Signature	Date
DOR/ Daniel Huegel (608) 266-5705		Paul Ziegler (608) 266-5773	9/22/2011