

# **Assembly Republican Majority Bill Summary**

## **AB 89: Installment Payments of Refunds of Taxes on Manufacturing Property**

Relating to: Installment payments of refunds of taxes on manufacturing property, the interest on refunded and additional taxes on manufacturing property, and making an appropriation.

By (Representatives M. Lehman, Jeskewitz, W. Wood, Olsen, Gielow, J. Lehman, Grothman, Seratti, Townsend, Ziegelbauer, Hahn, F. Lasee, Krawczyk, Ladwig and Colon, cosponsored by Senators Kanavas and A. Lasee.

**Date:** October 21, 2003

### **BACKGROUND**

Under current law, the Department of Revenue (DOR) currently assesses manufacturing property for property taxes. DOR determines what property is classified as manufacturing for property tax purposes. If a reviewing authority for property assessments reduces a manufacturing property's assessed value or determines that manufacturing property is exempt from property tax, an affected taxpayer may file a claim with the municipality for a property tax refund. The municipality pays the refund to the taxpayer in one sum that includes interest on the refund amount, paid at the rate of 0.8% per month.

### **SUMMARY OF AB 100 AS AMENDED BY COMMITTEE**

Under Assembly Bill 89, a municipality may pay a property tax refund to an owner of manufacturing property in five annual installments, rather than all at once, and the interest on the refund amount is paid either at a rate of ten percent a year or at a rate determined by the last auction of six-month U.S. treasury bill, whichever is less. The bill as amended would allow municipalities that have a property tax levy of \$100 million or more to pay manufacturing property tax refunds in five annual installments if the municipality is required to pay three or more refunds of at least \$10,000 in the same calendar year. The state would be required to reimburse cities, villages, and town for interest paid on refunds of manufacturing property taxes only with respect to refunds of manufacturing property taxes where the property was assessed by the state.

### **AMENDMENTS**

**Assembly Amendment 1** to Assembly Bill 89 would allow municipalities that have a property tax levy of \$100 million or more to pay manufacturing property tax refunds in five annual installments under the bill if the municipality is required to pay three or more refunds of at least \$10,000 in the same calendar year [adopted 13-0 (Rep. Berceau was absent)].

**Assembly Amendment 2** to Assembly Bill 89 would require the state to reimburse cities, villages, and towns for interest paid on refunds of manufacturing property taxes only with respect to refunds of manufacturing property taxes where the property was assessed by the state [adopted 13-0 (Rep. Berceau was absent)].

### **FISCAL EFFECT**

A fiscal estimate prepared by the Department of Revenue indicates that data is not available to estimate the total interest costs statewide; however, the total state costs are not expected to be significant.

### PROS

1. AB 89 would allow municipalities to spread costly refunds over time; thereby avoiding large tax increases for municipal taxpayers in a given year.
2. The bill provides the option of five annual installments. Municipalities could continue their current payment schedule if they so desire.
3. The bill better reflects current market conditions by tying interest charges to the most recent six-month treasury bill rate.

### CONS

1. Municipalities would be responsible for seeking restitution from other taxing bodies if they so desire.

### SUPPORTERS

Rep. Michael Lehman, author; Sen. Ted Kanavas, lead co-sponsor; the Department of Revenue, the WI Alliance of Cities; Curt Witynski, League of WI Municipalities; Michael Birkley, WI Property Taxpayers, Inc.

### OPPOSITION

No one registered or testified against AB 89.

### HISTORY

Assembly Bill 89 was introduced on February 20, 2003, and referred to the Assembly Committee on Ways and Means. A public hearing was held on April 2, 2003. On April 16, 2003, the Committee voted (13-0) [Rep. Berceau was absent] to recommend passage of AB 89 as amended.

**CONTACT:** Vicky Halverson, Office of Rep. Michael Lehman



WISCONSIN LEGISLATIVE COUNCIL  
AMENDMENT MEMO

2003 Assembly Bill 89

Assembly  
Amendments 1 and 2

*Memo published:* April 17, 2003

*Contact:* William Ford, Senior Staff Attorney (266-0680)

**Current law** requires cities, villages, and towns to pay refunds for property taxes on manufacturing property that are found to be excessive to the owner of the property in one lump sum and, in addition, to pay interest on the amount of the refund at the rate of 9.6% annually.

**Assembly Bill 89** provides an option for a city, village, or town to refund property taxes imposed on manufacturing property that are found to be excessive in **five annual installments**, rather than one lump sum. This installment method would be available if the property tax levy of the municipality for the year of the refund is less than \$100 million, the amount of the refund is at least one-quarter of 1% of the city, village, or town's property tax levy for general operations for the year of the refund, and if the amount of the refund is more than \$10,000. Assembly Bill 89 also revises the interest rate on manufacturing property tax refunds to be the lesser of the most recent six-month treasury bill rate (about 1.2% as of the date of this memorandum) or 10%. The bill would also require the state to reimburse cities, villages, and towns for interest paid on refunds of manufacturing property taxes.

**Assembly Amendment 1** would allow municipalities that have a property tax levy of \$100 million or more to pay manufacturing property tax refunds in five annual installments under the bill if the municipality is required to pay three or more refunds of at least \$10,000 in the same calendar year.

**Assembly Amendment 2** would require the state to reimburse cities, villages, and towns for interest paid on refunds of manufacturing property taxes only with respect to refunds of manufacturing property taxes where the property was assessed by the state. Therefore, if the provision to transfer the responsibility for assessing manufacturing property from the state to local governments on January 1, 2004, which is contained in 2003 Senate Bill 44, is enacted into law, the state would not be required to pay interest on manufacturing property tax refunds.

**Legislative History**

The Assembly Committee on Ways and Means adopted Assembly Amendments 1 and 2 by a vote of Ayes, 13, Noes, 0, and recommended Assembly Bill 89, as amended, for passage by a vote of Ayes, 13, Noes, 0, on April 16, 2003.

WF:rv;wu

**AB 89 – Refunds on Taxes on Manufacturing Property** (Rep. Lehman +14, Sen. Kanavas +1)

*Description of Current Law and Proposed Change*

- Under current law, a refund of property taxes must be paid in one payment with interest paid at an annual rate of 9.6%. The bill would allow municipalities, except for the cities of Milwaukee and Madison, the option to pay manufacturing refunds that represent a sizable share of their property tax levy in five annual instalments. The bill would also provide that the state pay the interest cost for manufacturing refunds due to changes in valuation by a reviewing authority. Under the bill, the rate of interest paid on manufacturing refunds would be determined by the most recent auction of 6-month U.S. treasury bills or 10% per year, whichever is less. Currently, the annual yield on 6-month U.S. treasury bills is approximately 1.2%.

*Fairness/Tax Equity*

- A large refund can put fiscal strain on municipalities when the refund represents a large share of the property tax levy. The bill would allow municipalities to spread costly refunds over time, thereby avoiding large tax increases for municipal taxpayers in a given year. At the same time, municipalities would have the option to continue their current payment schedule.
- By tying the interest charges paid on manufacturing refunds to the most recent auction of U.S. treasury bills, the proposal better reflects current market conditions.
- The bill should be amended to provide that the state would pay the interest costs for refunds arising from changes in the valuation of manufacturing property only when the state established the initial valuation. If assessment of manufacturing property is shifted to municipalities, as proposed in Senate Bill 44, the governor's budget, those local governments and not the state should be responsible for interest on refunds due to changes in valuation.

*Administrative Impact/Fiscal Effect*

- Data are not available to estimate the total statewide costs associated with state payments for interest on manufacturing refunds; however, the total state costs are not expected to be significant.

*DOR Position*

Support (with technical amendment).

Prepared by: Rebecca Boldt (608) 266-6785

March 17, 2003

RB:skr

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Colon

## Memorandum

To: All Legislators

From: Rep. Mickey Lehman

Date: January 22, 2003

Re: Co-Sponsorship, LRB 1042/1 – Over-Assessment of Manufacturing Property

Under current law, when a manufacturing property is over-assessed and a refund must be paid, the municipality is solely responsible for making the initial lump sum payment to the taxed entity. The other taxing districts then reimburse the municipality, but this process can take time. Meanwhile, the municipality is forced to face a constraint to its budget as a result of being required to make the initial lump sum refund payment.

This legislation would allow municipalities that meet certain criteria, to make the refund payment over a 5-year period. This would ease a bit of the financial burden that is placed upon the municipalities. The interest on the refund is paid either at a rate of 10% a year or at a rate determined by the last auction of 6-month U.S. treasury bills, whichever is less.

**If you would like to co-sponsor this legislation, please contact my office at 267-2367 by Friday, February 7<sup>th</sup> or respond to this e-mail.**

For further information, please consult the analysis by the Legislative Reference Bureau.

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### *Analysis by the Legislative Reference Bureau*

*The department of revenue (DOR) currently assesses manufacturing property for property taxes. DOR has sole discretion to determine what property is classified as manufacturing property for property tax purposes. If a reviewing authority for property assessments reduces a manufacturing*

*property's assessed value or determines that manufacturing property is exempt from property tax, the manufacturer may file a claim with the municipality for a property tax refund. The municipality pays the refund to the manufacturer in one sum that includes interest on the refund amount, paid at the rate of 0.8% a month.*

*Under the bill, a municipality may pay a property tax refund to an owner of manufacturing property in five annual installments rather than all at once, and the interest on the refund amount is paid either at a rate of ten percent a year or at a rate determined by the last auction of six-months U.S. treasury bills, whichever is less.*

*For further information see the **state and local** fiscal estimate, which will be printed as an appendix to this bill.*

**Kraak, Maureen**

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*file w / sent*

**From:** Gail Sumi [gail@wiscities.org]  
**Sent:** Tuesday, January 28, 2003 4:52 PM  
**To:** Rep. Lehman  
**Cc:** vicky.halverson@legis.state.wi.us; Curt Witynski  
**Subject:** manu assessment contacts - jan 28

Thanks for letting me take the jacket around today. I talked to staff in the following offices:

Reps. Gottlieb, Kerkman, Krawczyk, Lasee, Lothian, Schneider, Sinicki, Staskunas, Steinbrink, Van Akkeren, Vrakas, J. Wood and Ziegelbauer. I spoke directly with Rep. Seratti.

Senators Brown, Hansen, Kanavas, Kedzie, Lasee, Leibham and Risser (all staff.) I happened to see Risser staff in the hall.

