



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

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Joint Committee on Finance

Paper #600

Property Tax Bill Information (Shared Revenue and Tax Relief -- Property Taxation)

[LFB 2015-17 Budget Summary: Page 411, #2]

CURRENT LAW

State law directs the Department of Revenue (DOR) to prescribe the form of the property tax bill and requires the form to be uniform. Current law also requires the tax bill to show a number of specific items, which are listed in Discussion Point #1. Property tax bills are issued by municipalities in December, and become payable in the following year. Due to this function, state law refers to municipalities as taxation districts in certain instances.

GOVERNOR

Modify the current law provision that requires certain information to be included on the property tax bill to also require the bill to indicate: (a) the amount of the debt service from bonds issued by each taxing jurisdiction and the taxpayer's proportionate share of that amount; (b) the amount of any fees or charges assessed by each taxing jurisdiction that is collected in the tax levy and the taxpayer's proportionate share of that amount; (c) the amount of taxes levied for the maintenance and operation of each county, city, village, town, school district, and technical college district where the property is located; and (d) the amount of taxes levied to pay for all of the following: (1) the redemption charges on any bonded indebtedness or other long-term obligation incurred by each taxing jurisdiction where the property is located; (2) additional amounts levied pursuant to a referendum to exceed a tax levy limitation of a taxing jurisdiction where the property is located; and (3) the maintenance and operation of any taxing jurisdiction where the property is located, other than the jurisdictions listed under (c). This provision would first apply to property tax bills mailed to taxpayers in 2015.

DISCUSSION POINTS

1. Current law requires property tax bills to contain the following information: (a) the amount of school taxes allocable to the property (net of the school levy tax credit) for the prior year and the current year and the percent change between the years; (b) the amount of gross tax allocable to the property levied by each other taxing jurisdiction for the prior year and the current year and the percent change between the years; (c) the sum of the tax amounts allocated for each taxing jurisdiction, displayed for the prior year and the current year and the percent change between the years; (d) the lottery and gaming credit, if applicable, displayed for the prior year and the current year and the percent change between the years; (e) the first dollar credit, if applicable, displayed for the prior year and the current year and the percent change between the years; (f) the net property tax due, displayed for the prior year and the current year and the percent change between the years; (g) the net tax rate after distribution of the school levy tax credit; (h) the description of the property shown on the tax roll or an abbreviation of the description; (i) the amount of assessment issued by a drainage board or an indication that no assessment was issued, if the property is in a drainage district; (j) an indication of whether there are delinquent taxes on the property; (k) a notice of tax credits that may be available to taxpayers (homestead, farmland preservation, and school property tax); (l) a notice that taxpayers may request a copy of the tax receipt; and (m) an explanation of when taxes are due and to whom they must be paid.

2. Because DOR is responsible for prescribing tax forms, it has the authority to require the tax bill to show additional information. Currently, DOR requires the tax bill to display the amount of certain state aids received by the municipality, county, school district, and technical college district. The entire amount of the selected aid received by the various taxing jurisdictions is not displayed. Instead, a portion of each jurisdiction's total aid is allocated to the taxation district for display, based on the taxation district's value as a percent of each other jurisdiction's value.

3. Some of the required information is shown on the reverse side of the tax bill. All of this information is general in nature and not specific to the property that is the subject of the bill. It includes information on how to pay the bill and the consequences of failure to pay the bill in a timely manner. Also included is an explanation of the meaning of "estimated fair market value" and a listing of other tax credits for which the property may be eligible. Contact information is provided for the homestead credit, the farmland tax relief credit, the school property tax/rent credit, the farmland preservation credit, and property tax deferral loans for the elderly. Contact information is also provided for the lottery and gaming, first dollar, and school levy credits, which are displayed on the other side of the tax bill as reductions to the property's gross tax liability.

