



2007 DRAFTING REQUEST

Bill

Received: 12/04/2006

Received By: jkreye

Wanted: As time permits

Identical to LRB:

For: Administration-Budget

By/Representing: Hatch

This file may be shown to any legislator: NO

Drafter: jkreye

May Contact:

Addl. Drafters:

Subject: Tax, Property - credits

Extra Copies:

Submit via email: NO

Pre Topic:

DOA:.....Hatch, BB0207 -

Topic:

School levy property tax credit

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?				_____			S&L
/1	jkreye 12/05/2006	wjackson 12/05/2006	rschluet 12/06/2006	_____	sbasford 12/06/2006		S&L
	jkreye 01/24/2007	lkunkel 01/24/2007		_____			
/2	jkreye 01/25/2007	wjackson 01/25/2007	jfrantze 01/24/2007	_____	mbarman 01/24/2007		S&L
/3			nmatzke 01/26/2007	_____	sbasford 01/26/2007		S&L
/4	jkreye	kfollett	pgreensl	_____	cduerst		S&L

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	01/26/2007 jkreye 01/29/2007	01/26/2007 csicilia 01/29/2007	01/26/2007 _____ _____ _____		01/28/2007		
/5			rschluet 01/29/2007 _____ _____		sbasford 01/29/2007		S&L
/6	jkreye 01/31/2007 chanaman 02/05/2007	csicilia 01/31/2007 jdyer 02/05/2007	nnatzke 01/31/2007 _____ _____ _____		mbarman 02/01/2007		S&L
/7			nnatzke 02/05/2007 _____ _____		sbasford 02/05/2007		

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			nwn 2/5				

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				nwn/jf 1/31			

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1/31
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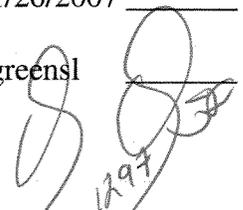
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/2		13 wlj 1/25	jfrantze 01/24/2007	_____	mbarman 01/24/2007		

FE Sent For:

nwn
1/26

nwn/RS
1/26

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Topic:

School levy
Property tax credit on all improvements on real property

Instructions:

See Attached

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FE Sent For:

1/2mk 1/24 *Jb* *JPg*
1/24 *1/24*
<END>

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/?	jkreye	1 wj 12/14		_____	_____	_____	_____

FE Sent For:

<END>

2007-09 Budget Bill Statutory Language Drafting Request

- Topic: "First Dollar" Credit (property tax relief)
- Tracking Code: BB0207
- SBO team: Tax and Local Government
- SBO analyst: Nikki Hatch
 - Phone: 266-1923
 - Email: Nikki.hatch@wisconsin.gov
- Agency acronym: Shared Revenue and Tax Relief
- Agency number: 835
- Priority (Low, Medium, High): High

**Statutory Language Request
December 1, 2006**

TITLE: First Dollar Credit

RECOMMENDATION FOR ACTION:

Shelter the first portion of the equalized value of the improvements on a property from the property tax.

Create a below-the-line credit (akin to the Lottery Credit). In effect, the state pays the taxes on the sheltered amount.

Applies to all classes of property, on any parcel with an improvement (not vacant land).

Similar to SB 260, introduced July 18, 2005.

DOR should set a single credit value sufficient to use \$175,000,000.

Create a sum sufficient appropriation under s.20.835 (3)

EFFECTIVE DATE OR INITIAL APPLICABILITY:

With the levy set after December 31, 2008

PERSON TO CONTACT:

Nikki Hatch
6-1923
nikki.hatch@wisconsin.gov

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-1009/1dn

JK:/:....

Wlj

Please review this draft carefully to ensure that it is consistent with your intent. You may want to share this draft with DOR to ensure that the proposal works as it is intended.

Also, please be aware that the improvements property tax credit, as created 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 credit created in the bill creates a partial exemption because it disproportionately reduces the tax liability of certain property owners. In other words, because the credit is based on the first \$60,000 of an improvement's value, a taxpayer whose improvement 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 taxpayer 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.

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.