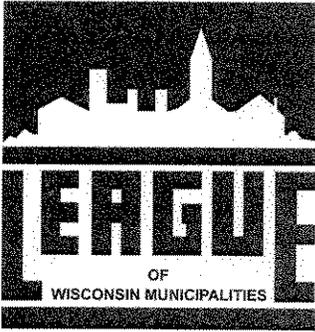
Let me know how you fare and if I can do more at this stage. Please also give me some notice on the public hearing. I will try to get the Two Rivers city attorney to come and testify.

Thanks again. Safe drive home!

Gail

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Gail Sumi  
Intergovernmental Coordinator  
Wisconsin Alliance of Cities  
14 W. Mifflin, Suite 206  
Madison, WI 53703

Phone 608-257-5881  
Fax 608-257-5882  
gail@wiscities.org  
<http://www.wiscities.org/>



202 State Street  
Suite 300  
Madison, Wisconsin 53703-2215

608/267-2380  
800/991-5502  
Fax: 608/267-0645

E-mail: [league@lwm-info.org](mailto:league@lwm-info.org)  
[www.lwm-info.org](http://www.lwm-info.org)

**To: Rep. Michael Lehman, Chair, Assembly Ways and Means Committee  
Members of the Assembly Ways and Means Committee**

**From: Curt Witynski, Assistant Director, League of Wisconsin Municipalities**

**Date: April 2, 2003**

**Re: Support for Assembly Bill 89, Tax Refunds on Manufacturing Property**

The League of Wisconsin Municipalities supports AB 89, allowing municipalities to pay large manufacturing property tax refunds in 5 annual installments and requiring the state to reimburse municipalities for interest payments on manufacturing property tax refunds. The League thanks Rep. M. Lehman for authoring this important bill making the manufacturing assessment process in this state fairer for municipalities.

We support the bill for two reasons. First, it would allow municipalities, except the cities of Madison and Milwaukee, to spread the cost of large manufacturing property tax refunds over five years. Some communities around the state have in the past faced unanticipated, significantly large manufacturing property tax refund liabilities. This bill would allow municipalities in the future to spread such unanticipated liabilities over five budgets.

The second reason we support the bill is that it requires the state to reimburse municipalities for interest paid on manufacturing property tax refunds. Under current law, the municipality alone is responsible for paying the interest owed on manufacturing property tax refunds. We think it is only fair that since the state is responsible for assessing manufacturing property, the state should be responsible for the interest owed on refunds when it turns out that the assessed value was incorrectly determined. Under the bill, the state would not reimburse interest paid on refunds resulting from claims of unlawful tax or excessive assessment or of interest accrued after the date of the determination of the appeal by the tax appeals commission. According to the fiscal estimate prepared by DOR, the total state costs for reimbursing municipalities for interest payments are not expected to be significant.

For the foregoing reasons, we urge the committee to recommend passage of AB 89. Thanks for considering our comments.

**Halverson, Vicky**

*See each member's e-mail*

**From:** Gates-Hendrix, Sherrie  
**Sent:** Thursday, April 03, 2003 4:24 PM  
**To:** Rep. LehmanM; Rep. WoodJ; Rep. Nass; Rep. Hahn; Rep. Lasee; Rep. Jeskewitz;  
Rep. Kerkman; Rep. Lothian; Rep. WoodW; Rep. Colon; Rep. Berceau; Rep. Ziegelbauer;  
Rep. Morris; Rep. Hebl  
**Cc:** Conlin, Robert; Ford, William; Halverson, Vicky  
**Subject:** Equalization Process Information requested at Ways & Means hearing

Rep. Lehman --

You asked at the Ways & Means hearing on April 2nd that DOR provide the committee with some background information on the property value equalization process here in Wisconsin. As you noted, the Department of Revenue is responsible for estimating the entire values of municipalities, while local assessors estimate the value of each parcel within municipalities. DOR uses five basic strategies to determine equalized values: sales analysis, use value analysis, property appraisal, local reports and corrections to estimates. These strategies are described in detail on pages 4-6 of the following report, *Wisconsin's Equalized Values: The Uniform Valuation of Taxable Property*. This report also provides some background on the use of equalized values in Wisconsin.  
<http://www.dor.state.wi.us/pubs/slf/02pr030.pdf>

You also asked about the process for municipalities to appeal the equalized values that DOR sets. This process is described in s. 70.64 of the statutes [http://folio.legis.state.wi.us/cgi-bin/om\\_isapi.dll?clientID=116185&infobase=stats.nfo&j1=70.64&jump=70.64&softpage=Browse\\_Frame\\_Pg](http://folio.legis.state.wi.us/cgi-bin/om_isapi.dll?clientID=116185&infobase=stats.nfo&j1=70.64&jump=70.64&softpage=Browse_Frame_Pg) These appeals would be heard by the Tax Appeals Commission.

Please let me know if you have any questions or need further information.

Sherrie Gates-Hendrix  
DOR Legislative Liaison  
267-1262

**WISCONSIN'S EQUALIZED VALUES:**  
**THE UNIFORM VALUATION OF TAXABLE PROPERTY**

**2002**

**WISCONSIN DEPARTMENT OF REVENUE  
DIVISION OF STATE AND LOCAL FINANCE  
BUREAU OF EQUALIZATION**

2135 Rimrock Road, #6-97  
P O Box 8971  
Madison, WI 53708-8971

## WISCONSIN'S EQUALIZED VALUES

Property tax is a topic, which we can all relate to, but few of us can explain it in any detail. What we do know is that it generates frustration at many levels. Every year each parcel of real estate receives a tax bill. We always wonder what will happen to our tax bill when our municipality announces that it plans on a revaluation of all properties for the coming year. As the municipality works out its budget, the newspapers report on the changes to the tax rate. We know that the December tax bill can have a large impact on our own budgets, but even with the newspaper articles, we often don't understand how we can effectively correct, change, or impact those tax bills.

We know that it's the local assessor's job to place a value on each taxable real parcel and on each taxable personal property account. That value is what the local clerk uses to determine our share of the property tax levy. We count on the assessor's estimate to reflect our property's market value (we want accuracy). We also count on everyone else's assessment being equally accurate (we want uniformity). What we really hope for is that the property tax system is administered fairly. We are willing to pay our **fair share**. That would mean that our share of the local taxes to be collected is the same as our percentage of the total taxable property. That is the purpose of the locally assessed values.

We typically assume the market value of our property changes with each year's inflation (or deflation). Even though there is a new assessment roll every year, most assessors don't review and revalue the assessments yearly. That means that every year that goes by without a revaluation, our assessed value drops farther below our property's market value.

If each municipality has a separate assessor, and they do revaluations in different years, how can we compare the values between municipalities? Why do we care? Remember, the school districts, the county, the vocational schools and special districts like lake rehabilitation districts also collect part of their budgets from the local property tax. These overlying taxing jurisdictions need to collect the levy they need from each of the municipalities they lie within. The municipality's share of those budgets will be passed on to each property owner. Fairness demands that the Department of Revenue (DOR) compares "apples to apples," by making sure that we use one consistent standard in estimating the taxable value of each municipality. Then those overlying tax levies can be fairly apportioned to each municipality. That is a primary reason for the equalized value.

The need for these estimates began even before Wisconsin became a State in 1848. In a historical summary of the property tax, it states: "Many of the residents of the territory lived on farms, and others lived in buildings where they also produced goods or services for sale. That is, much of the property created income, and the value of the property reflected that income, which could be used to pay taxes. Because of the close relation between the value of property and the income created by it, the Territory of Wisconsin followed the centuries-old practice and imposed a property tax. ...It was also clear then that property tax assessments were likely to be inaccurate. ...One cause of that problem was that assessors were elected at that time and, thus, perhaps tempted to please certain constituents. ...Because of these assessment inaccuracies, the county boards were directed to compare the assessments of the property in the county's towns and then adjust them to approximate equality, a process called 'equalization' ".<sup>1</sup>

Over the years the responsibility evolved from the County Board level to a board comprised of high level government officials (in 1854 it included the governor, lieutenant governor, the state's secretary of state, treasurer, attorney general, superintendent of public instruction and the bank comptroller). Although more objective, they were no better trained for the job, nor were they as familiar with all the property they were determining value for. In 1901 the task of administering the property tax administration, including estimating equalized value was given to the Tax Commission (now the Department of Revenue).

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<sup>1</sup> Stark, Jack, "Property Tax and Tax Relief in Wisconsin", *State of Wisconsin Blue Book 1991-1992*, Wisconsin Legislative Reference Bureau, (Madison:1991), 103

This pamphlet describes one of the main functions of DOR in its property tax administration, the development of the equalized value. There are a number of other DOR pamphlets about the local municipality involvement in the property tax; one addressing agricultural assessments, a property owners guide to appeal procedures, a mobile home owners guide, and one for the local Board of Review members. In this pamphlet, the definition, the methods of development and the uses of the equalized value will be addressed.

## DEFINITION OF EQUALIZED VALUE

The equalized value is the estimated value of all taxable real and personal property in each taxation district, by class, as of January 1 and certified by DOR on August 15 of each year. The value represents market value (most probable selling price), except for agricultural property, which is based on its use value (ability to generate agricultural income).

### What does all that mean?

Briefly, the equalized value is an estimate of the market value of all non-agricultural property plus the use value of agricultural lands of a municipality. It is computed independent from the estimate of the local assessor. True, both the local assessor and DOR make estimates. But, the local assessor estimates value of *each parcel*; DOR estimates the value of the *entire* town, village or city.

We refer to the 'taxable' property because originally *all* property was subject to the property tax. Over time changes occurred where specific items, like churches, merchants inventories, or manufacturer's processing machinery and equipment, have been exempted from property tax altogether. In other instances, it is exempted from the property tax because it pays other taxes, like automobiles (license fees) or railroads (gross receipts taxes).

The value is needed for each taxation district, which includes every town, village and city plus those portions that are located in an adjacent county. As of January 1, 2002, there were 1,850 municipalities and 1,901 taxation districts.

The detail in the local assessment roll, showing the assessed value of land, improvements and total for 7 classes of real property and 4 classes of personal property is also the breakdown required of the equalized values. Each local assessor values all classes except property classified as 'manufacturing'. Since 1974, DOR has assessed manufacturing property at its market value, by revaluing annually. The market value assessments developed by DOR as the primary assessor for manufacturing property become part of the equalized value.

All value estimates need to be made as of a specific time. In Wisconsin, that is as of the close of January 1 of each year. In effect, this would mean that if a building burned to the ground on January 1, it would not be included in the value or tax. If the fire started after midnight, and burned on January 2<sup>nd</sup>, it technically existed on January 1 and would be included in the assessed value, the equalized value, and would receive a tax bill later that year in December.

