

## 2013 DRAFTING REQUEST

### Bill

Received: 9/9/2013 Received By: mshovers  
Wanted: As time permits Same as LRB:  
For: Thomas Weatherston (608) 266-0731 By/Representing:  
May Contact: Drafter: mshovers  
Subject: Local Gov't - counties Addl. Drafters:  
Local Gov't - munis generally Extra Copies: EVM, JK

Submit via email: YES  
Requester's email: Rep.Weatherston@legis.wisconsin.gov  
Carbon copy (CC) to:

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#### Pre Topic:

No specific pre topic given

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#### Topic:

Require local governments which receive payments for services from tax exempt entities to share the payments with the overlying taxation districts

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#### Instructions:

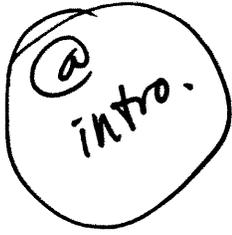
See attached

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#### Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	mshovers 9/10/2013			_____			
/P1	mshovers 9/12/2013	kfollett 9/10/2013	jfrantze 9/10/2013	_____	sbasford 9/10/2013		State S&L
/1		kfollett 9/12/2013	jfrantze 9/12/2013	_____	mbarman 10/25/2013	rose 10/25/2013	State S&L

FE Sent For:

A hand-drawn circle containing the text '@ intro.' written in a cursive, handwritten style.

<END>

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*See attached*  
**Changed**

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*re-submitted via e-mail*

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For:	<b>Robin Vos (608) 266-9171</b>	By/Representing:	<b>Craig</b>
May Contact:		Drafter:	<b>mshovers</b>
Subject:	<b>Local Gov't - counties Local Gov't - munis generally</b>	Addl. Drafters:	
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1/1NES 9/12/11/15/12  
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1?	mshovers	1P/1gf					
1P/1MS	9/10/13	9/10					

FE Sent For:

<END>

## Shovers, Marc

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**From:** Kreye, Joseph  
**Sent:** Friday, September 06, 2013 9:53 AM  
**To:** Shovers, Marc  
**Subject:** FW: Draft request - Payment for Services Parity  
**Attachments:** JT City Gets Payment in Deal.pdf

Mr. Shovers,

I'm not sure what to do with this one. Would this be something that belongs in a chapter related to local government?

**Joseph T. Kreye**  
Senior Legislative Attorney  
Legislative Reference Bureau  
608 266 2263

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**From:** Summerfield, Craig  
**Sent:** Thursday, September 05, 2013 5:04 PM  
**To:** Kreye, Joseph  
**Subject:** Draft request - Payment for Services Parity

Hi Joe,

As you know, local units of government sometimes seek *payment for services* agreements with a local entity in lieu of collecting. The Speaker would like to request a bill draft that would require these local units of government to share the revenue from a payment for services agreement with other local taxing bodies. Under the bill, the percentage share for each body would need to be proportional to what each local taxing body would have collected if the property was subject to taxation.

For your reference, please see the attached article from the Racine Journal Times.

Feel free to call me with any questions.

Best,

**Craig Summerfield**  
Policy Advisor  
Office of Speaker Robin Vos  
217 West, State Capitol  
Phone: (608) 266-3387

# The Journal Times

PAYMENTS

## City gets payment in deal

With nonprofits exempt from property taxes, other taxing bodies seek dollars elsewhere



AUGUST 12, 2013 6:56 AM • CARA SPOTO  
CARA.SPOTO@JOURNALTIMES.COM

RACINE — A “payment for services” deal Racine recently cut with the new owner of the now property-tax-exempt buildings McMynn Towers and Sunset Terrace Apartments will mean the city will get paid for services it provides the complexes.

The deal, while positive for the city, won't provide any dollars to other taxing bodies that, like the city, once collected tens of thousands of dollars in property taxes from the structures.

The problem isn't with the deal itself, say some local officials, but recent state laws that have increased the number of buildings that are exempt from paying property taxes.

Approved by the City Council earlier this summer, the deal was requested by the city after the new owner of the building, Future Wisconsin Housing Fund Inc., a nonprofit

corporation, asked that it be exempted from paying property taxes under a provision in the 2009 state budget. The provision essentially allows nonprofit, benevolent associations that own low-income or retirement housing complexes to qualify for property tax exemptions.

The arrangement is nothing new for the city. It already has similar agreements with about eight other nonprofit entities, the bulk of them for assisted living facilities or apartment complexes that are also exempt from property taxes. It collects about \$125,000 a year from those deals, according to Assistant Finance Director Kathleen Fischer.