Joseph T. Kreye
Legislative Attorney
Phone: (608) 266-2263
E-mail: joseph.kreye@legis.wisconsin.gov



State of Wisconsin
2007 - 2008 LEGISLATURE

LRB-1009/1

JK:./...
Wlj

DOA:.....Hatch, BB0207 - Property tax credit on all improvements on real property

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

in 12-5-06
D-N

Do Not Gen

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

TAXATION

PROPERTY TAXATION

This bill creates a property tax credit for improvements on real property. The amount of the credit is calculated by multiplying the equalized value of the improvement, as determined by DOR, up to an equalized value of \$60,000, by the school tax rate for the municipality where the improvement is located. The amount of the credit is paid to the municipality and applied to the property owner's property tax bill, thereby reducing the amount of the property taxes that the property owner must pay on the improvement.

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

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

2 SECTION 1. 20.835 (3) (bm) of the statutes is created to read:

3 20.835 (3) (bm) *Improvements credit.* A sum sufficient to make the payments

4 under ^{5.}79.10 (5m).

Note: bud →

1 **SECTION 2.** 74.09 (3) (b) 6m. of the statutes is created to read:

2 74.09 (3) (b) 6m. The amount of the credit under s. 79.10 (5m) allocable to the
3 property for the previous year and the current year, and the percentage change
4 between those years.

5 **SECTION 3.** 74.09 (3) (b) 7. of the statutes is amended to read:

6 74.09 (3) (b) 7. The amount obtained by subtracting the ~~amount~~ amounts under
7 ~~subd. subds. 6. and 6m.~~ from the amount under subd. 5., for the previous year and
8 the current year, and the percentage change in that amount between those years.

9 History: 1987 a. 378; 1989 a. 31; 1991 a. 39, 60; 1993 a. 399; 1995 a. 27, 454; 1997 a. 27; 2003 a. 33, 95.

9 **SECTION 4.** 79.10 (1m) (b) of the statutes is amended to read:

10 79.10 (1m) (b) Counties and municipalities shall submit to the department of
11 revenue all data related to the lottery and gaming credit and the improvements
12 credit and requested by the department of revenue.

History: 1971 c. 125 ss. 412, 521; Stats. 1971 s. 79.10; 1973 c. 90; 1975 c. 39, 199; 1977 c. 29, 418; 1979 c. 110 s. 60 (11); 1981 c. 20 ss. 1174 to 1182n, 2202 (45) (b); 1981 c. 93, 314, 317; 1983 a. 2 ss. 6 to 10, 12; 1983 a. 3, 27; 1983 a. 189 s. 329 (17m); 1983 a. 395; 1985 a. 4, 29, 39, 120; 1987 a. 27, 378; 1991 a. 39, 225, 269, 323; 1993 a. 16; 1995 a. 27; 1997 a. 27, 164; 1999 a. 5, 9, 83, 84, 185; 2001 a. 16; 2003 a. 33; 2005 a. 399.

13 **SECTION 5.** 79.10 (2) of the statutes is renumbered 79.10 (2) (a).

14 **SECTION 6.** 79.10 (2) (b) of the statutes is created to read:

15 79.10 (2) (b) On or before December 1 of the year preceding the distribution
16 under sub. (7m) (c), the department of revenue shall notify the clerk of each town,
17 village, and city of the equalized value used to calculate the improvements credit
18 under sub. (5m) and of the amount to be distributed to it under sub. (7m) (c) on the
19 following 4th Monday in July. The anticipated receipt of such distribution shall not
20 be taken into consideration in determining the tax rate of the municipality but shall
21 be applied as tax credits.

22 **SECTION 7.** 79.10 (5m) of the statutes is created to read:

1 **79.10 (5m)** IMPROVEMENTS CREDIT. Each municipality shall receive, from the
2 appropriation under s. 20.835 (3) (bm), an amount determined by multiplying the
3 school tax rate by the equalized value, as determined by the department of revenue,
4 but not to exceed \$60,000, of every improvement on real property that is located in
5 the municipality.