Just as the statutes provide for the time the assessor should finish the assessment roll (it should be done by the first Monday in April), DOR must also finish its estimate of the equalized value timely. It is made available to each county, each municipality and the public on August 15 of each year.

Our constitution required that the property tax should be uniform, and that has been interpreted by the Supreme Court to mean the 'taxable class' should bear its tax burden based on its value as a percentage of the total value. Wisconsin voters voted to change the 'uniformity' clause in the constitution in 1974 to allow for non-uniform taxation of the agricultural class. Our laws changed in the 1995-97 Budget Act 27 to implement that constitutional change. By the January 1, 2000 assessments, the valuation of agricultural land was fully implemented based on its potential to generate agricultural income, rather than its most likely sale price.

**What is discussed** in this paper is the process of estimating a municipality's total value in a standardized fashion; calculating the equalized value. Its purpose is to *guarantee the fairness in distribution of the tax burden*. If a city has 30% of the total value in the county, the city taxpayers should pay 30% of the taxes to be collected for the county costs. **No more; no less.**

## DEVELOPMENT OF EQUALIZED VALUES

The annual equalized value of each municipality represents DOR's estimate of the total value of all taxable property. Changes in the equalized value from year to year are caused by many things; increases or decreases in market prices, annexation gains or losses, new construction, demolition of buildings, relocation of businesses, and changes in the taxable status of property.

In addition to establishing the total equalized value for each town, village, and city, DOR must list the value by various classes of property. The classifications of property established by law for real property include: residential; commercial; manufacturing; agricultural; swamp and waste; forest lands; and other. For personal property: the classes include: watercraft; furniture, fixtures and equipment; machinery, tools and patterns; and all other personal property not exempt.

While a total value for each class of property is established, the values of individual real estate parcels or personal property accounts within the classes are determined by local assessors, not by DOR. Obviously, to equalize parcel by parcel would be a major undertaking by DOR and would effectively result in state -- rather than local -- assessment.

The exception to this is the assessment of manufacturing property, where the state does act as the primary assessor. DOR's Manufacturing and TELCO Bureau physically visits each property on a 5 year cycle, estimates a market value assessment each year, and passes these values to the Equalization Bureau at market value. In this instance, instead of 'equalizing', the manufacturing values must have the opposite calculation done; equating the market value assessments to the local level of assessment guarantees the taxes will be uniform with the other classes of property in the municipality.

The annual establishment of the equalized value of every municipality in the state requires the development of over 64,000 statutorily required figures in 1,901 taxation districts. DOR uses five basic strategies to determine equalized values: (1) sales analysis, (2) use value analysis, (3) property appraisal, (4) local reports, and (5) s 70.57 WI Stats corrections.

**(1) Sales Analysis:** Sales are analyzed through two principal methods: (a) the assessment-to-sales ratio studies and (b) the unit value projections. The sales that form the basis of the analysis represent the calendar sales for the year prior to the January 1 being estimated (the calendar year sales in 2001 were the basis of analysis for the January 1, 2002 values). The Real Estate Transfer Returns (RETR's), filed with the county register of deeds, are scanned to form the database of all sales in the state. A significant percent represent non-market sales (family sales, sheriff sales, trust activity or transfers of convenience). The obvious non-market transactions are eliminated initially; other problem sales are brought to DOR's attention by the local assessor throughout the year, as they provide the local assessed values for each of the market sales.

(a) Assessment/sales studies compare actual selling prices of residential and commercial market sales with the local assessment of the property sold. If the sales evidence represents a reasonable cross section of the type of properties existing in the community as a whole, and there is a sufficient number of sales, the relationship between the sales and assessments is assumed to reflect the overall accuracy of the total assessed value of that class. This relationship is considered to be its assessment level. The total local assessment of that class is then ratioed to full value, resulting in the statistically derived equalized value of that class. Annually these assessment/sales studies amount to the review of approximately 220,000 real estate sales.

All market sales are sorted according to taxation district (town, village or city). Market sales are those sales made between a willing buyer and a willing seller, both of whom are familiar with the property and under no compulsion to act. The market sales within a taxation district are broken down by classification of property as

defined by statute i.e., residential, commercial, agricultural, etc. A ratio is then established between the total price paid for all property sold and the total assessed value of the property (obtained from the local assessment roll).

By applying this ratio to the assessed value of the entire class, a value (referred to as the statistical sales value) of the class is derived. For example, assuming there are five market sales of residential property in a town, the sales analysis would be made as follows:

#### Town of Badger Sales Analysis

<u>Sale</u>	<u>Assessed Value</u>	<u>Selling Price</u>	<u>Ratio of Assessment to Sales Price</u>
No. 1	\$ 91,800	\$ 93,000	98.71%
No. 2	\$ 61,200	\$ 64,000	95.63%
No. 3	\$ 29,800	\$ 35,800	83.24%
No. 4	\$ 117,400	\$ 121,000	97.02%
No. 5	\$ 84,800	\$ 99,600	85.14%
<b>TOTAL</b>	\$ 385,000	\$ 413,400	93.13%

*NOTE: For ease of illustration, only 5 sales are shown. A larger number of sales would normally be needed to establish the statistical sales value.*

In this example, the average ratio of the total assessed value to total actual sales price is 93.13% -- even though the ratio of individual properties are above or below this average. The statistical sales value established by this analysis is compared to the equalized value of the class established by DOR for the previous year. This comparison indicates the trend in value for the class in a particular tax district and this trend serves as a guide in establishing the current year's equalized value. This component of the equalized value, done annually and reflecting primarily the inflationary change in the municipality's values is reported by DOR as the 'economic change'. Since the local assessor usually doesn't recalculate market value each year, this economic change is the primary reason the assessment level changes in years between revaluations.

(b) Unit value sales analysis is used by DOR to value property classified by municipal assessors as swamp and waste, forest land or other (farm sets and the land supporting them). Sales (38 acres or larger) are verified and broken down into their component parts to identify average selling prices per acre and the contributory value of any improvements (houses, barns, and other improvements to the land). The average selling prices per acre of land are then used to estimate the market value of all lands so classified by municipal assessors. Annually, approximately 6,000 transactions are analyzed in this manner statewide.

(2) **Use Value Analysis:** DOR, in conjunction with the University of Wisconsin's Department of Agriculture and the UW Extension, staffs the activities of the Farmland Advisory Council which approves the final use value guidelines. The procedures utilize two steps to estimate values on a per acre basis for each municipality containing agricultural land. In the first step, values are estimated from the income that could be generated by the land divided by the capitalization rate. In the second step the values produced by the income approach are adjusted based on land rental information compiled by the University of Wisconsin-Extension agents. The design of the data and calculations (using 5 year averages and accounting for detail from each municipality, like the local tax rates), remove the short term fluctuations, create individual municipal values and respond to

the data limitations encountered with limited corn production in the northern part of the state. These values are calculated for 3 grades of tillable soils and for pasture.

**(3) Property Appraisals:** Sample appraisals are used by DOR on a cyclical basis as a further test of the quality of sales-based value projections. Where there is a lack of sales activity, appraisals are substituted in an analysis similar to the assessment/sales method. This involves the selection of a randomly chosen sample of properties (in the same class) to be appraised in detail. What few sales do occur are field verified and incorporated in the analysis. The value indicated by the appraisals is compared to the locally assessed values to develop a ratio of assessments to appraised values. The information gained from this analysis is used as a guide in valuing the entire class.

**(4) Local Reports:** There are two significant annual reports which DOR uses in setting the current equalized value, (a) the Assessors Final Report, due by the second Monday in May, and (b) the Clerks Statement of Assessments, which is due by the second Monday in June.

(a) Local assessors are required to report all changes in locally-assessed property values due to such developments as annexations or detachments, new construction, revaluations or changes in assessment level, and property formerly exempt but now assessed. The majority of these changes in value on the local roll would only be available from the local assessor and are an integral component of the changes DOR makes to the equalized value. While DOR uses the assessor's report on new construction, we would not adjust for the reported increase in revaluation. That is because DOR values are adjusted to market changes annually while the large revaluation increase reflects the assessor's catching up for those years when most assessments were copied from year to year.

The equalized value of personal property is based upon assessment information reported by local assessors. Upon review of the assessor's final report by DOR, assessment figures are adjusted to reflect true cash value. Local assessors rely primarily on the Statement of Personal Property filed annually by business owners to assess personal property.

(b) After the Board of Review has met and finalized the local assessment for a particular year, the local clerk submits a Clerk's Statement of Assessments to DOR. This report summarizes the final values on the local assessment roll for real and personal property, and breaks down the values by each school district and by special districts (such as lake rehabilitation districts). This report is compared to the assessor's report for any additional changes made by the Board of Review. Again, appropriate changes indicated (up or down) are made to the equalized value by DOR. Since this report shows no detail of the changes to the real property, it is more effective for corrections to the personal property values. This report is also used in the calculation of the school district values since it has the values in each school district and special district summarized. Until the municipality provides a final Statement of Assessments, DOR cannot calculate the aggregate local level of assessments, nor can they equate the manufacturing assessment roll to that local level of assessments.

**(5) Sec. 70.57 WI Stats Corrections:** A significant effort is expended in reviewing prior year equalized value determinations, primarily because of the timing of the assessors' final reports. DOR is required by statute to certify the equalized values on August 15 of each year. Every taxing jurisdiction awaits the values because of the impact portions of the value have on their aids or their levy limits. Even when that is not the case, the political impact of the tax bill and whether the tax rate can be reported as stable rather than increasing is an annual local issue. Reporting the equalized values late is not an option.

On the other hand, many municipalities budget assessor contracts late in the cycle, and the assessors can not reasonably complete the job timely. DOR's experience is that 40 to 50% of the assessor reports are either estimates or late. After reviewing all late reports, recent experience is that 1/3 of the municipalities need a correction in the current year for over or under estimates in the prior 2 years. It is critical that these late reports be reviewed to guarantee to all other municipalities that they were not harmed due to underreporting by one late municipality.

**Finalizing Equalized Values:** Using one or more of the techniques described for the development of value, DOR determines the market value of each class of real estate and personal property in each municipality in the state. The municipal totals become the state equalized value. This value and the value of each county is certified to the Department of Administration on August 15 of each year. In addition, values for each Tax Incremental Financing (TIF) District are calculated based on the Assessors Final Report and the economic adjustment applied to the overall municipality. The TIF incremental value is calculated and incorporated into the apportionment values provided to the county at that same time.

