Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2003 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 03-4214/3	Introduction Number SB-512

Subject

Property tax exemption for residential property leased by a benevolent association

Fiscal Effect

State:

☐ No State Fiscal Effect
☐ Indeterminate

☐ Increase Existing Appropriations
☐ Decrease Existing Appropriations
☐ Create New Appropriations

☐ Increase Existing Revenues
☒ Decrease Existing Revenues

☐ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☐ No
☐ Decrease Costs

Local:

☒ No Local Government Costs
☐ Indeterminate

1. ☐ Increase Costs
   ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs
   ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue
   ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue
   ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
   ☐ Towns ☐ Village ☐ Cities
   ☐ Counties ☐ Others
   ☐ School Districts ☐ WTCS Districts

Fund Sources Affected

☐ GPR ☐ FED ☐ PRO ☐ PRS ☒ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
DOR/ Daniel Huegel (608) 266-5705	Dennis Collier (608) 266-5773	3/2/2004

Fiscal Estimate Narratives

DOR 3/2/2004

LRB Number **03-4214/3**	Introduction Number **SB-512**	Estimate Type **Original**
Subject Property tax exemption for residential property leased by a benevolent association		

Assumptions Used in Arriving at Fiscal Estimate

In its decision in Columbus Park Housing Corporation v. Kenosha, the Wisconsin Supreme Court held that property owned by Columbus Park -- a non-stock and non-profit corporation that buys and rehabilitates residential property and rents these properties to qualified low-income families -- was not exempt from property taxation. The Court based its decision on the preamble to sec. 70.11 which states that exempt property leased to another retains its exemption only if the lessee can also claim exemption from property taxes. Since the low-income families that rent from Columbus Park are not exempt from property taxes, the Court held that Columbus Park's property was not exempt from property taxation.

Previous to the decision, an organization such as Columbus Park was considered to be a benevolent association whose property was exempt under the provisions of sec. 70.11 (4) of state statutes.

Under current law, as a result of the Court decision, municipalities may be able to treat affected property as omitted property for the 2002 and 2003 assessment years, and issue tax bills for those years as if the property had been taxable. In addition, the property is to be placed on the tax rolls and treated as other taxable property beginning with the 2004 assessment.

Under the bill, the previous interpretation of the law which was applied to property such as that owned by Columbus Park will remain in effect for the 2002 to 2005 assessment years. Beginning with the 2006 assessment year, this property would be subject to property taxation.

Based on information from the exemption summary reports filed in 2002 by owners of exempt housing with municipalities and submitted to the Department of Revenue, the total value of exempt housing (excluding nursing, retirement, and religious housing) is estimated to be about $862 million. It is not clear that the entire $862 million is now taxable under the Columbus Park decision and would become exempt under the bill, but assuming the entire amount is taxable and a net average statewide tax rate of $20.55 per $1,000 equalized value (the net rate for 2002/03), about $17.7 million ($862 million X 0.02055) in property taxes would be shifted to other taxpayers for the 2004/05 and 2005/06 tax years. Subsequently, this property would again be taxable.

If the higher property taxes resulting from the Columbus Park decision are shifted to renters, these renters would be eligible for the Homestead Credit, to the extent they meet the income and other requirements for that credit. This bill, by exempting low-income housing for 2004/05 and 2005/06, would eliminate credits for these renters, since Homestead cannot be claimed on tax-exempt housing, except when payments in lieu of taxes are made on the housing. Assuming that credit is claimed on the full $17.7 million in property taxes that otherwise would have been paid on exempt housing, with minimal reduction due to payments in lieu of taxes, and that the Homestead Credit equalled 45.2%, which was the credit as a percent of rent constituting property taxes for Homestead claims filed in 2003, this bill would reduce Homestead Credits by approximately $8 million per year in both FY05 and FY06. This "reduction" essentially offsets unanticipated additional expenditures on Homestead that resulted from the Columbus Park decision.

The State of Wisconsin imposes a tax of $0.20 per $1,000 of equalized value for purposes of state forestry programs. If the $862 million in previously exempt housing that is taxable under the Columbus Park decision is exempt for 2004/05 and 2005/06, the state forestation tax would decrease by $172,400 ($862 million X 0.0002) each year.

Long-Range Fiscal Implications

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Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

$-172,400 in state forestry tax collections in the 2004/05 and 2005/06 property tax years; -$8 million in reduced Homestead Credits in FY05 and FY06.

II. Annualized Costs:	**Annualized Fiscal Impact on funds from:**	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	$	
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	**$**	**$**
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		

III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)

	Increased Rev	Decreased Rev
GPR Taxes	$	$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	**$**	**$**

NET ANNUALIZED FISCAL IMPACT

	State	Local
NET CHANGE IN COSTS	$	$
NET CHANGE IN REVENUE	$	$

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