

Fiscal Estimate Narratives

DOR 7/18/2005

LRB Number	05-0643/1	Introduction Number	AB-538	Estimate Type	Original
Subject					
Setoffs of tax refunds related to property tax debts					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, a municipality or county may certify any debt, excluding unpaid property taxes, of \$20 or more owed to it to the Department of Revenue (DOR) for collection under the refund intercept program. DOR deducts the debts from any tax refunds due the debtor and remits collections to the municipality or county. On a quarterly basis, DOR bills municipalities and counties 2% of collections to recover its administrative costs.

Under current law, unpaid real property taxes may be recovered by taking title to the property and selling it, while unpaid personal property taxes may be recovered through civil action against the property owner. Some of the procedures for collecting unpaid property taxes can be instituted only after final installment payments are due (July 31 outside the City of Milwaukee, October 31 in the City of Milwaukee), and it may take several years for recovery to take place.

Under the bill, a municipality or county could certify debts for unpaid property taxes of \$20 or more to DOR for collection under the refund intercept program. Property taxes are considered delinquent (unpaid) if no payment is made by January 31 (the due date for the first installment), or if any installment is not paid in full by the due date. Thus, to the extent that funds are available for intercept, collection of unpaid property taxes could take place earlier than under current law. This could increase the number of municipalities and counties participating in the refund intercept program and the amount of debt collected through the program.

Based on data from the 2004/05 tax settlement forms filed with DOR, it is estimated that 3.5% of real property taxes and 6.0% of personal property taxes, for a total of about \$275 million, were delinquent as of January 31, 2005, and under the bill could have been certified to DOR for collection. The amount of taxes that become delinquent at subsequent installment dates is unknown.

Since it is unknown how local officials may react to this law change, DOR is unable to reasonably estimate the amount of unpaid property taxes that municipalities and counties would certify to it for collection and the amount by which its collection fees under the intercept program would increase.

Compared to current law procedures, municipalities and counties that use the refund intercept program to collect unpaid property taxes will experience a decrease in legal costs related to collections and a decrease in interest earned on unpaid tax balances. It is not possible to reasonably estimate the amount of these decreases.

Long-Range Fiscal Implications