**Appealing Municipal or County Equalized Values:** On or about August 15th, DOR notifies each municipality and county of its equalized value. The municipality and county may ask for a meeting with the Supervisor of Equalization to review those values. These meetings provide an opportunity for each municipality or county to obtain further information concerning how the equalized value was developed. Formal appeal of the equalized values established by DOR is provided by Section 70.64 of the Wisconsin Statutes. Under these procedures, any municipality or county can appeal the values by October 15th to the Wisconsin Tax Appeals Commission, a state agency separate from DOR.

**Establishing School District Equalized Values:** The typical Wisconsin school district is composed of some whole municipalities and some parts of municipalities. The school district's equalized value is derived by adding the equalized values of the municipalities (or parts of municipalities) within the district's boundaries. DOR determines how much of the equalized value in each municipality is located in each school district based on the district's percent of the assessed value reported in the Clerk's Statement of Assessments. The various municipal values that are in the same school district are grouped together. This total school district value is then the basis to apportion a school district's levy to each municipality, based upon each municipality's percentage of the total equalized value in the school district.

### Use of Equalized Values

The Wisconsin Statutes contain over one hundred references to equalized values. Listed below are some of the major statutory uses of equalized values.

**Apportionment of Certain Property Tax Levies:** A single county or school district can contain a dozen or more municipalities (towns, villages, and cities). Property tax levies of such jurisdictions are apportioned to each municipality on the basis of equalized value. For example, if a municipality contains 50 percent of the taxable value within a county its residents should pay 50 percent of the county property taxes levied.

The following example shows why state-determined equalized values are an essential element of a fair property tax system.

Imagine what could happen in a hypothetical county with only two towns that have identical tax bases, but different assessment levels. Assume that the county has a total tax levy of \$100,000 and that the fair market value of all property in the county is \$100 million -- \$50 million in each town.

	Local Assessed Value	% to County Total of Assessed Value	Full Value or Equalized Value	% to County Total of Equalized Value
Town A	\$20,000,000	28.6%	\$50,000,000	50.0%
Town B	<u>\$50,000,000</u>	<u>71.4%</u>	<u>\$50,000,000</u>	<u>50.0%</u>
Total for county	\$70,000,000	100.0%	\$100,000,000	100.0%

A serious equity problem would result if the county levy were apportioned using the locally assessed values:

Town A	28.6% of \$100,000 =	\$ 28,600
Town B	71.4% of \$100,000 =	<u>71,400</u>
TOTAL COUNTY LEVY =		\$100,000

But the picture changes substantially if the county levy were apportioned using the equalized values. A fair tax system would apportion one-half of the county levy to each as follows:

Town A	50% of \$100,000 =	\$ 50,000
Town B	50% of \$100,000 =	<u>50,000</u>
	TOTAL COUNTY LEVY =	\$100,000

In other words, if locally determined values were used to allocate county taxes, municipal assessors would have an incentive to deliberately under-value property in order to decrease the burden on their taxpayers. Thus, in order to allocate both taxes and state aids fairly, equalization is needed to measure taxable values in all municipalities using the same yardstick.

**I have heard of 'equalizing school taxes', is that the same as equalized values?**

Absolutely not. It is unfortunate that the terminology is so similar.

The concept of 'equalizing school taxes' or 'tax based equalization' is a facet of the Wisconsin property tax system. In 1924, the Department of Public Instruction published a report, quoted in the 1991-1992 Blue Book which presented: "indisputable evidence that the present method of distributing our state school fund does not furnish adequate financial support for all the common school districts of the state without excessive taxation in the poorer districts." 2 There were some municipalities where the property owners could not afford to contribute enough to the schools to guarantee that their students received an equal education compared to well-to-do municipalities. They needed help from the state.

What evolved is a school aid formula, which attempts to 'equalize' educational opportunities. It guarantees adequate funds for fairness in the quality of education for every child, while addressing the problem of excessive property tax burdens. It does this by redistributing more of the income taxes collected by the state as aid to the districts with weak property tax bases. This form of 'equalization' is not the focus of this paper.

The concept of 'equalizing school taxes' is also a cornerstone to the state's shared revenue formulas. Counties and municipalities will receive \$960.7 million in 2002 to offset the costs of the property tax. The program allocates more aid to governments who have a lower per capita wealth (property value divided by population) and who have higher revenues to collect. Here, the goal, as with equalizing school taxes, is to give a greater share of the state revenues to the needier municipalities.

**Allocation of State Aids to Local Governments:** The distribution of funds to local governments under several state programs is determined in part by formulas that measure differences in per capita or per student equalized values. Examples include general school aids and shared revenue payments to municipalities and counties. Generally, school districts or local governments that have relatively low equalized values per capita qualify for larger state aid payments.

**Calculation of Allowable Debt:** The Wisconsin Constitution limits municipal and county debt to no more than 5% of equalized value. Certain school districts have debt limits of 10% of equalized value.

**Determination of Manufacturing Property Values:** DOR determines the primary fair market value of all manufacturing property in the state. Municipalities assess property for tax purposes at different percentages of market value. The manufacturing property values must be adjusted ("equated") to the general level of assessments in the municipality to preserve uniformity of taxation. For example, if a municipality is assessing property at 93.13% of market value, the value of any manufacturing property in the municipality would be adjusted to that same level (e.g., full market value of a manufacturing property is \$150,000 X .9313 = equated assessment of \$139,700).

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2 Wisconsin Department of Public Instruction, *Education in Wisconsin, 1922-1924 Biennial Budget*, (Madison:1924), 28

**Calculation of Average Statewide Property Tax Rates:** Utility Tax computations and other state programs require the use of an average statewide full value property tax rate. Equalized values allow this rate to be determined in spite of differences in local assessment ratios.

**Assessment Standards:** State law requires that the assessed value of each of the major classes of property within a taxation district must be within 10% of the full value at least once during any given five year period. Annually DOR calculates the level of assessment by class and provides that information to each municipality. After four consecutive years of a major classes (over 5% of the municipal value) with a level over 110% or under 90%, a warning letter is sent to the municipality. After the fifth year, the assessment staff is required to attend training during the sixth year of non-compliance. If non-compliance continues for the seventh year, DOR will order a revaluation for the eighth year (contracted and monitored by DOR), and costs are billed to the municipality.

**Estimated Fair Market Values on Tax Bills:** As shown on the attached property tax bill, the assessment ratio is used to compute an estimated fair market value for each property. This is intended to give property owners a way to determine if the assessment placed on their property is reasonable.

**Terms on your Tax Bill:** Of special interest is the line showing "total assessed value", "average assessment ratio", and "estimated fair market value". What do these terms really mean?

*Total Assessed Value* is a dollar value placed on a parcel of property (in this example, a home) by the local assessor for purposes of determining the amount of property taxes due. This amount might be above or below the current market value of the property.

*Average Assessment Ratio* is determined by DOR showing the relationship between the assessed value of all taxable property in a municipality and the equalized value of that property. For example, if the assessed value of all of the taxable property in the Town of Badger amounts to \$22,220,000 and equalized value is \$25,000,000, the average assessment ratio would be  $(\$22,220,000/\$25,000,000) = 0.8888$ . In other words, on average the town assessor is valuing property at an estimated 88.88% of value standard (in this case the value standard is market value for a residential home).

*Estimated Fair Market Value* is a property's total assessed value divided by the average assessment ratio. In theory, this should approximate the current market value of the property. In the previous example, the total assessed value of \$197,300 is divided by an average assessment ratio of 0.8888 to arrive at an estimated fair market value of \$222,000 ( $\$197,300/0.8888 = \$222,000$ ). Since agricultural property value is based on use, not market, the estimated fair market value is not calculated for parcels that include the agricultural class.

The fact that both assessed and fair market values are shown on property tax bills underscores the fact that Wisconsin has a dual system of property valuation. Individual parcels of property are valued (assessed) by local assessors (except for manufacturing property, which is assessed by the state) while the estimated value of all taxable property in each municipality (equalized value) is determined by DOR. This estimate is called the "**equalized**" value and is used for many purposes. The local assessor is concerned with equity between property owners in the municipality, while DOR is concerned with equity between municipalities and counties.

### Conclusion

Wisconsin's dual property tax assessment system offers the advantage of local assessment of individual parcels -- with resulting local accountability -- and state determination of total values at the municipal, county, and school district levels. This latter procedure assures that school taxes, county taxes, and major state aids are apportioned fairly to the state's 1,850 municipalities.

## GLOSSARY OF TERMS

**Apportionment**-A proportional distribution of the levy of a taxing jurisdiction among municipalities based upon the value of the municipalities or parts of municipalities.

**Assessed Value**-A dollar amount assigned to the taxable property, both real (by parcel) and personal (by owner), by the assessor for the purpose of taxation. This amount may be above or below the current market value of most of the locally assessed property, or above or below the use value for agricultural land. It is the market value for the state-assessed manufacturing property.

**Assessment District**-Any subdivision of territory whether whole or in part of a municipality in which a separate assessment of taxable property is made. Such districts may be referred to as taxation jurisdictions, administrative districts, special purpose districts. etc. (see s. 70.08 WI Stats.)

**Assessment Level**-The relationship between the total assessed value and the equalized value of all locally assessed property in the district (after adjusting for prior year's errors). This represents the average percent of value the assessments are at. For example, if the assessments add to \$8,400,000 in Town 'A', and the equalized value is \$9,000,000, then the 'assessment level' is said to be 93% (8,400,000 divided by 9,000,000). NOTE: the agricultural land, assessed using the use value standard, should also be assessed at the same level as all other property. It is included in the assessment level calculation.

**Assessment Ratio**-The relationship between the assessed value and the market (or use for agricultural land) value on a particular parcel. For example, if the assessment of a parcel which sold for \$150,000 (market value) was \$140,000, the assessment ratio is said to be 93% (140,000 divided by 150,000). The difference in the assessment level and the assessment ratio is that the level typically refers to the taxation district; the ratio refers to the individual parcel.

**Equalized Value**-The estimated value of all taxable real and personal property in each taxation district, by class, as of January 1 and certified by DOR on August 15 of each year. The value represents market value (most probable selling price), except for agricultural property, which is based on its use (ability to generate agricultural income).

**Equalization**-The process of establishing the January 1 market value (or use value for agricultural land) by class of real property and item of personal property for each taxation district.

