

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-4921/P1dn

JK:cjs:rs

March 11, 2002

Representative Grothman:

Please review this draft carefully to ensure that it is consistent with your intent. This bill eliminates the taxes imposed on personal property, including the personal property tax component of the property tax imposed by municipal power and water districts and metropolitan sewerage districts. However, under the bill, as under current law, the value of personal property, except computers, motor vehicles, and pollution abatement equipment, is included in calculating the license fees imposed under chapter 76 of the statutes on certain public utilities.

Also, please note that eliminating the tax on personal property will affect the calculation of shared revenue payments because the full value of only "taxable property" is included in that calculation.

The bill eliminates the state aid payments to jurisdictions based on the value of computers that are exempt from personal property taxes and that are located in the taxing jurisdictions. Is that okay? The intent of such payments is to compensate the jurisdictions for the decrease in personal property tax revenue that results from exempting computers from the tax on personal property. Under the bill, taxing jurisdictions will lose *all* revenue based on imposing personal property taxes. Consequently, the state aid payments seem irrelevant.

The bill does not repeal all the property tax exemptions related to personal property because, generally, personal property attached to or part of real property is taxed as real property. Therefore, the bill maintains certain personal property tax exemptions, even though the tax on personal property is eliminated.

Because the property tax mechanism is rather complicated, you may want the department of revenue to review the bill to identify potential problems. Please contact me if you have any questions.

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