

STATE OF WISCONSIN

REPORT OF THE JOINT SURVEY COMMITTEE ON TAX EXEMPTIONS

1999 ASSEMBLY BILL 726

[Introduced by Representatives Townsend, Porter, Musser, J. Lehman, Spillner, Hundertmark, Owens, Goetsch, Petrowski and Freese; cosponsored by Senators Breske, Roessler, Plache and Welch.]

General Nature of Proposal

The bill makes numerous changes to various property tax provisions of state law. Provisions affecting tax exemptions contained in the bill are more fully described below.

Computer Equipment

Under current law, computer equipment is exempt from the tax on personal property if the property owner files a return with the taxation district assessor that provides information about the computer equipment, including the equipment's fair market value. If a person who is required to file a return fails to report information about any exempt computer equipment owned by the person, the person is subject to a penalty of \$10 for every \$100 of value of such equipment and the taxation district collects the penalty. In addition, under current law, the state compensates a taxation district for the tax revenue that the district loses as a result of exempting computer equipment from the tax on personal property.

Under the bill, if the person who is required to file a return fails to report information about any exempt computer equipment owned by the person, the person is subject to a penalty of \$10 for every \$1,000 of value of such equipment and the Department of Revenue (DOR) collects the penalty. Under the bill, DOR may audit returns that are related to exempt computer equipment and, as the result of such an audit, adjust the payments made to taxation districts to compensate for the tax revenue that the district loses as a result of exempting computer equipment from the personal property tax.

Treatment Plant and Pollution Abatement Equipment

Under current law, treatment plant and pollution abatement equipment are exempt from the property tax, but the owners of the plants or equipment must apply to the DOR for their property tax exemptions. Under the bill, only utilities and certain insurers will be required to apply for the exemption.

Legality Involved

There are no questions of legality involved.

Fiscal Effect Upon the State and Its Subdivisions

The DOR estimates the fiscal effect of the above provisions as follows:

Computer Equipment

Fiscal Effect. No penalties were collected in 1999, the first year that exempt computer property was required to be reported. Future penalties are also expected to be minimal.

Treatment Plant and Pollution Abatement Equipment

Fiscal Effect. This provision has no fiscal effect on units of local government. The provision will require minor revisions to the waste treatment exemption application form and the *Wisconsin Property Assessment Manual*. The cost of these changes can be absorbed.

Public Policy Involved

The provisions of the bill affecting tax exemptions are good public policy.