**Equated Value**-The dollar amount placed on individual parcels of manufacturing property in a taxation district for tax collection purposes. It is calculated by multiplying the market value assessment of the property as determined by DOR times the assessment level of all other property within the taxation district.

**Equity**-In reference to property taxes, a condition in which the tax load is distributed fairly (or equitably), based on the uniformity provisions of the state constitution (i.e. each person's share of the tax is based on each person's value compared to the total value of taxable property). Typically this would require periodic reviews of the assessments (local revaluations) to account for the constantly changing economic factors impacting properties. In practical terms, you have equity in taxes where the assessed value of each property bears the same relationship to market or use value.

**Estimated Fair Market Value**-The assessed value of each locally assessed parcel (except those including agricultural land) divided by the entire taxation district's level of assessment (titled average assessment ratio on the tax bill). This estimate gives the property owner a basis for comparison of their perception of the market vs. what is being used to base their share of taxes on. Since the level of assessment is an average for the taxation district, and there is naturally going to be some variance in the local assessor's accuracy on every parcel. Minor differences between the estimated fair market value and the property owner's opinion of value shouldn't raise concern. Large differences require further investigation.

**Full Value-** (1) The value reflected as market value when used in reference to the valuation of real property under s 70.32(1) WI Stats (this does not include agricultural property defined in s 70.32 (2)1. WI Stats). (2) The same as equalized value, however is often used when referring to the value of school and special districts.

**Level of Assessment-**see Assessment Level.

**Levy-**The amount of tax imposed by a taxation jurisdiction.

**Real Estate Transfer Return-**The form required to be filed with the register of deeds by the grantor when recording real estate which has been conveyed to a different entity. The form's primary use is for the assessor to use in implementing the uniformity provision Article VIII of the State Constitution. Among other things, the form documents the property transferred, the grantor, grantee and the value placed on the property.

**Tax Incremental Financing District-**A contiguous geographic area, within a city or village defined and created by resolution of the local legislative body. It is targeted toward eliminating blighted areas, rehabilitating areas declining in value, and/or promoting industrial development. The taxes generated due to value increase are used to pay for TIF eligible projects such as public improvements.

**Taxation District-**A town, village, or city. If a city or village lies in more than one county, that portion of the city or village which lies in each county. (see s. 74.01(6), WI Stats).

**Taxation Jurisdiction-**An entity which is authorized by law to levy taxes on general property which is located within its boundaries. (see s. 74.01(7), WI Stats). In addition to towns, villages and cities, this includes school districts, sewerage districts and lake rehabilitation districts, for example.

**True Cash Value-**The statutory reference to the market value of personal property (s. 70.34, WI Stats).

**Uniformity-**The constitutional requirement that the taxable property must bear its burden equally on an ad valorem basis. As applied to assessing, a condition wherein all properties are assessed at the same ratio to market value, or other standard of value depending upon the particular assessing practices followed. Since a 1974 amendment to the constitution, agricultural land may be non-uniform with other property, but must be uniform within its class. The standard for value for agricultural property is its value in use.

**Use Value-**The value a specific property has for a specific use. Beginning in 2000, agricultural property is assessed according to its use as farmland instead of its market value as indicated by sales. The guideline values are based on 5-year average income and expense data modified by the tax rate in each taxation district in the state.

**Use Value Assessment-**An assessment based on the value of the property as it is currently used, not its market value. This only applies to agricultural land. The guidelines for the use values are based on administrative rules, and developed by DOR staff serving as support for the Farmland Advisory Council who adopts the values.

**Value Standard-**The basis for the methods used in estimating values for the equalized or assessed values. There are two basic values used in the process, the market value ('full value' for real property and 'true cash value' for personal property), which is the basis for value of all property except agricultural land. The market value is based on the most probable selling price of the property. Agricultural land, as defined by administrative rule, is based on a valuation standard which analyzes the ability to generate income as it is currently being used, hence 'use value'.

STATE OF WISCONSIN  
 Real Estate **PROPERTY TAX BILL FOR 2002**  
 VILLAGE OF BADGER  
 AMERICA CO.

IMPORTANT: Correspondence should refer to tax number  
 See reverse side for Important Information

Be sure this description covers your property. This description is for property tax bill only and may not be a full legal description.

LEGAL DESCRIPTION  
 PART OF THE FIRST ADDITION  
 TO THE SECOND ADDITION  
 CONSISTING OF 1 LOT

BILL AND SUE HOMEOWNER  
 RR 9  
 BADGER, WI 58425

PARCEL # 12-116-0029-0000

Assessed Value Land 19,381	Ass'd. Value Improvements 77,819	Total Assessed Value 97,200	Ave. Assmt. Ratio 90.275%	Net Assessed Value Rate (Does NOT reflect Lottery Credit) .0234659	
Est. Fair Mkt. Land 21,469	Est. Fair Mkt. Improvements 86,202	Total Est. Fair Mkt. 107,671	<input type="checkbox"/> A Star in This Box Means Unpaid Prior Year Taxes	School taxes reduced by School levy tax credit \$176.48	
Taxing Jurisdiction	2001 Est. State Aids Allocated Tax Dist.	2002 Est. State Aids Allocated Tax Dist.	2001 Net Tax	2002 Net Tax	% Tax Change
STATE OF WI			20.37	21.53	5.7%
AMERICA CO	63,330	63,004	475.13	496.94	4.6%
VILLAGE OF BADGER	747,259	779,152	580.18	606.42	4.5%
SCH. DIST. #1234	3,316,912	3,489,303	911.33	949.01	4.1%
TECH. COLLEGE #56	157,352	159,321	167.83	178.27	6.2%
SANITARY DIST.#7			28.04	28.71	2.4%
<b>Total</b>	<b>4,284,853</b>	<b>4,490,780</b>	<b>2,182.88</b>	<b>2,280.88</b>	<b>4.5%</b>
	<b>Lottery Credit</b>		<b>76.90</b>	<b>75.13</b>	<b>-2.3%</b>
	<b>Net Property Tax</b>		<b>2,105.98</b>	<b>2,205.75</b>	<b>4.7%</b>

<b>Make Check Payable To:</b> JANE DOE TREAS. VILLAGE OF BADGER RR 9, P.O. BOX 6890 BADGER, WI 58425	Full Payment Due on or Before January 31, 2003 \$ 2,564.77	Net Property Tax \$2,205.75
	Or First Installment Payment Due On or Before January 31 \$ 1,424.33	GARBAGE 359.02
And Second Installment Payment Payable To: JOHN SMITH, CO TREAS. AMERICA CO COURTHOUSE BADGER, WI 58425	And Second Installment Payment Due on or Before July 31 \$ 1,140.44	

Check For Billing Address Change.

BILL AND SUE HOMEOWNER  
 RR 9  
 BADGER, WI 58425

**TOTAL DUE FOR FULL PAYMENT**  
 PAY BY JANUARY 31, 2003  
 ➤ \$ 2,564.77  
 Warning: If not paid by due dates, installment option is lost and total tax is delinquent subject to interest and if applicable, penalty.  
 (See reverse)

**70.62 County tax rate.** (1) COUNTY BOARD TO DETERMINE. The county board shall determine by resolution the amount of taxes to be levied in its county for the year.

(3) OMITTED TAX. Whenever the county board of any county shall fail to apportion against any town, city or village thereof in any year any state, county or school tax or any part thereof properly chargeable thereto, such county board shall, in any succeeding year, apportion such taxes against such town, city or village and add the proper amount thereof to the amount of the current annual tax then apportioned thereto.

*History:* 1973 c. 90, 333; 1975 c. 39, 80, 200, 224; 1977 c. 113 ss. 5, 6; 1977 c. 142; 1977 c. 418 ss. 482 to 487, 929 (42); 1979 c. 34, 122; 1979 c. 175 s. 51; 1979 c. 346 s. 15; 1981 c. 20, 61, 93; 1983 a. 27, 275; 1985 a. 29; 1997 a. 35.

**70.63 Apportionment of county and state taxes to municipalities.** (1) BY COUNTY CLERK. The county clerk shall apportion the county tax and the whole amount of state taxes and charges levied upon the county, as certified by the department of administration, among the towns, cities and villages of the county, according and in proportion to the valuation thereof as determined by the department of revenue. The county clerk shall carry out in the record book, opposite the name of each in separate columns, the amount of state taxes and charges and the amount of county taxes so apportioned thereto, and the amount of all other special taxes or charges apportioned or ordered, or which the clerk is required by law to make in any year to any town, city or village, to be collected with the annual taxes. The clerk shall certify to the clerk of and charge to each town, city and village, except in cities of the 1st class, the amount of all such taxes so apportioned to and levied upon it, and shall, at the same time, file with the county treasurer a certified copy of each apportionment.

(2) CITY OF FIRST CLASS. The county clerk shall certify in a similar manner to the commissioner of assessments of each city of the first class located within the limits of the county.

*History:* 1973 c. 90; 1981 c. 20; 1991 a. 156; 1997 a. 35.

**70.64 Review of equalized values.** (1) BY TAX APPEALS COMMISSION. The assessment and determination of the relative value of taxable general property in any county or taxation district, made by the department of revenue under s. 70.57, may be reviewed, and a redetermination of the value of such property may be made by the tax appeals commission, upon appeal by the county or taxation district. The filing of such appeal in the manner provided in this section by any county or taxation district shall impose upon the commission the duty, under the powers conferred upon it by s. 73.01 (4) (a), to review the assessment complained of. If, in its judgment based upon the testimony, evidence and record made on the preliminary hearing of such appeal, the commission finds such assessment to be unequal and discriminatory, it shall determine to correct such assessment to bring it into substantial compliance with law. Except as provided in this section, the appeal shall be taken and such review and redetermination shall be made as provided in ss. 73.01 and 73.015 and under the rules governing the procedure of the commission.

(2) AUTHORIZATION OF APPEALS. To authorize such appeal an order or resolution directing the same to be taken shall be adopted by the governing body of the county or taxation district taking the appeal at a lawful meeting of the governing body. When an appeal shall have been authorized the prosecution of it shall be in charge of the chairperson of the county board or county administrator or of the chairperson, mayor or president of the taxation district taking the appeal unless otherwise directed by the governing body. The officers or committee in charge of the appeal may employ attorneys to conduct the appeal. After authorizing an appeal as provided in this subsection, any 2 or more taxation districts in the same county may join in taking and prosecuting an appeal.

(3) FORM OF APPEAL. To accomplish an appeal there shall be filed with the tax appeals commission on or before October 15 an appeal in writing setting forth:

(a) That the county or taxation district, naming the same, appeals to the tax appeals commission from the assessment made

by the department of revenue under s. 70.57, specifying the date of such assessment.

