

### Fiscal Estimate - 2003 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>03-1545/1</b>	<b>Introduction Number</b> <b>AB-146</b>
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**Subject**  
 Paying personal property taxes by installments

**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

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DOR/ Rebecca Boldt (608) 266-6785	Dennis Collier (608) 266-5773	3/24/2003

## Fiscal Estimate Narratives

DOR 3/24/2003

LRB Number	03-1545/1	Introduction Number	AB-146	Estimate Type	Original
<b>Subject</b>					
Paying personal property taxes by installments					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, property taxes levied on personal property are payable in full on or before January 31 of each year. Taxes on real property are payable either in full on or before January 31 or in two equal instalments - the first instalment is due on or before January 31, and the second instalment is due on or before July 31. Current law allows a municipality, by ordinance, to collect real property taxes in three or more instalments.

Under the bill, payment of personal property taxes would be treated the same as taxes on real property. Personal property taxes would be payable in either in full on or before January 31 or in instalments.

Under the bill, the municipality would, as part of the February tax settlement, continue to pay in full for all personal property taxes levied. While the bill does not specifically direct counties to settle for collections of the second instalment of personal property taxes with the municipality, it can be assumed that counties would return all personal property taxes collected to the municipalities as part of the August tax settlement. Thus, municipalities would advance to the other taxing jurisdictions the postponed personal property tax payments from February 20 through August 20.

The bill would result in decreased local government revenues associated with foregone interest earnings. The bill would also increase local government costs associated with programming and processing changes.

**Interest Costs.** In 2001/02 approximately \$222 million of taxes were levied on personal property statewide. Assuming 50% of personal property taxes would be paid in two instalments, the payment of approximately \$55.5 million  $[(\$222 \text{ million} \times 50\%)/2]$  would be postponed until July 31. Municipalities would advance to the other taxing jurisdictions \$55.5 million in postponed payments for 6 months. Assuming an annual interest rate of 1.5%, municipalities would lose approximately \$417,000 in foregone interest earnings  $(\$55.5 \text{ million} \times 1.5\% \times 6/12)$ .

**Programming Costs.** Under current law, municipalities maintain the personal property tax roll throughout the tax year; as a result county payment systems do not include processes or information on personal property tax payments. The bill would require that counties collect the payment of second instalments of personal property taxes; as a result, counties would incur costs associated with programming changes to adapt their payment systems to process payments of second instalments of personal property taxes. To the extent that their payment systems currently include two instalment payments for real property, the programming costs are not expected to be significant.

**Processing Costs.** Assuming 50% of the 237,000 personal property accounts would be paid in two instalments, counties would incur increased costs to process and settle for payments of 118,500 second instalments of personal property taxes. These costs are not expected to be significant.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Subject</b>			
Paying personal property taxes by installments			
<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			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>		<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
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, etc.)</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>			
		State	Local
NET CHANGE IN COSTS		\$	\$See
NET CHANGE IN REVENUE		\$	\$-417,000
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>	
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