6 **SECTION 8.** 79.10 (6m) (a) of the statutes is amended to read:

7 **79.10 (6m)** (a) Except as provided in pars. (b) and (c), if the department of
8 administration or the department of revenue determines by October 1 of the year of
9 any distribution under subs. (4) and, (5), and (5m) that there was an overpayment
10 or underpayment made in that year's distribution by the department of
11 administration to municipalities, as determined under subs. (4) and, (5), and (5m),
12 because of an error by the department of administration, the department of revenue
13 or any municipality, the overpayment or underpayment shall be corrected as
14 provided in this paragraph. Any overpayment shall be corrected by reducing the
15 subsequent year's distribution, as determined under subs. (4) and, (5), and (5m), by
16 an amount equal to the amount of the overpayment. Any underpayment shall be
17 corrected by increasing the subsequent year's distribution, as determined under
18 subs. (4) and, (5), and (5m), by an amount equal to the amount of the underpayment.
19 Corrections shall be made in the distributions to all municipalities affected by the
20 error. Corrections shall be without interest.

History: 1971 c. 125 ss. 412, 521; Stats. 1971 s. 79.10; 1973 c. 90; 1975 c. 39, 199; 1977 c. 29, 418; 1979 c. 110 s. 60 (11); 1981 c. 20 ss. 1174 to 1182n, 2202 (45) (b); 1981
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1995 a. 27; 1997 a. 27, 164; 1999 a. 5, 9, 83, 84, 185; 2001 a. 16; 2003 a. 33; 2005 a. 399.

21 **SECTION 9.** 79.10 (7m) (c) of the statutes is created to read:

22 **79.10 (7m)** (c) *Improvements credit.* 1. The amount determined under sub.
23 (5m) shall be distributed from the appropriation under s. 20.835 (3) (bm) by the
24 department of administration on the 4th Monday in March.

1 2. The town, village, or city treasurer shall settle for the amounts distributed
2 on the 4th Monday in March under this paragraph with each taxing jurisdiction
3 within the taxation district or provide the amounts distributed to the appropriate
4 county treasurer for settlement not later than April 15. Failure to settle timely under
5 this subdivision subjects the town, village, or city treasurer to the penalties under
6 s. 74.31. On or before August 20, the county treasurer shall settle with each taxing
7 jurisdiction, including towns, villages, and cities except 1st class cities, in the county.

8 **SECTION 10.** 79.10 (9) (bn) of the statutes is created to read:

9 79.10 (9) (bn) *Improvements credit.* Except as provided in ss. 79.175 and 79.18,
10 and subject to s. 79.15, an improvements credit shall be allocated to every
11 improvement on real property in an amount determined by multiplying the
12 equalized value of the improvement, as determined by the department of revenue,
13 but not to exceed \$60,000, by the school tax rate.

14 **SECTION 11.** 79.10 (9) (c) 3. of the statutes is created to read:

15 79.10 (9) (c) 3. The credit under par. (bn) shall reduce the property taxes
16 otherwise payable.

17 **SECTION 12.** 79.15 of the statutes is created to read:

18 **79.15 Improvements credit.** Beginning in 2009, the total amount paid each
19 year to municipalities from the appropriation account under s. 20.835 (3) (bm) is
20 \$175,000,000.

21 **SECTION 9341. Initial applicability; Revenue.**

22 (1) **IMPROVEMENTS PROPERTY TAX CREDIT.** The treatment of sections 20.835 (3)
23 (bm), 74.09 (3) (b) 6m. and 7., 79.10 (1m) (b), (2) (a) and (b), (5m), (6m) (a), (7m) (c),

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-1009/1dn
JK:wlj:rs

December 6, 2006

Please review this draft carefully to ensure that it is consistent with your intent. You may want to share this draft with DOR to ensure that the proposal works as it is intended.

Also, please be aware that the improvements property tax credit, as created 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.