(b) Whether the appeal is to obtain a review and redetermination of the assessment of all the taxation districts of the county or of particular districts only, therein specified.

(c) Whether review and redetermination is desired as to real estate, or personal property, or both.

(d) That the appeal has been authorized by an order or resolution of the county board or governing body of the taxation district in whose behalf the appeal is taken.

(e) A plain and concise statement, without unnecessary repetition, of the facts constituting the grievance sought to be remedied upon appeal, which shall specifically allege in what respects the assessment is in error.

(f) The appeal shall be verified by a member of the governing body of the county or taxation district authorizing the appeal in the manner that pleadings in courts of record are verified. When 2 or more taxation districts join in taking such appeal the verification may be made by the proper officer of any one of them.

(4) CERTIFIED COPIES. Upon the filing of such appeal, the clerk of the county or taxation district, without delay, shall prepare certified copies of it, together with certified copies of the value established by the department of revenue from which the appeal is taken and a complete list showing the clerk of each taxation district within the county and the post-office address of each. The clerk shall mail by certified mail 4 sets of certified copies to the tax appeals commission and one set of the copies to the department of revenue, the county clerk and the clerk of each taxation district within the county.

(5) APPEARANCE. Not later than 30 days after the clerk of the county or taxation district has mailed the certified copies, unless the time is extended by order of the tax appeals commission, any county, town, city or village may cause an appearance to be entered in its behalf before the commission in support of the appeal and uniting with the appellant for the relief demanded; and by verified petition or statement showing grounds therefor may apply for other or further review and redetermination than that demanded in the appeal. Within the same time the county, town, city or village in the county may in the same manner have its appearance entered in opposition to the appeal and to the relief demanded. Such appearances shall be authorized in the manner for authorizing an appeal under sub. (2). When so authorized the interests of the county, town, city or village authorizing it shall be in the charge of the chairperson, mayor or president thereof unless otherwise directed by the body authorizing such appearance; and attorneys may be employed in that behalf. In such appearances any 2 or more of the towns, cities and villages of the county may join if united in support of or in opposition to the appeal. Four copies of each appearance, petition or statement mentioned in this subsection shall be filed in the offices of the tax appeals commission and a copy of each mailed by certified mail to the department of revenue, to the county clerk, and to the clerk of each town, city and village within the county, and a copy to the attorney authorized to appear on behalf of the county or any town, city or village within the county.

(6) HEARING. AS SOON AS PRACTICABLE, the commission shall set a time and place for preliminary hearing of such appeal. At least 10 days before the time set for such hearing, the commission shall cause notice thereof to be mailed by certified mail to the county clerk and to the attorney or the clerk of each town, city and village in whose behalf an appearance has been entered in the matter of such appeal, and to the clerk of each town, city or village which has not appeared, and mail a like notice to the clerk of the taxation district taking such appeal and to the department of revenue. The department of revenue shall be prepared to present to the commission at such time during the course of the hearings as the commission requires, the full value of all property subject to general property taxation in each town, village and city of the county, as determined by the department according to s. 70.57 (1) or in the

case of a complaint by a taxation district under a county assessor such information as the department has in its possession. Said hearing may be adjourned, in the discretion of the tax appeals commission, as often and to such times and places as may be necessary in order to determine the facts. If satisfied that no substantial injustice has been done in the taxation district assessment appealed from, the commission in its discretion may dismiss such appeal. If satisfied that substantial injustice has been done in the taxation district assessment, the commission shall determine to revalue any or all of the taxation districts in the county, which it deems necessary, in a manner which in its judgment is best calculated to secure substantial justice.

(7) **REDETERMINATION.** The commission shall then proceed to redetermine the value of the taxable general property in such of the taxation districts in the county as it deems necessary. It may include in such redetermination other taxation districts than first determined upon and may include all of the taxation districts in said county, if at any time during the progress of its investigations or revaluations it is satisfied that such course is necessary in order to accomplish substantial justice and to secure relative equality as between all the taxation districts in such county. It shall make careful investigation of the value of taxable general property in the several taxation districts to which such review and redetermination shall extend, in any manner which in its judgment is best calculated to obtain the fair, full value of such property. The commission may employ such experts and other assistants as may be necessary, and fix their compensation. In making such investigations the commission and all persons employed therein by the commission shall have all the authority possessed by assessors so far as applicable, including authority to administer oaths and to examine property owners and witnesses under oath as to the quantity and value of the property subject to assessment belonging to any person or within any taxation district to which the investigation shall extend.

(8) **HEARING.** The commission may at any time before its final determination appoint a time and place at which it will hear evidence and arguments relevant to the matters under consideration upon such appeal. The time to be devoted to such hearings may be limited as the commission directs. At least 10 days before the time fixed for such hearings, the commission shall cause notice thereof to be mailed by certified mail to the county clerk and to the attorney or other representative of each town, city and village in whose behalf an appearance has been entered in the matter of such appeal, and a like copy to the department of revenue.

(9) **TESTIMONY.** The tax appeals commission may take testimony. Witnesses summoned at the instance of said commission shall be compensated at the rates provided by law for witnesses in courts of record, the same to be audited and paid the same as other claims against the state, upon the certificate of said commission. If any property owner or other person makes any false statement to said commission or to any person employed by it upon any matter under investigation that person shall be subject to all the forfeitures and penalties imposed by law for false statements to assessors and boards of review.

(10) **DETERMINATION.** The tax appeals commission shall make its determination upon such appeal without unreasonable delay and shall file a copy thereof in the office of the county clerk and mail by certified mail a like copy to the department of revenue and to the clerk and attorney of the taxation district appealing, and a copy to the clerk and attorney of each taxation district having appeared. In such determination the commission shall set forth the relative value of the taxable general property in each town, city and village of such county as found by them, and what sum, if any, shall be added to or deducted from the aggregate value of taxable property in each such taxation district as fixed in the determination of the department of revenue from which such appeal was taken in order to produce a relatively just and equitable taxation district assessment. Such determination shall be final.

(11) **COMPUTATION.** The determination of the commission shall not affect the validity of taxes apportioned in accordance with the taxation district assessment from which such appeal was taken; but if it is determined upon such appeal that such taxation district assessment is relatively unequal, such inequality shall be remedied and compensated in the apportionment of state and county taxes in such county next following the determination of said commission in the following manner: Each town, city and village whose valuation in such taxation district assessment was determined by said commission to be relatively too high shall be credited a sum equal to the amount of taxes charged to it upon such unequal assessment in excess of the amount equitably chargeable thereto according to the determination of the commission; and each town, city and village whose valuation in such taxation district assessment was determined by said commission to be relatively too low shall be charged, in addition to all other taxes, a sum equal to the difference between the amount charged thereto upon such unequal assessment and the amount which should have been charged thereto according to the determination of the commission. The department of revenue shall aid the county clerk in making proper computations.

(12) **EXPENSES.** The tax appeals commission shall transmit to the county clerk with its determination on such appeal a statement of all expenses incurred therein by or at the instance of the commission, which shall include the actual expenses of the commission and regular employees of the commission, the compensation and actual expenses of all other persons employed by it and the fees of officers employed and witnesses summoned at its instance. A duplicate of such statement shall be filed in the office of the department of administration. Such expenses shall be audited upon the certificate of the commission, and paid out of the state treasury, in the first instance, as other claims against the state are audited and paid. The amount of such expenses shall be a special charge against such county and shall be included in the next apportionment and certification of state taxes and charges, and collected from such county, as other special charges are certified and collected. Unless otherwise directed by the commission in its determination upon such appeal, the county clerk, in the next apportionment of state and county taxes, shall apportion the amount of such special charges to and among the towns, cities and villages in such county whose relative valuations were increased in the determination of the commission in proportion to the amount of such increase in each of them respectively. The apportionment of such expenses shall be set forth in the determination of the commission. The amount so apportioned to each such town, city and village shall be charged upon its tax roll and shall be collected and paid over to the county treasurer as other state taxes and special charges are collected and paid.

(13) **PROCEDURES.** The provisions of s. 73.01, insofar as consistent with this section, shall be applicable to proceedings under this section.

History: 1973 c. 90; 1981 c. 20; 1983 a. 275; 1989 a. 56 s. 258; 1991 a. 316.  
Cross Reference: See also s. TA 1, Wis. adm. code.

**70.65 Tax roll. (1) CLERK TO PREPARE.** Annually the clerk of the taxation district shall prepare a tax roll. The clerk shall begin preparation of the tax roll at a time sufficient to permit timely delivery of the tax roll under s. 74.03.

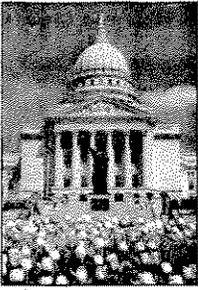
(2) **CONTENT.** The tax roll shall do all of the following:

(a) As shown on the assessment roll:

1. Identify all the real property within the taxation district and, with respect to each description of real property, the name and address of the owner and the assessed value.

2. Identify the name and address of the owners of all taxable personal property within the taxation district and the assessed value of each owner's taxable personal property.

(b) With respect to each description of real property and each owner of taxable personal property:



Michael (Mickey)  
**Lehman**

State Representative  
99th Assembly District

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Committee Chair: Ways and Means

## Memorandum

To: Ways & Means Committee Members  
From: Rep. Michael "Mickey" Lehman *Mickey*  
Date: April 10, 2003  
Re: Amendments for April 16th Public Hearing/Executive Session

The following amendments will be considered by the Committee at our next Public Hearing/Executive Session:

An amendment to AB 48, relating to mailing property tax bills, requested by the author--Rep. Ladwig.

An amendment introduced by Rep. Ainsworth to his AB 70, relating to modifying the definition of income under the homestead tax credit.

Two amendments requested by Rep. Lehman to his AB 89, relating to installment payments of refunds of taxes on manufacturing property.

Copies are attached for your information.

**Kraak, Maureen**

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**From:** Audra Millen [AMILLE@milwaukee.gov]  
**Sent:** Friday, April 11, 2003 12:32 PM  
**To:** maureen.kraak@legis.state.wi.us  
**Subject:** Amendment to AB89

Hi Maureen -

I was unable to attend the first hearing on AB89, but was informed that Rep. Lehman would be sponsoring an amendment that would allow Madison and Milwaukee to also qualify for the installment payments under certain circumstances. We certainly support such an amendment. I was wondering if it was possible to confirm that and to get a copy of the amendment?