4. A copy of both pages of a hypothetical, current law tax bill is included as an attachment to this paper. Since the tax bill currently comprises almost two full pages, there is limited space for including additional items. While space could probably be found to incorporate the proposed information, the Committee may want to consider the bill's readability. While informing the property owner of the tax bill components is important, the primary purpose of the bill is to inform the owner of the amount to pay and the procedures and timing for paying the bill.

5. Some of the proposed items could be accommodated by removing the state aid information, which current law does not require (Alternative 2.a.). For example, "the amount of

taxes levied for the maintenance and operation of each county, city, village, town, school district, and technical college district where the property is located" could be included in the space where state aids are now reported. Another provision would require the display of "the amount of the debt service from bonds issued by each taxing jurisdiction and the taxpayer's proportionate share of that amount." The purpose of these two provisions may be to distinguish between the levy for operations and the levy for debt. However, the proposal does not specifically require the display of the taxpayer's share of the levy for maintenance and operations. If the taxes for operations and debt are displayed separately for counties, municipalities, school districts, and technical college districts, four lines would be added to the current tax bill format (five lines if the property is in a K-8/UHS combination). It is not clear that this is the effect of these provisions due to the manner in which the bill amends the current statutory provision. If this is the intent of the Committee, AB 21/SB 21 could be amended to clarify the provision, including language incorporating the effect of the school levy credit in the amounts shown for the individual taxpayer (Alternative 2.b., c., and f.).

6. Another provision would require listing the taxes levied for "the maintenance and operation of any taxing jurisdiction where the property is located, other than the jurisdictions listed" above. This requirement is similar to the provision described above, but would apply to special purpose districts and the state. Generally, special districts fund their operations through user fees and fund their capital plant through debt, which is repaid through a debt service tax levy. Property owners may be confused if their tax bills display no levy for operations and maintenance, but their tax bills display a tax liability. For special purpose districts, it may be preferable to include a single line on the tax bill denoting the district's total tax levy for all purposes and the property's allocated share of that levy (Alternative 2.d.).

7. The state levies a 0.17 mill tax on all property in the state for the state forestry program, and proceeds from the tax are deposited in the state conservation fund. The state levy is the product of a statutorily determined mill rate, so it is not determined each year in the same manner as the other tax bill components. This could be a reason for excluding the state forestry tax from the proposed requirement (Alternative 2.d.). If retaining this information is desired, the requirement could be specifically stated (Alternative 2.e.).

8. AB 21/SB 21 would require the tax bill to indicate "the amount of any fees or charges assessed by each taxing jurisdiction that is collected in the tax levy and the taxpayer's proportionate share of that amount." This provision's effect is unclear. Tax bills may include fees and charges, and these amounts are displayed in the lower right-hand corner of the bill. However, these amounts are distinct from the tax levy. This provision could refer to charges imposed by the state on underlying jurisdictions for state-provided services. For example, DOR imposes a fee each year on municipalities that contain manufacturing property to recoup a portion of DOR's cost of assessing that property. Also, the provision could refer to charges imposed by one local government on another. For example, property tax refunds are issued by municipalities, but in certain instances, municipalities may allocate a portion of the refund, as a charge, to other jurisdictions that imposed a tax on the property. In an April 13 letter to the Co-Chairs of the Committee, the Secretary of Administration recommended that this provision be deleted (Alternative 3.b.).

9. The proposal would also require the tax bill to reflect the amount of taxes levied to pay

for the redemption charges on any bonded indebtedness or other long-term obligation incurred by each taxing jurisdiction where the property is located. If the provision related to showing the debt service levy is adopted, this separate requirement could be deleted if there is concern about the overall amount of information to be displayed on the bill (Alternative 3.d.1.).

10. The bill would also require the display of additional amounts levied pursuant to a referendum to exceed a tax levy limitation of a taxing jurisdiction where the property is located. The April 13 letter from the DOA Secretary recommended that this provision be extended to the amounts approved by a town meeting (Alternative 2.g.). Unlike other elements which would appear for all or most tax bills, this provision would require a tax bill design that could accommodate information that would appear for only a limited number of taxing jurisdictions (Alternative 3.d.2.).