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Joseph T. Kreye
Legislative Attorney
Phone: (608) 266-2263
E-mail: joseph.kreye@legis.wisconsin.gov

Kreye, Joseph

From: Hanaman, Cathlene
Sent: Sunday, January 21, 2007 10:15 AM
To: Kreye, Joseph
Subject: FW: LRB Draft: 07-1009/1 Property tax credit on all improvements on real property

From: Hatch, Nikki - DOA
Sent: Sunday, January 21, 2007 8:58 AM
To: Schlueter, Ron
Cc: Koskinen, John - DOA; Hanaman, Cathlene; Palchik, Laurie A - DOA
Subject: RE: LRB Draft: 07-1009/1 Property tax credit on all improvements on real property

This initiative has been re-configured. Can you please make changes necessary to accomplish:

Creating the First Dollar Credit by increasing the School Levy Tax Credit by \$106,950,000 and distributing the increase to property owners based on local K-12 school district mill rates. The First Dollar Credit is estimated to exempt from the property tax the first \$9,700 dollars on real property improvements. The Department of Revenue will determine the actual value of the First Dollar Credit based on the amount necessary to expend the full \$106,950,000.

Thank you,

Nikki

From: Schlueter, Ron [mailto:Ron.Schlueter@legis.wisconsin.gov]
Sent: Wednesday, December 06, 2006 8:25 AM
To: Hatch, Nikki - DOA
Cc: Koskinen, John - DOA; Hanaman, Cathlene - LEGIS; Palchik, Laurie A - DOA
Subject: LRB Draft: 07-1009/1 Property tax credit on all improvements on real property

Following is the PDF version of draft 07-1009/1.



State of Wisconsin
2007 - 2008 LEGISLATURE

LRB-1009/1

JK:wj:rs

Imk Mnt R

School levy Done

DOA:.....Hatch, BB0207 - Property tax credit on all improvements on real property

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

annually
annually

9 This bill increases the ^{total} amount that is ^(distributed) distributed to property owners as school levy property tax credits from \$ 593,050,000 to \$700,000,000

DONOT Gen

LPS: PIs chg request sheet

1 AN ACT ...; relating to: the budget. ✓

Analysis by the Legislative Reference Bureau

TAXATION

PROPERTY TAXATION

This bill creates a property tax credit for improvements on real property. The amount of the credit is calculated by multiplying the equalized value of the improvement, as determined by DOR, up to an equalized value of \$60,000, by the school tax rate for the municipality where the improvement is located. The amount of the credit is paid to the municipality and applied to the property owner's property tax bill, thereby reducing the amount of the property taxes that the property owner must pay on the improvement.

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

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

2 SECTION 1. 20.835 (3) (bm) of the statutes is created to read:

3 20.835 (3) (bm) *Improvements credit.* A sum sufficient to make the payments

4 under s. 79.10 (5m).

****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

1 **SECTION 2.** 74.09 (3) (b) 6m. of the statutes is created to read:

2 74.09 **(3)** (b) 6m. The amount of the credit under s. 79.10 (5m) allocable to the
3 property for the previous year and the current year, and the percentage change
4 between those years.

5 **SECTION 3.** 74.09 (3) (b) 7. of the statutes is amended to read:

6 74.09 **(3)** (b) 7. The amount obtained by subtracting the amount amounts under
7 subd. subds. 6. and 6m. from the amount under subd. 5., for the previous year and
8 the current year, and the percentage change in that amount between those years.

9 **SECTION 4.** 79.10 (1m) (b) of the statutes is amended to read:

10 79.10 **(1m)** (b) Counties and municipalities shall submit to the department of
11 revenue all data related to the lottery and gaming credit and the improvements
12 credit and requested by the department of revenue.

13 **SECTION 5.** 79.10 (2) of the statutes is renumbered 79.10 (2) (a).

14 **SECTION 6.** 79.10 (2) (b) of the statutes is created to read:

15 79.10 **(2)** (b) On or before December 1 of the year preceding the distribution
16 under sub. (7m) (c), the department of revenue shall notify the clerk of each town,
17 village, and city of the equalized value used to calculate the improvements credit
18 under sub. (5m) and of the amount to be distributed to it under sub. (7m) (c) on the
19 following 4th Monday in July. The anticipated receipt of such distribution shall not
20 be taken into consideration in determining the tax rate of the municipality but shall
21 be applied as tax credits.