Thanks -  
Audra

Audra D. Millen  
Intergovernmental Relations Division  
414-286-5593

*fax - 414-286-8547*

AB 89

Vote Record

Committee on Ways and Means

Date: 4/16/03

Moved by: Seconded by:

AB SB Clearinghouse Rule
AJR SJR Appointment
AR SR Other

A/S Amdt 0419/1
A/S Amdt to A/S Amdt
A/S Sub Amdt
A/S Amdt to A/S Sub Amdt
A/S Amdt to A/S Amdt to A/S Sub Amdt

- Be recommended for:
Passage Adoption Confirmation Concurrence Indefinite Postponement
Introduction Rejection Tabling Nonconcurrency

Table with 5 columns: Committee Member, Aye, No, Absent, Not Voting. Lists representatives like Michael Lehman, Jeffrey Wood, Stephen Nass, Eugene Hahn, Frank Lasee, Suzanne Jeskewitz, Samantha Kerkman, Thomas Lothian, Wayne Wood, Pedro Colon, Terese Berceau, Robert Ziegelbauer, Johnnie Morris, Tom Hebl.

Totals: 13 0 1

AB 89

### Vote Record

## Committee on Ways and Means

Date: 4/16/03

Moved by: Morris

Seconded by: Ken Kman

AB \_\_\_\_\_

SB \_\_\_\_\_

Clearinghouse Rule \_\_\_\_\_

AJR \_\_\_\_\_

SJR \_\_\_\_\_

Appointment \_\_\_\_\_

AR \_\_\_\_\_

SR \_\_\_\_\_

Other \_\_\_\_\_

A/S Amdt 0419/1

A/S Amdt \_\_\_\_\_ to A/S Amdt \_\_\_\_\_

A/S Sub Amdt \_\_\_\_\_

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A/S Amdt \_\_\_\_\_ to A/S Amdt \_\_\_\_\_ to A/S Sub Amdt \_\_\_\_\_

Be recommended for:

Passage

Adoption

Confirmation

Concurrence

Indefinite Postponement

Introduction

Rejection

Tabling

Nonconcurrency

#### Committee Member

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Michael Lehman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jeffrey Wood	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Stephen Nass	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Eugene Hahn	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Frank Lasee	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Suzanne Jeskewitz	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Samantha Kerkman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Thomas Lothian	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Wayne Wood	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Pedro Colon	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Terese Berceau	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Robert Ziegelbauer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Johnnie Morris	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Tom Hebl	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 13 0 1 \_\_\_\_\_

AB 89

Vote Record

Committee on Ways and Means

Date: 4/16/03

Moved by: Morris

Seconded by: Kerkman

AB \_\_\_\_\_

SB \_\_\_\_\_

Clearinghouse Rule \_\_\_\_\_

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SJR \_\_\_\_\_

Appointment \_\_\_\_\_

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Other \_\_\_\_\_

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Be recommended for:

Passage

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Confirmation

Concurrence

Indefinite Postponement

Introduction

Rejection

Tabling

Nonconcurrence

Committee Member

Representative Michael Lehman

Aye

No

Absent

Not Voting

Representative Jeffrey Wood

Representative Stephen Nass

Representative Eugene Hahn

Representative Frank Lasee

Representative Suzanne Jeskewitz

Representative Samantha Kerkman

Representative Thomas Lothian

Representative Wayne Wood

Representative Pedro Colon

Representative Terese Berceau

Representative Robert Ziegelbauer

Representative Johnnie Morris

Representative Tom Hebl

Totals: 13 0 1 \_\_\_\_\_

AB89

Vote Record

Committee on Ways and Means

Date: 4/16/03

Moved by: Morris

Seconded by: Kerkman

AB \_\_\_\_\_

SB \_\_\_\_\_

Clearinghouse Rule \_\_\_\_\_

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Other \_\_\_\_\_

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Be recommended for:

- Passage
- Adoption
- Confirmation
- Concurrence
- Indefinite Postponement
- Introduction
- Rejection
- Tabling
- Nonconcurrence

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Michael Lehman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jeffrey Wood	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Stephen Nass	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Eugene Hahn	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Frank Lasee	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Suzanne Jeskewitz	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Samantha Kerkman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Thomas Lothian	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Wayne Wood	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Pedro Colon	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Terese Berceau	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Robert Ziegelbauer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Johnnie Morris	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Tom Hebl	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 13 0 1 \_\_\_\_\_

AB 89

### Vote Record

## Committee on Ways and Means

Date: 4/16/03

Moved by: W. Wood

Seconded by: Lasee

AB 89

SB \_\_\_\_\_

Clearinghouse Rule \_\_\_\_\_

AJR \_\_\_\_\_

SJR \_\_\_\_\_

Appointment \_\_\_\_\_

AR \_\_\_\_\_

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Be recommended for:

- Passage
- Adoption
- Confirmation
- Concurrence
- Indefinite Postponement
- Introduction
- Rejection
- Tabling
- Nonconcurrence

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Michael Lehman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jeffrey Wood	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Stephen Nass	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Eugene Hahn	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Frank Lasee	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Suzanne Jeskewitz	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Samantha Kerkman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Thomas Lothian	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Wayne Wood	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Pedro Colon	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Terese Berceau	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Robert Ziegelbauer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Johnnie Morris	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Tom Hebl	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 13 0 1 \_\_\_\_\_

AB 89

AA3

**Halverson, Vicky**

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**From:** Gates-Hendrix, Sherrie  
**Sent:** Tuesday, April 22, 2003 2:27 PM  
**To:** Halverson, Vicky

Page 3, line 20: delete lines 20 and 21 and substitute "of administration shall pay to each municipality that pays a refund under par. (b), (bm), or (bn) for property that is assessed by the state under s. 70.995 an..."

## Halverson, Vicky

---

**From:** Kreye, Joseph  
**Sent:** Tuesday, April 22, 2003 3:34 PM  
**To:** Halverson, Vicky  
**Subject:** RE: AA2 to AB 89

Got it.

**Joseph T. Kreye**  
Legislative Attorney  
Legislative Reference Bureau  
(608) 266-2263

-----Original Message-----

**From:** Halverson, Vicky  
**Sent:** Tuesday, April 22, 2003 3:25 PM  
**To:** Kreye, Joseph  
**Subject:** RE: AA2 to AB 89

Joe,

I should have told you that AA1 was introduced by the Committee last week. That would be great if you would prepare a new amendment.

-----Original Message-----

**From:** Kreye, Joseph  
**Sent:** Tuesday, April 22, 2003 3:17 PM  
**To:** Halverson, Vicky  
**Subject:** RE: AA2 to AB 89

Hi Vicky:

I can do that. If you want be to redraft the amendment, just send the jacket back to the LRB, if you haven't already. Otherwise, if it's easier, I can prepare a new amendment. Just let me know.

Joe

**Joseph T. Kreye**  
Legislative Attorney  
Legislative Reference Bureau  
(608) 266-2263

-----Original Message-----

**From:** Halverson, Vicky  
**Sent:** Tuesday, April 22, 2003 3:13 PM  
**To:** Kreye, Joseph  
**Subject:** AA2 to AB 89

Hi Joe:

DOR would like a slight change in the wording of AA1 (0420/1) to Mickey's AB89. Page 1, line 11 delete Page 3, line 21: after "(bm)" insert "or (bn)".

This should read: Page 3, line 20: delete lines 20 and 21 and substitute "of administration shall pay to each municipality that pays a refund under par. (b), (bm), or (bn) for property that is assessed by the state under s. 70.995 an . . ."

Thanks very much.

Vicky

## Halverson, Vicky

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**From:** Ford, William  
**Sent:** Thursday, October 16, 2003 7:39 AM  
**To:** Halverson, Vicky  
**Subject:** RE: AB 89

Yes, Mickey is correct, except that AA3 replaces both AA2 AND AA1. Call me if you have questions as to how that occurred. I told the Speaker's office about this when they called a couple of weeks ago.

-----Original Message-----

**From:** Halverson, Vicky  
**Sent:** Wednesday, October 15, 2003 4:23 PM  
**To:** Ford, William  
**Subject:** AB 89

Bill:

Mickey's AB 89 is scheduled to be up on the floor next Tuesday. He took the bill home with him, and just called in with a question he wanted me to ask you.

He introduced AA3 to the bill at the request of DOR. He thinks that it overrides AA2. Could you please take a look at it and see if that's the case? He thinks that if AA3 is adopted, there would not be a need for AA2.

Thanks very much.

Vicky

# **Assembly Republican Majority Bill Summary**

## **AB 89: Installment Payments of Refunds of Taxes on Manufacturing Property**

Relating to: Installment payments of refunds of taxes on manufacturing property, the interest on refunded and additional taxes on manufacturing property, and making an appropriation.

By (Representatives M. Lehman, Jeskewitz, W. Wood, Olsen, Gielow, J. Lehman, Grothman, Seratti, Townsend, Ziegelbauer, Hahn, F. Lasee, Krawczyk, Ladwig and Colon, cosponsored by Senators Kanavas and A. Lasee.

**Date:** October 21, 2003

### **BACKGROUND**

Under current law, the Department of Revenue (DOR) currently assesses manufacturing property for property taxes. DOR determines what property is classified as manufacturing for property tax purposes. If a reviewing authority for property assessments reduces a manufacturing property's assessed value or determines that manufacturing property is exempt from property tax, an affected taxpayer may file a claim with the municipality for a property tax refund. The municipality pays the refund to the taxpayer in one sum that includes interest on the refund amount, paid at the rate of 0.8% per month.

### **SUMMARY OF AB 100 AS AMENDED BY COMMITTEE**

Under Assembly Bill 89, a municipality may pay a property tax refund to an owner of manufacturing property in five annual installments, rather than all at once, and the interest on the refund amount is paid either at a rate of ten percent a year or at a rate determined by the last auction of six-month U.S. treasury bill, whichever is less. The bill as amended would allow municipalities that have a property tax levy of \$100 million or more to pay manufacturing property tax refunds in five annual installments if the municipality is required to pay three or more refunds of at least \$10,000 in the same calendar year. The state would be required to reimburse cities, villages, and town for interest paid on refunds of manufacturing property taxes only with respect to refunds of manufacturing property taxes where the property was assessed by the state.

### **AMENDMENTS**

**Assembly Amendment 1** to Assembly Bill 89 would allow municipalities that have a property tax levy of \$100 million or more to pay manufacturing property tax refunds in five annual installments under the bill if the municipality is required to pay three or more refunds of at least \$10,000 in the same calendar year [adopted 13-0 (Rep. Berceau was absent)].

