



WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

2005 Wisconsin Act 405
[2005 Senate Bill 639]

**Interest on Manufacturing Property
Tax Refunds**

2005 Wisconsin Act 405 provides for reimbursement of the interest municipalities pay on property tax refunds for manufacturing property, and also changes the interest rate for such payments.

Under both prior law and the Act, the Department of Revenue assesses manufacturing property for property tax purposes. If the value of a manufacturing property is reduced or determined to be exempt, the taxpayer may file a claim with the municipality for a property tax refund, with interest, resulting from the reduction or exemption. The municipality pays the tax refund, with interest, to the taxpayer.

Under prior law, the municipality is reimbursed by each taxing jurisdiction for which it collects taxes, in proportion to the taxing jurisdiction's share of the refunded taxes, but not including any interest. *Under the Act*, 20% of the interest on tax refunds paid by the municipality, in general, is reimbursed to the municipality by the state Department of Administration (DOA). The taxing jurisdictions for which the municipality collected taxes reimburse the remainder of the interest to the municipality, in proportion to their share of the remaining (after the 20% paid by DOA) interest on the refunded taxes and in addition to their proportionate share of the refunded taxes.

The Act also changes the rate of interest paid to taxpayers on tax refunds for manufacturing property from the prior-law rate of 0.8% per month (9.6% per year) to the same rate that applies to taxes owed as a result of an underassessment of manufacturing property, i.e., "the average annual discount rate determined by the last auction of six-month U.S. treasury bills before the objection per day for the period of time between the time when the tax was due and the date that the claim was paid."

Effective Date: The Act takes effect on May 25, 2006. It first applies to refunds paid after July 1, 2006.

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This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents at the Legislature's Web site at: <http://www.legis.state.wi.us/>.