

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-0576/P1dn

JK:wlj:ch

November 8, 2004

Representative Black:

Please review this draft carefully to ensure that it is consistent with your intent.

Also, please be aware that the homeowner's tax credit, as created in the bill, and the computer property tax exemption as amended in the bill, could be challenged as a violation of the uniformity clause of article VIII, section 1, of the Wisconsin Constitution. The uniformity clause requires that the taxation of real property be uniform.

The Wisconsin Supreme Court has held that reducing the taxes on some property but not exempting the property is a partial exemption that violates the uniformity clause. See *State ex rel. La Follette v. Torphy*, 85 Wis. 2d 94, 105-108 (1978) and *Gottlieb v. Milwaukee*, 33 Wis. 2d 408, 427-428 (1859). A court could find that the homeowner's tax credit created in the bill creates a partial exemption because it disproportionately reduces the tax liability of homeowners. In other words, because the credit is based on the first \$60,000 of property value, a homeowner whose property is valued at \$60,000, for example, will receive a credit that represents a greater percentage of his or her total tax liability than a homeowner whose property value exceeds \$60,000. See also, 52 Opinion of the Attorney General 143 (1963) which opines that exempting the first \$3,750 of the assessed value of homesteads creates a partial exemption.

With regards to the computer property tax exemption, a court could find that applying the exemption only to computers owned by certain businesses, based on gross receipts, creates an unreasonable classification for property tax purposes and, therefore, violates the uniformity clause. See *Gottlieb*.

Although I am not certain how a court would rule on a constitutional challenge to the bill, should it become law, you should be aware of possible challenges to the bill. Please contact me if you have any questions.

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