11. As noted above, DOR prescribes the format of the tax bill for use by local governments. If the budget bill becomes law on July 1, it would be important for DOR to prescribe the new tax bill format as quickly as possible. Many municipalities and counties contract with software vendors, and those vendors would need to reprogram computer code and test their revisions. This could require several months. If the Committee believes it would be difficult to perform these tasks before tax bills must be mailed (the third Monday in December under current law), the initial applicability of any changes could be delayed to apply to tax bills mailed in 2016, rather than 2015 (Alternative 4).

12. Local governments would bear increased costs related to this provision. Based on its experience in adding the first dollar credit to the tax bill, Waukesha County has estimated its additional costs at \$375,000. Costs for other local governments could vary considerably from this level, depending on whether they maintain their software in-house or, if not, the terms of their contracts with software vendors.

13. Local officials have suggested that current law requires local governments to disclose much of the information required under the proposal in a budget summary (s. 65.90 of the statutes). The summary must be published as a class 1 notice, except towns may post the notice in three public places and school districts may reproduce and distribute an annual report incorporating the summary at least 15 days prior to the annual meeting. Otherwise, all municipalities, counties, school districts, technical college districts, and all other public bodies with the authority to levy taxes must produce a budget summary, except the provision does not apply to the City of Milwaukee and Milwaukee County.

14. As an alternative to implementing statutory changes to the tax bill at this time, the Committee could amend the bill to instead direct DOR to study revising the tax bill format in consultation with local officials. Further, DOR could be directed to consider including the information specified in the AB 21/SB 21 proposal on the tax bill or in the budget summary required under current law. DOR could be required to submit a report on its findings to the Joint Committee on Finance by January 1, 2016, so legislation could be considered in the Spring, 2016, legislative floor periods (Alternative 5).

ALTERNATIVES

1. Approve the Governor's proposal to require the property tax bill to include additional information.
2. Modify the Governor's proposal and amend current law provisions regarding required information on the property tax bill, as follows:
 - a. Specify that the tax bill not reflect information on estimated state aids allocated to the taxation district;
 - b. Delete the provisions in the bill requiring the tax bill to indicate the amount of the debt service from bonds issued by each taxing jurisdiction and the taxpayer's proportionate share of that amount and, instead, require the display of the total taxes levied for debt service by each county, municipality, school district, and technical college district where the property is located for the previous year and for the current year and the percentage change between those years, and the amount of taxes allocated to the property for each of those years and the percentage change between those years;
 - c. Delete the provision requiring the tax bill to indicate the amount of taxes levied for the maintenance and operation of each county, city, village, town, school district, and technical college district where the property is located and, instead, require the display of the total taxes levied for operations by each county, municipality, school district, and technical college district where the property is located for the previous year and for the current year and the percentage change between those years, and the amount of taxes allocated to the property for each of those years and the percentage change between those years;
 - d. Delete the provision requiring the tax bill to indicate the amount of taxes levied to pay for the maintenance and operation of any taxing jurisdiction where the property is located, other than the jurisdictions listed above under (b) and (c), and, instead, require the display of the total taxes levied by each taxing jurisdiction, except for those listed above and except for the state, where the property is located for the previous year and for the current year and the percentage change between those years, and the amount of taxes allocated to the property for each of those years and the percentage change between those years;
 - e. Require the tax bill to display the amount of state taxes allocated to the property for the previous year and for the current year and the percentage change between those years;
 - f. Specify that the amount of school district taxes allocated to the individual property be reflected net of the school levy tax credit applied to that property in a manner to be determined by the Department of Revenue (a similar reduction would not be made to the aggregate school district tax levies shown on the tax bill); and/or
 - g. Add levy limit exclusions approved by a town meeting to the provision requiring the listing of amounts levied pursuant to a referendum to exceed a tax levy limitation.