22 **SECTION 7.** 79.10 (5m) of the statutes is created to read:

1 79.10 (5m) IMPROVEMENTS CREDIT. Each municipality shall receive, from the
2 appropriation under s. 20.835 (3) (bm), an amount determined by multiplying the
3 school tax rate by the equalized value, as determined by the department of revenue,
4 but not to exceed \$60,000, of every improvement on real property that is located in
5 the municipality.

6 **SECTION 8.** 79.10 (6m) (a) of the statutes is amended to read:

7 79.10 (6m) (a) Except as provided in pars. (b) and (c), if the department of
8 administration or the department of revenue determines by October 1 of the year of
9 any distribution under subs. (4) ~~and, (5), and (5m)~~ that there was an overpayment
10 or underpayment made in that year's distribution by the department of
11 administration to municipalities, as determined under subs. (4) ~~and, (5), and (5m)~~,
12 because of an error by the department of administration, the department of revenue
13 or any municipality, the overpayment or underpayment shall be corrected as
14 provided in this paragraph. Any overpayment shall be corrected by reducing the
15 subsequent year's distribution, as determined under subs. (4) ~~and, (5), and (5m)~~, by
16 an amount equal to the amount of the overpayment. Any underpayment shall be
17 corrected by increasing the subsequent year's distribution, as determined under
18 subs. (4) ~~and, (5), and (5m)~~, by an amount equal to the amount of the underpayment.
19 Corrections shall be made in the distributions to all municipalities affected by the
20 error. Corrections shall be without interest.

21 **SECTION 9.** 79.10 (7m) (c) of the statutes is created to read:

22 79.10 (7m) (c) *Improvements credit.* 1. The amount determined under sub.
23 (5m) shall be distributed from the appropriation under s. 20.835 (3) (bm) by the
24 department of administration on the 4th Monday in March.

1 2. The town, village, or city treasurer shall settle for the amounts distributed
2 on the 4th Monday in March under this paragraph with each taxing jurisdiction
3 within the taxation district or provide the amounts distributed to the appropriate
4 county treasurer for settlement not later than April 15. Failure to settle timely under
5 this subdivision subjects the town, village, or city treasurer to the penalties under
6 s. 74.31. On or before August 20, the county treasurer shall settle with each taxing
7 jurisdiction, including towns, villages, and cities except 1st class cities, in the county.

8 **SECTION 10.** 79.10 (9) (bn) of the statutes is created to read:

9 79.10 (9) (bn) *Improvements credit.* Except as provided in ss. 79.175 and 79.18,
10 and subject to s. 79.15, an improvements credit shall be allocated to every
11 improvement on real property in an amount determined by multiplying the
12 equalized value of the improvement, as determined by the department of revenue,
13 but not to exceed \$60,000, by the school tax rate.

14 **SECTION 11.** 79.10 (9) (c) 3. of the statutes is created to read:

15 79.10 (9) (c) 3. The credit under par. (bn) shall reduce the property taxes
16 otherwise payable.

17 **SECTION 12.** 79.15 of the statutes is created to read:

18 **79.15 Improvements credit.** Beginning in 2009, the total amount paid each
19 year to municipalities from the appropriation account under s. 20.835 (3) (bm) is
20 \$175,000,000.

21 **SECTION 9341. Initial applicability; Revenue.**

22 (1) **IMPROVEMENTS PROPERTY TAX CREDIT.** The treatment of sections 20.835 (3)
23 (bm), 74.09 (3) (b) 6m. and 7., 79.10 (1m) (b), (2) (a) and (b), (5m), (6m) (a), (7m) (c),

1 and (9) (bn) and (c) 3., and 79.15 of the statutes first applies to property taxes levied
2 in 2009.

3

(END)

INSERT
5-2

insert 5-2

Section #. 79.14 of the statutes is amended to read:

79.14 School levy tax credit. The appropriation under s. 20.835 (3) (b) is \$319,305,000 in 1994, 1995, and 1996; \$469,305,000 beginning in 1997 and ending in 2006; [↓] ~~and~~ \$593,050,000 in each year thereafter.

