

### Fiscal Estimate - 2001 Session

Original       Updated       Corrected       Supplemental

<b>LRB Number</b> <b>01-4921/1</b>	<b>Introduction Number</b> <b>AB-932</b>	
<b>Subject</b> Repeal the tax on personal property		
<b>Fiscal Effect</b>		
<b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input checked="" type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input checked="" type="checkbox"/> Decrease Costs		
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input checked="" type="checkbox"/> Decrease Costs      4. <input checked="" type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory 5. Types of Local Government Units Affected <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <input checked="" type="checkbox"/> School Districts <input checked="" type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.835(1)(e)		
<b>Agency/Prepared By</b> DOR/ Rebecca Boldt (608) 266-6785	<b>Authorized Signature</b> Brian Pahnke (608) 266-2700	<b>Date</b> 3/27/02

**Fiscal Estimate Narratives**  
**DOR 3/27/02**

LRB Number <b>01-4921/1</b>	Introduction Number <b>AB-932</b>	Estimate Type <b>Original</b>
<b>Subject</b> Repeal the tax on personal property		

**Assumptions Used in Arriving at Fiscal Estimate**

The bill eliminates the property tax on all personal property. Under the bill, property that is taxed as improvements on leased land would be assessed as real property. The bill also eliminates the state aid payment for exempt computers.

The total equalized value of personal property was \$9.1 billion in 2000/01, \$1.4 billion of which is classified "other personal property". Assuming one half of the "other personal property" is improvements on leased land and that personal property value will grow 5% annually, \$10.72 billion in personal property would be exempt in 2005, the year the bill would take effect. Assuming a net tax rate of \$21.00 per \$1,000 of full value, the bill would result in a shift of \$225 million in property taxes from owners of taxable personal property to owners of other taxable property [ $\$10.72 \text{ billion} \times .021$ ].

As an illustration, had all personal property been exempt in 2000/01, the statewide net average tax rate would have been an estimated \$22.08 per \$1,000 of full value, compared to \$21.43. The tax rate difference amounts to approximately \$65 on a \$100,000 property [ $\$100,000 \times (.02208 - .02143)$ ]. It is anticipated that the increase in tax rates will be greatest in urban taxing jurisdictions with high concentrations of personal property.

To the extent that the value increment in tax incremental finance (TIF) districts would be reduced as a result of the exemption on personal property located in the TIF district, the life of TIF districts may increase slightly. The bill would reduce state aid payments to taxing jurisdictions for exempt computers by approximately \$77.5 million annually, and local property tax levies would likely increase by a corresponding amount, resulting in slightly higher property tax rates in taxing jurisdictions. This may particularly be the case for jurisdictions with high concentrations of computers.

The bill would reduce municipal costs associated with the assessment of personal property and the billing, collection and settlement of personal property taxes. Municipalities would have cost savings associated with printing, postage, and auditing personal property self-reporting forms and the printing and postage of personal property tax bills. In addition, local assessors would no longer be required to assess personal property for which no self-report was submitted. Local assessors would no longer be required to include personal property valuation reported to the department and would not file reports of exempt computers for purposes of computer aid payments. While the cost savings cannot be quantified, the total savings is not expected to be a significant share of total costs associated with local property tax administration.

The bill would simplify the department's equalization procedures and corrections of assessment errors required under sec. 70.57, Wis. Stats.; to the extent that personal property assessments make up a small share of total equalized value, the savings would be minor.

Under the bill, the department would no longer be required to administer the state aid payments for exempt computers. This would reduce costs associated with computer programming, data input and aid calculations, printing and postage of reporting forms and aid payments to affected taxing jurisdictions.

Under the bill, the department would no longer assess manufacturing personal property and would no longer administer aid payments for exempt manufacturing computer property. The department would realize some savings due to fewer printing and postage costs of manufacturing personal property tax bills. To the extent that the personal property assessments make up a small share of manufacturing assessments and field audits, the savings would be minor.

**Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>01-4921/1</b>		Introduction Number <b>AB-932</b>	
<b>Subject</b>			
Repeal the tax on personal property			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$		
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance		-77,500,000	
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$-77,500,000</b>	
<b>B. State Costs by Source of Funds</b>			
GPR		-77,500,000	
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$-77,500,000	\$See
NET CHANGE IN REVENUE		\$	\$-77,500,000
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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