3. Delete the provisions from the Governor's proposal that would require the tax bill to display:

a. the amount of the debt service from bonds issued by each taxing jurisdiction and the taxpayer's proportionate share of that amount;

b. the amount of any fees or charges assessed by each taxing jurisdiction that is collected in the tax levy and the taxpayer's proportionate share of that amount;

c. the amount of taxes levied for the maintenance and operation of each county, city, village, town, school district, and technical college district where the property is located; and/or

d. the amount of taxes levied to pay for all of the following: (1) the redemption charges on any bonded indebtedness or other long-term obligation incurred by each taxing jurisdiction where the property is located; (2) additional amounts levied pursuant to a referendum to exceed a tax levy limitation of a taxing jurisdiction where the property is located; and (3) the maintenance and operation of any taxing jurisdiction where the property is located, other than the jurisdictions listed under (c).

4. Modify the Governor's proposal by delaying the initial applicability of the provisions to tax bills mailed in 2016, instead of 2015.

5. Delete the Governor's proposal and require the Department of Revenue to study making revisions to the tax bill format in consultation with local officials. Direct DOR to consider including information on the tax bill related to amounts levied for debt service, operation and maintenance, fees and charges, and redemption charges on debt and other obligations and amounts authorized through a referendum or town meeting to exceed a tax levy limitation. Require DOR to consider whether the current law provision regarding local government budget summaries could be amended to include this information, as an alternative to including it on the tax bill. Direct DOR to include its findings and recommendations in a report to the Joint Committee on Finance by January 1, 2016.

6. Delete provision.

Prepared by: Rick Olin
Attachment

ATTACHMENT

Real Estate **STATE OF WISCONSIN**
PROPERTY TAX BILL FOR 2014
TOWN OF BADGER
AMERICA CO.

IMPORTANT: Correspondence should refer to tax number
See reverse side for Important Information

Be sure this description covers your property. This description is for property tax bill only and may not be a full legal description.

LEGAL DESCRIPTION
PART OF THE FIRST ADDITION
TO THE SECOND ADDITION
CONSISTING OF 1 LOT

BILL AND SUE HOMEOWNER
RR 9
BADGER, WI 58425

PARCEL # 12-116-0029-0000

Assessed Value Land 42,894	Ass'd. Value Improvements 100,086	Total Assessed Value 142,980	Ave. Assmt. Ratio 95.000%	Net Assessed Value Rate (Does NOT reflect credits) .0209474
Est. Fair Mkt. Land 45,151	Est. Fair Mkt. Improvements 105,354	Total Est. Fair Mkt. 150,505	<input type="checkbox"/> <small>A Star in This Box Means Unpaid Prior Year Taxes</small>	School taxes reduced by School levy tax credit \$234.79

	2014 Est. State Aids Allocated Tax Dist.	2015 Est. State Aids Allocated Tax Dist.	2013 Net Tax	2014 Net Tax	% Tax Change
STATE OF WI			25.16	25.59	1.7%
AMERICA CO	30,260	28,787	657.07	662.22	0.8%
TOWN OF BADGER	124,468	121,492	833.18	842.83	1.2%
SCH. DIST. #1234	638,444	641,006	1,296.39	1,300.36	0.3%
TECH. COLLEGE #56	39,020	39,369	260.46	129.43	-50.3%
SANITARY DIST.#7			34.04	34.62	1.7%
Total	832,192	830,654	3,106.30	2,995.05	-3.6%
	First Dollar Credit		66.30	68.31	3.0
	Lottery & Gaming Credit		112.92	113.61	0.6%
	Net Property Tax		2,927.08	2,813.13	-3.9%

Make Check Payable To: JANE DOE TREAS. TOWN OF BADGER RR 9, P.O. BOX 6890 BADGER, WI 58425	Full Payment Due on or Before January 31, 2015 \$ 3,172.15	Net Property Tax \$2,813.13
	Or First Installment Payment Due On or Before January 31 \$ 1,765.58	GARBAGE 359.02
And Second Installment Payment Payable To: JOHN SMITH, CO TREAS. AMERICA CO COURTHOUSE BADGER, WI 58425	And Second Installment Payment Due on or Before July 31 \$ 1,406.57	

Check For Billing Address Change.

