

Fiscal Estimate - 2005 Session

Original Updated Corrected Supplemental

LRB Number **05-0014/2** Introduction Number **AB-265**

Subject
Assessment and recording of development rights

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate

Increase Existing Appropriations Increase Existing Revenues Increase Costs - May be possible to absorb within agency's budget
 Decrease Existing Appropriations Decrease Existing Revenues Yes No
 Create New Appropriations Decrease Costs

Local:

No Local Government Costs
 Indeterminate

1. Increase Costs 3. Increase Revenue
 Permissive Mandatory Permissive Mandatory

2. Decrease Costs 4. Decrease Revenue
 Permissive Mandatory Permissive Mandatory

5. Types of Local Government Units Affected
 Towns Village Cities
 Counties Others
 School Districts WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**

GPR FED PRO PRS SEG SEGS

Agency/Prepared By DOR/ Daniel Huegel (608) 266-5705	Authorized Signature Blair Kruger (608) 266-1310	Date 4/5/2005
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Fiscal Estimate Narratives

DOR 4/6/2005

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Subject					
Assessment and recording of development rights					

Assumptions Used in Arriving at Fiscal Estimate

CURRENT LAW

Real property is defined as the land itself and all buildings, improvements, fixtures, rights, and privileges appertaining to the land.

PROPOSED LAW

Development rights, defined as any device which severs the development potential of real property from the property's title and makes the rights available for acquisition, would be subject to property taxation separately from the land. The land from which development rights are severed would be taxed on its residual value.

Development rights would be a separate property class for purposes of determining both assessed and equalized values. Every county property lister would be required to maintain, separately from information on other real property, information on the ownership and description of development rights recorded in the county.

Any conveyance of development rights must be recorded with the county register of deeds. The conveyance would be subject to the real estate transfer fee of \$0.30 for each \$100 of the value of the conveyed property interest. Since the Department of Revenue (DOR) has no data on the value of development rights, it is not possible to reasonably estimate the amount of real estate transfer fees that the bill could engender.

IMPLEMENTATION COSTS

Municipal assessors would incur one-time costs to add development rights as a separate class to their record keeping processes and for training on how to value development rights. County property listers would incur one-time costs to add the ability to separately track development rights.

The Department of Revenue (DOR) will incur one-time costs to change its administrative procedures for reviewing assessed values and establishing equalized values. In addition, DOR will need to add a chapter to its assessment manual about valuing development rights.

Currently available data do not permit a reasonable estimate of these one-time costs.

PROPERTY TAXATION

Based on the experience of other states which permit the severance and transfer of development rights, these rights are often owned by property tax-exempt entities such as counties, municipalities, and environmental organizations. To the extent that development rights in Wisconsin would be purchased by such tax-exempt entities, property taxes would be shifted to other taxpayers.

Long-Range Fiscal Implications