

FISCAL ESTIMATE

DOA-2048 N(R10/98)

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.

LRB 2172/1 AB 298

Amendment No. if Applicable

Subject

Create Property Tax Exemption for Equipment Used to Test Electronic or Computer Products

Fiscal Effect

State: No State Fiscal Effect
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

Increase Costs - May be Possible to Absorb Within Agency's Budget Yes No

Decrease Costs

Local: No Local Government Costs

see text of fiscal note

1. Increase Costs
 Permissive Mandatory
 2. Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
 4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:
 Towns Villages Cities
 Counties Others special districts
 School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

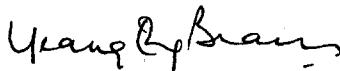
Under current law, testing equipment that a manufacturer uses during the production process is exempt manufacturing machinery and equipment (M&E). Also under current law, testing equipment that is computer equipment is exempt. Local units of government are compensated with a state aid for taxes lost due to exempt computer equipment.

The bill exempts from property tax equipment used before, during or after the production process to test electronic or computer products that a manufacturer manufactures, or electronic or computer components that are used in a manufacturer's products. Some of the testing equipment exempted under the bill is already exempt under current law either as computer equipment or manufacturing M&E. The fiscal effect of the bill results from exempting testing equipment that is currently taxable.

Local Fiscal Effect. According to Department of Revenue data, the equalized value of manufacturers' machinery, tools and patterns totaled about \$1.30 billion in 1998. Based on discussions with state manufacturing assessors, testing equipment that is neither computer equipment nor manufacturing M&E, and that is owned by computer and electronics manufacturers accounted for approximately 3% of the equalized value of machinery, tools and patterns or \$38.9 million (\$1.30B x 3%) in 1998. At the 1998

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Long-Range Fiscal Implications

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statewide average net tax rate of \$22.12 per \$1,000 of equalized value, property taxes of about \$860,000 (\$38.9M x 0.02212) would be shifted under the bill from owners of newly-exempted testing equipment to owners of other taxable property.

State Fiscal Effect. SEG State forestry revenues would decrease by about \$7,800 (\$38.9 million x \$0.20 per \$1,000) under the bill.

42B 4/14/89