BILL AND SUE HOMEOWNER
RR 9
BADGER, WI 58425

TOTAL DUE FOR FULL PAYMENT
PAY BY JANUARY 31, 2015
\$ 3,172.15
Warning: If not paid by due dates, installment option is lost and total tax is delinquent subject to interest and if applicable, penalty. (See reverse)

Payment	Pay your property taxes to the proper treasurer as identified on the front of this tax bill.
Failure to Pay Timely	If your tax bill qualifies and if you choose to pay your taxes in installments, then you must pay each installment on or before 5 working days after the due date or the TOTAL amount of your remaining unpaid taxes, special assessments, special charges and special taxes (if any) will be delinquent. (sec. 74.11(7), 74.12, or 74.87, Wis. Stats.) All delinquent taxes are subject to interest of 1% per month (fraction of a month counts as a whole month) from February 1 until paid, and in addition, may be subject to an additional penalty. (sec. 74.47, Wis. Stats.) The payment <u>must</u> be received by the treasurer within 5 working days of the due date.
Personal Property	Personal property taxes, except improvements on leased land, must be paid in full on or before 5 working days after January 31 or the taxes are delinquent.
Receipts	Provide/include a copy of this tax bill or payment stub with your check. If you are requesting a receipt, please enclose a self-addressed, stamped envelope. If making payment by check, your tax receipt is not valid until the check has cleared all banks.
Est. Fair Mkt.	ESTIMATED FAIR MARKET VALUE. In addition to the assessed value, Wisconsin law requires that your taxation district show the estimated fair market value of taxable property on property tax bills. This estimated fair market value reflects the approximate market value of your property as of January 1 of the year shown at the top of this bill. (Also see: Use Value Assessment)
Use Value Assessment	Wisconsin law does not require that the estimated fair market value be shown for agricultural land. Any parcel benefiting from use value assessment may be subject to a penalty under sec. 74.485, Wis. Stats., if the use of the parcel changes. If you would like more information, contact your local assessor or the Department of Revenue, PO Box 8971, Madison WI 53708-8971.
Additional Tax Credits Available	Certain Wisconsin property owners and renters may qualify for additional tax credits and/or loan assistance under special programs administered by the Wisconsin Department of Revenue (DOR), the Department of Agriculture, Trade and Consumer Protection (DATCP), and WHEDA. Some income and residency restrictions apply. You may obtain information about several of these programs on the DOR website at: www.revenue.wi.gov .

Income Tax Credits – Wisconsin Department of Revenue; Box 8949; Madison WI 53708-8949

- **Homestead Credit** (email: homestd@revenue.wi.gov)
- **Farmland Tax Relief Credit** (email: income@revenue.wi.gov)
- **School Property Tax Credit** (email: income@revenue.wi.gov)

DATCP Credit – Wisconsin Department of Agriculture, Trade and Consumer Protection;
Box 8911; Madison WI 53708-8911

- **Farmland Preservation Credit**

Loan Assistance – WHEDA; 1-800-755-7835; Box 1728; Madison WI 53701-1728

- **Property Tax Deferral Loans for the Elderly**

Property Tax Credits – Email: lgs@revenue.wi.gov – Wisconsin Department of Revenue 6-97;
Box 8971; Madison WI 53708-8971

- **Lottery and Gaming Credit**
- **First Dollar Credit**
- **School Levy Tax Credit**