**Assembly Amendment 2** to Assembly Bill 89 would require the state to reimburse cities, villages, and towns for interest paid on refunds of manufacturing property taxes only with respect to refunds of manufacturing property taxes where the property was assessed by the state [adopted 13-0 (Rep. Berceau was absent)].

### **FISCAL EFFECT**

A fiscal estimate prepared by the Department of Revenue indicates that data is not available to estimate the total interest costs statewide; however, the total state costs are not expected to be significant.

### PROS

1. AB 89 would allow municipalities to spread costly refunds over time; thereby avoiding large tax increases for municipal taxpayers in a given year.
2. The bill provides the option of five annual installments. Municipalities could continue their current payment schedule if they so desire.
3. The bill better reflects current market conditions by tying interest charges to the most recent six-month treasury bill rate.

### CONS

1. Municipalities would be responsible for seeking restitution from other taxing bodies if they so desire.

### SUPPORTERS

Rep. Michael Lehman, author; Sen. Ted Kanavas, lead co-sponsor; the Department of Revenue, the WI Alliance of Cities; Curt Witynski, League of WI Municipalities; Michael Birkley, WI Property Taxpayers, Inc.

### OPPOSITION

No one registered or testified against AB 89.

### HISTORY

Assembly Bill 89 was introduced on February 20, 2003, and referred to the Assembly Committee on Ways and Means. A public hearing was held on April 2, 2003. On April 16, 2003, the Committee voted (13-0) [Rep. Berceau was absent] to recommend passage of AB 89 as amended.

**CONTACT:** Vicky Halverson, Office of Rep. Michael Lehman

**TAXATION # 1008**  
**Municipalities and the Assessment of Manufacturing**  
**Property:**  
**A Case Study**

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LEGAL COMMENT

By: Curt Witynski and John M. Bruce\*

Most local officials are aware that the Wisconsin Department of Revenue (DOR) is responsible for assessing all manufacturing property statewide.<sup>1</sup> Local officials might be less aware, however, that under Wisconsin's system for assessing manufacturing property municipalities and other taxing jurisdictions can face unanticipated, potentially significant, tax refund liability if a manufacturer succeeds in having DOR's assessment reduced on appeal. In addition, interest must be paid on tax refunds given to manufacturers and it is the municipality alone who is responsible for paying such interest.

The City of Two Rivers recently learned that it may be required to refund a significant amount of real estate taxes and make a substantial interest payment to a manufacturer located within the city after the Wisconsin Tax Appeals Commission reduced DOR's assessment of the property by approximately \$10,000,000. Two Rivers City Attorney, John M. Bruce, wrote the League a letter in October 1996 describing Two Rivers' experience and summarizing the applicable law. We are publishing Attorney Bruce's letter, with his permission, to educate municipal officials about the State's system of assessing manufacturing property and the appeal process. Under this system, a municipality can, without having had any involvement in the assessment or appeal process, be required to refund taxes and make a substantial interest payment to a manufacturer who has successfully appealed DOR's assessment.

Dear Curt:

I have spoken to you before regarding the difficulties being encountered by the City of Two Rivers due to a decision by the Wisconsin Tax Appeals Commission, reversing a 1994 assessment of manufacturing property situated in the City. The Wisconsin Tax Appeals Commission's decision reduces the assessment by approximately \$10,000,000.

The commission's decision, if not reversed, will require the City and other local taxing jurisdictions to refund real estate taxes paid. This refund will be very sizeable. Moreover, interest must be paid on the refund at the rate of .8% per month. Significantly, it is the Department of Revenue's position that the City is solely liable for this interest.

I write this letter because I feel that Wisconsin's system for assessing manufacturing property, in which municipalities have little or no involvement, can have catastrophic results for cities and villages. I also feel that the system is fundamentally inequitable in the sense that while municipalities have ultimate liability to refund taxes and pay interest, they have no input whatsoever in the assessment process nor, practically speaking at least, do they have any involvement in any appeal of an assessment of manufacturing property, except in certain limited circumstances. Consequently, municipalities may become involved only when suddenly called upon to refund potentially significant amounts of real estate taxes paid.

## League of Wisconsin Municipalities - Legal Opinions

As you know, the State, through DOR, assesses manufacturing property pursuant to sec. 70.995, Stats. Thus, DOR, not the locality, determines the value at which manufacturing property will be assessed. Resulting real estate taxes are paid to the municipality. In the event the taxpayer appeals an assessment, the taxes are deemed paid under protest.

Appeals of manufacturing assessments are made, first, to the State Board of Assessors.<sup>3</sup> Both the taxpayer and the municipality have the right to object to an assessment at this stage. Naturally, the taxpayer has a right to appeal an adverse determination of the Board of Assessors to the Tax Appeals Commission. A municipality also has the right to appeal a determination by the Board of Assessors in the following instances:

1. Where the assessment is reduced by the State Board of Assessors;
2. Where the taxpayer files an appeal, in which case the municipality may file a cross appeal; and
3. Where the State Board of Assessors does not overrule a change from assessment by the DOR under sec. 70.995 to assessment by the municipal assessor under sec. 70.32(1).<sup>4</sup>

Obviously, it is not likely that a municipality will appeal a determination of the State Board of Assessors unless the board reduces the amount of an assessment, or possibly if the board changes the manner in which the property is assessed (i.e., by DOR or by the municipality). A municipality would have no incentive, normally, to participate in an appeal by a taxpayer to the Tax Appeals Commission if the State Board of Assessors sustains DOR's assessment. Accordingly, in circumstances where there is no reduction, a municipality normally would have no involvement in the appeal process, just as it has no involvement in the formulation of the assessment itself.

A municipality will become directly involved, however, in the event the assessment is overturned or reduced by the Tax Appeal Commission. In that event, it is the municipality, not the State of Wisconsin, which is liable to the taxpayer to refund excess taxes paid, plus interest. The interest, by today's standards, is quite high: 0.8% per month, or approximately 9.6% per year.<sup>5</sup> Provided a claim for refund is filed with the clerk of the municipality on or before November 1st following the decision, the refund plus interest is payable to the taxpayer no later than January 31st of the succeeding year.<sup>6</sup>

Interestingly, the statutes at one time required the State to pay interest on refunds due in the case of manufacturing assessments. It appears, however, that State liability for interest on refunds ended as of December 31, 1982. Given the fact that the State is responsible for the assessment, and the municipality's voice in any appeal is extremely limited, it would seem much more equitable for the State to have responsibility for payment of any interest resulting from an invalid assessment.

In this regard, I have been informed by DOR staff that it is the Department's interpretation of the law that cities are solely liable for interest payable on any refund. In other words, it is the Department's position that other taxing jurisdictions which actually receive a share of real estate taxes paid (e.g. school districts) are not liable for any interest on their share. The Department bases its opinion on its reading of sec. 74.41(4)(b), Stats. That statute relates to a taxing district's ability to charge back refunded or rescinded taxes to other taxing jurisdictions. Under sec. 74.41, as long as the municipal clerk files a request with DOR by October 1st, the Department will calculate the share of refunds

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owing by other taxing jurisdictions and notify them of amounts payable back to the municipality. Payment in that case is due by February 15th of the following year. According to sec. 74.41(4)(b), the amount determined by DOR to be charged back may not include any interest.

The situation can become particularly intolerable where the DOR opts not to appeal an adverse decision of the Tax Appeals Commission. DOR has the option of choosing not to appeal, and instead to "nonacquiesce" in the decision of the commission.<sup>7</sup> The effect of such action is that, while the decision is binding in the instant case, the decision is not binding upon or required to be followed by DOR in other cases. While the Department may mitigate the effect of an adverse decision in this fashion, the impact on the municipality is in no way lessened. The municipality will still be liable for payment of the refund, and interest. Moreover, the municipality carries the burden of any appeal.

This is the dilemma which the City of Two Rivers currently faces due to the commission's reversal of an assessment the City did not formulate, and had no reason to believe would be reversed until reversal occurred. If the commission's decision is binding or upheld, the city could be liable for even more sizeable refunds and interest in succeeding tax years in which the property continued to be assessed at the level formulated by DOR.

While I believe that a municipality would be an "aggrieved person" under the Administrative Procedure Act, and therefore would have standing to appeal a Tax Appeals Commission decision under these circumstances a municipality will obviously not be in as good a position as the DOR to defend the Department's own assessment. A municipality will also be at a disadvantage by virtue of the fact that it would be entering into the picture in the middle of an appeal, and after an evidentiary hearing before the Tax Appeals Commission.

Prudence would seem to dictate that a municipality participate in every objection to or appeal of a state manufacturing property assessment, regardless of the circumstances, merely to insure standing, and to provide that it will have adequate familiarity with the circumstances and can participate in any evidentiary hearing. In that event, it would at least be prepared to appeal in the event DOR declines to do so. That a municipality may be required to take such actions in all instances merely to protect itself is, I submit, indicative of a fundamentally unfair legal process.

However, I note that the Tax Appeals Commission has indicated that a municipality cannot appeal a decision of the State Board of Assessors where the board does not change the assessment made by the DOR. That was the determination of the commission in an earlier decision.<sup>8</sup> The commission, nevertheless, allowed the municipality to intervene in that matter, holding that the municipality qualified for permissive intervention under sec. 803.09(2), Stats. But the commission's belief that a municipality does not have the right to appeal except where DOR's assessment has been modified indicates that a municipality would not have the right to even attempt to protect itself by participating in an appeal in other circumstances.

I believe a system which excludes municipalities from the formulation and appeal of assessments and yet imposes on them all penalties which result from such assessments being found invalid is inherently unsound and inequitable. I suspect that the nature of this system, and its potentially very serious effects, may be largely unknown and unsuspected by municipalities. I respectfully suggest that the League would do its

members a great service by informing and educating them regarding the ramifications of this statutory scheme. I also feel that it would be useful to advise legislators of the system's potential impact on municipalities, and to suggest to them that amendment of the law in certain respects at least is imperative.

Very truly yours,

John M. Bruce

Two Rivers City Attorney

**Editor's Note:** The City of Two Rivers has decided to file an action in circuit court seeking review of the Tax Appeal Commission's decision. The Department of Revenue is not participating in the appeal.

**TAXATION # 1009 and # 1010**  
**Advice to Board of Review Did Not Violate Due Process**  
**December 31, 1997**

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