History: 1991 a. 39, 315; 1995 a. 27; 2005 a. 25.

in 2007; and \$700,000,000

in 2008 and

end of insert

Kreye, Joseph

From: Hatch, Nikki - DOA
Sent: Thursday, January 25, 2007 3:49 PM
To: Kreye, Joseph
Subject: RE: LRB Draft: 07-1009/2 School levy property tax credit

That's exactly right. Both credits are to be paid from the same appropriation.

Thanks Joe.

-Nikki

From: Kreye, Joseph [mailto:Joseph.Kreye@legis.wisconsin.gov]
Sent: Thursday, January 25, 2007 3:48 PM
To: Hatch, Nikki - DOA
Subject: RE: LRB Draft: 07-1009/2 School levy property tax credit

Nikki,

In several places you recommend changing the draft so it refers to the appropriation under s. 20.835 (3) (b) rather than s. 20.835 (3) (bm). Section 20.835 (3) (b) is the appropriation for the school levy tax credit. Does this mean that you want both the school levy tax credit and the first dollar credit to be paid from the same appropriation?

Joe

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

From: Hatch, Nikki - DOA
Sent: Thursday, January 25, 2007 3:20 PM
To: Frantzen, Jean; Kreye, Joseph
Cc: Koskinen, John - DOA; Hanaman, Cathlene; Palchik, Laurie A - DOA
Subject: RE: LRB Draft: 07-1009/2 School levy property tax credit

Hi Joe,
We're going to need this to be reconfigured again. The following changes refer to 07-1009/1.

- *In all cases change "Improvements Credit" to "First Dollar Credit"
- *On page 3, line 1, insert a new paragraph, mimicking the language used for the lottery credit under 79.10(11)(c) except it should end with "...to distribute the total amount specified under s. 79.15"
- *Replace 79.10(5m) with this: FIRST DOLLAR CREDIT. Each municipality shall receive, from the amount specified under s. 79.15, an amount determined by multiplying the school tax rate by the equalized value, as determined by the department of revenue, of every improvement on real property that is located in the municipality.
- *Page 3, line 23. Strike appropriation (bm) and replace it with appropriation (b).
- *Page 3, line 24. Change "March" to "July"
- *Page 4, line 13. Strike "but not to exceed \$60,000"
- *Page 4, line 19. Strike appropriation (bm) and replace it with appropriation (b).
- *Page 4, line 20. Replace \$175,000,000 with \$106,950,000.

01/25/2007

Thank you,

Nikki

From: Frantzen, Jean [mailto:Jean.Frantzen@legis.wisconsin.gov]

Sent: Wednesday, January 24, 2007 12:48 PM

To: Hatch, Nikki - DOA

Cc: Koskinen, John - DOA; Hanaman, Cathlene - LEGIS; Palchik, Laurie A - DOA

Subject: LRB Draft: 07-1009/2 School levy property tax credit

Following is the PDF version of draft 07-1009/2.



State of Wisconsin
2007 - 2008 LEGISLATURE

LRB-1009/2
JK:wlj:jf

M. AR

DOA:.....Hatch, BB0207 - School levy property tax credit
FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

in 1-25-07

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

TAXATION

PROPERTY TAXATION

This bill increases the total amount that is distributed annually to property owner's as school levy property tax credits from \$593,050,000 to \$700,000,000.

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

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

2 SECTION 1. 79.14 of the statutes is amended to read:

3 **79.14 School levy tax credit.** The appropriation under s. 20.835 (3) (b) is
4 \$319,305,000 in 1994, 1995, and 1996; \$469,305,000 beginning in 1997 and ending
5 in 2006; and \$593,050,000 in 2007; and \$700,000,000 in 2008 and in each year
6 thereafter.

7 (END)



mount

3

DOA:.....Hatch, BB0207 - Property tax credit on all improvements on real property

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

DO NOT GEN

1 AN ACT... relating to: the budget.

Analysis by the Legislative Reference Bureau

TAXATION

PROPERTY TAXATION

STET

This bill creates a property tax credit for improvements on real property. The amount of the credit is calculated by multiplying the equalized value of the improvement, as determined by DOR, up to an equalized value of \$60,000, by the school tax rate for the municipality where the improvement is located. The amount of the credit is paid to the municipality and applied to the property owner's property tax bill, thereby reducing the amount of the property taxes that the property owner must pay on the improvement.