While the deals ensure the city gets reimbursed for services like fire and rescue calls, other taxing bodies, like the Racine Unified School District, that may have collected taxes from the properties in the past must look for those dollars elsewhere.

That's a problem — not for the taxing bodies themselves — but for everyone else left paying the bills, many of them average homeowners, Racine Unified's Budget Director

Marc Duff said.

"The way property taxes work is we set a levy ... and it is spread across all taxable property," Duff said. "So if somebody doesn't pay (taxes) and they are exempt, it ends up increasing (the taxes) for everyone else."

In 2011, Racine Unified collected just less than \$40,000 in property tax revenue from McMynn Towers. Next year the taxing body won't collect any tax dollars from the building.

State lawmakers push for property tax exemptions without thinking about the consequences on the taxpayers that are left on the rolls, said Robert Hankel, a local attorney who handles a lot of the city's tax cases, and City Assessor Ray Anderson.

With levies and tax rates affected each year by state aid, developments and property values, it would be impossible to determine just what the impact on an average homeowner might be in any given year, however.

### **The agreement**

2. After initially challenging the nonprofit's request regarding McMynn Towers and Sunset Terrace Apartments, the City Attorney's Office and members of the City Council's Finance and Personnel Committee agreed to honor the exemption in exchange for the "payments for municipal services" agreement later approved by the council.

"We came to the conclusion that it was appropriate to grant them the exempt status. In exchange for that, they agreed to pay the city for services," Hankel explained. "Obviously, in these low-income housing projects services are still badly needed, probably more so than in other properties."

Future Wisconsin would have paid more than \$85,500 in 2012 property taxes to the city for McMynn Towers, 100 Seventh St., and around \$65,000 for Sunset Terrace, 5539 Byrd Ave. Now, instead of cutting a check for taxes, the Middleton-based nonprofit will pay about \$75,000 a year for services at

McMynn and about \$65,000 a year for services at Sunset.

While the bulk of properties that are exempt from property taxes — crops, managed forest land, hospitals, schools and government-owned land — have been that way for decades or longer, over the years other types of properties have been added to the list.

A measure passed by the Legislature in 2005, for example, exempted any property less than 10 acres in size owned by Goodwill Industries. In 2009, the Legislature also added property tax exemptions for nonprofit community theaters, nonprofit residential care and service facilities, student housing facilities owned by nonprofits and snowmobile clubs.



*gfr*  
*pmr*

**PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION**

*WANTED:  
today*

*gen*

- 1 **AN ACT ...; relating to:** requiring a city, village, town, or county to share with
- 2 overlying taxation ~~districts~~ <sup>jurisdictions</sup> certain payments for potential services received
- 3 from a tax-exempt entity.

**Analysis by the Legislative Reference Bureau**

This bill requires a city, village, town, or county (political subdivision) that receives a payment from a nonprofit entity, for a service it might render to tax-exempt property owned by the entity, to share that payment with all of the overlying taxation ~~districts~~ <sup>jurisdictions</sup>. Under the bill, the political subdivision and each of the overlying taxation ~~districts~~ <sup>jurisdictions</sup> may retain only the same proportional amount that they would have received from the entity if the property in question was not tax-exempt and had in fact paid property taxes to all of the relevant taxation ~~districts~~ <sup>jurisdictions</sup>.

For further information see the **state and local** fiscal estimate, which will be printed as an appendix to this bill.

**The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:**

- 4 **SECTION 1.** 66.0629 of the statutes is created to read:
- 5 **66.0629 Payments for <sup>potential</sup> services ~~provided~~.** (1) **DEFINITIONS.** In this section:

1 (a) "Agreement" means any type of agreement entered into between an entity  
 2 and a political subdivision under which the entity agrees to make payments to the  
 3 political subdivision for a service that the political subdivision may provide to the  
 4 property that is owned by the entity and subject to the property tax exemption.

5 (b) "Entity" means a nonprofit entity that claims a property tax exemption  
 6 under s. 70.11 (4), (4a), or (4d) for property owned by the entity.

7 (c) "Political subdivision" means a city, village, town, or county.

8 (d) "Service" has the meaning given in s. 66.0627 (1) (c).

X  
 X  
 \*\*\*NOTE: Does this definition, which is from the statute authorizing a city, village,  
 or town to impose special charges, meet your intent? Because the definition uses the word  
 "includes" instead of "means" the list of specified items clearly is not exclusive. See, for  
 example, *Rusk v. City of Milwaukee*, 298 Wis. 2d 407, 416-417 (2006).

9 (2) PAYMENTS FOR SERVICES. (a) If a political subdivision receives any payment  
 10 from an entity under an agreement, the political subdivision may not retain the  
 11 entire amount of the payment. The political subdivision may retain the amount  
 12 received multiplied by a fraction, the denominator of which is the total amount of  
 13 property taxes that the entity would have paid, in the taxable year to which the  
 14 exemption applies, on the property to which the agreement applies if the entity did  
 15 not claim the tax exemption, and the numerator of which is the amount of property  
 16 taxes the political subdivision would have received from the entity for that property  
 17 in that taxable year.

18 (b) Any payment received by a political subdivision, as described under par. (a),  
 19 that the political subdivision may not retain shall be forwarded to the overlying  
 20 taxation ~~district~~ <sup>jurisdictions</sup> that would have collected property taxes on the property in that  
 21 taxable year if the entity did not claim the tax exemption. Each overlying taxation  
 22 ~~district~~ <sup>jurisdiction</sup> may retain the amount received by the political subdivision multiplied by a  
 23 fraction, the denominator of which is the total amount of property taxes that the

1 entity would have paid, in the taxable year to which the exemption applies, on the  
2 property to which the agreement applies if the entity did not claim the tax exemption,  
3 and the numerator of which is the amount of property taxes the overlying taxation  
4 ~~district~~ <sup>jurisdiction</sup> would have received from the entity for that property in that taxable year.

5 **SECTION 2. Initial applicability.**

6 (1) This act first applies to an agreement that is entered into on the effective  
7 date of this subsection. ✓

8 (END)



RMR

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

today

repen

1 AN ACT ~~to create~~ 66.0629 of the statutes; **relating to:** requiring a city, village,  
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*Analysis by the Legislative Reference Bureau*

This bill requires a city, village, town, or county (political subdivision) that receives a payment from a nonprofit entity, for a service it might render to tax-exempt property owned by the entity, to share that payment with all of the overlying taxation jurisdictions. Under the bill, the political subdivision and each of the overlying taxation jurisdictions may retain only the same proportional amount that they would have received from the entity if the property in question was not tax-exempt and had in fact paid property taxes to all of the relevant taxation jurisdictions.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

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7 (c) "Political subdivision" means a city, village, town, or county.

8 (d) "Service" has the meaning given in s. 66.0627 (1) (c).

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18 (b) Any payment received by a political subdivision, as described under par. (a),  
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21 that taxable year if the entity did not claim the tax exemption. Each overlying  
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4 overlying taxation jurisdiction would have received from the entity for that property  
5 in that taxable year.

6 **SECTION 2. Initial applicability.**

7 (1) This act first applies to an agreement that is entered into on the effective  
8 date of this subsection.

9 (END)

## Barman, Mike

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**From:** Barman, Mike  
**Sent:** Friday, October 25, 2013 9:37 AM  
**To:** Shovers, Marc  
**Subject:** RE: Payment for Services Bill Draft

Done ...

I changed the requestor and re-submitted it to Rep. Weatherston ... they can hit the jacket button in the e-mail whenever they are ready to have it jacketed.

MB

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**From:** Shovers, Marc  
**Sent:** Friday, October 25, 2013 9:27 AM  
**To:** Barman, Mike  
**Subject:** FW: Payment for Services Bill Draft

Hi Mike:

Could you please change the requester information on the file of this bill from Rep. Vos to Rep. Weatherston, and then verify with the Weatherston office that they'd like it jacketed? Thanks.

Marc

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**From:** Summerfield, Craig  
**Sent:** Thursday, October 24, 2013 5:09 PM  
**To:** Shovers, Marc  
**Cc:** Leiber, John  
**Subject:** Payment for Services Bill Draft

Hi Marc,

Can you please release this draft to Rep. Weatherston, so he can jacket the bill? I have cc'd John in Weatherston's Office.

Thanks,

Craig Summerfield  
Policy Advisor  
Office of Speaker Robin Vos  
217 West, State Capitol  
Phone: (608) 266-3387

**Rose, Stefanie**

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**From:** Leiber, John  
**Sent:** Friday, October 25, 2013 10:12 AM  
**To:** LRB.Legal  
**Subject:** Draft Review: LRB -3105/1 Topic: Require local governments which receive payments for services from tax exempt entities to share the payments with the overlying taxation districts

Please Jacket LRB -3105/1 for the ASSEMBLY.