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

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

2 SECTION 1. 20.835 (3) (bm) of the statutes is created to read:

3 20.835 (3) (bm) *Improvements credit.* A sum sufficient to make the payments

4 under s. 79.10 (5m).

INSERT 1-4

***NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

1 **SECTION 2.** 74.09 (3) (b) 6m. of the statutes is created to read:

2 74.09 (3) (b) 6m. The amount of the credit under s. 79.10 (5m) allocable to the
3 property for the previous year and the current year, and the percentage change
4 between those years.

5 **SECTION 3.** 74.09 (3) (b) 7. of the statutes is amended to read:

6 74.09 (3) (b) 7. The amount obtained by subtracting the amount amounts under
7 subd. subds. 6. and 6m. from the amount under subd. 5., for the previous year and
8 the current year, and the percentage change in that amount between those years.

9 **SECTION 4.** 79.10 (1m) (b) of the statutes is amended to read:

10 79.10 (1m) (b) Counties and municipalities shall submit to the department of
11 revenue all data related to the lottery and gaming credit and the ~~improvements~~
12 credit and requested by the department of revenue. *first dollar*

13 **SECTION 5.** 79.10 (2) of the statutes is renumbered 79.10 (2) (a).

14 **SECTION 6.** 79.10 (2) (b) of the statutes is created to read:

15 79.10 (2) (b) On or before December 1 of the year preceding the distribution
16 under sub. (7m) (c), the department of revenue shall notify the clerk of each town,
17 village, and city of the equalized value used to calculate the improvements credit *first dollar*
18 under sub. (5m) and of the amount to be distributed to it under sub. (7m) (c) on the
19 following 4th Monday in July. The anticipated receipt of such distribution shall not
20 be taken into consideration in determining the tax rate of the municipality but shall
21 be applied as tax credits.

22 **SECTION 7.** 79.10 (5m) of the statutes is created to read:

CS
FIRST DOLLAR

1 79.10 (5m) ~~IMPROVEMENTS~~ CREDIT. Each municipality shall receive, from the
2 appropriation under s. 20.835 (3) (b~~4~~), an amount determined by multiplying the
3 school tax rate by the equalized value, as determined by the department of revenue,
4 but not to exceed \$60,000, of every improvement on real property that is located in
5 the municipality.

6 SECTION 8. 79.10 (6m) (a) of the statutes is amended to read:

7 79.10 (6m) (a) Except as provided in pars. (b) and (c), if the department of
8 administration or the department of revenue determines by October 1 of the year of
9 any distribution under subs. (4) and (5), and (5m) that there was an overpayment
10 or underpayment made in that year's distribution by the department of
11 administration to municipalities, as determined under subs. (4) and (5), and (5m),
12 because of an error by the department of administration, the department of revenue
13 or any municipality, the overpayment or underpayment shall be corrected as
14 provided in this paragraph. Any overpayment shall be corrected by reducing the
15 subsequent year's distribution, as determined under subs. (4) and (5), and (5m), by
16 an amount equal to the amount of the overpayment. Any underpayment shall be
17 corrected by increasing the subsequent year's distribution, as determined under
18 subs. (4) and (5), and (5m), by an amount equal to the amount of the underpayment.
19 Corrections shall be made in the distributions to all municipalities affected by the
20 error. Corrections shall be without interest.

21 SECTION 9. 79.10 (7m) (c) of the statutes is created to read:

I First dollar

22 79.10 (7m) (c) ~~Improvements~~ credit. 1. The amount determined under sub.
23 (5m) shall be distributed from the appropriation under s. 20.835 (3) (b~~4~~) by the
24 department of administration on the 4th Monday in ~~March~~

July

1 2. The town, village, or city treasurer shall settle for the amounts distributed
 2 on the 4th Monday in ~~March~~ ^{July} under this paragraph with each taxing jurisdiction
 3 within the taxation district or provide the amounts distributed to the appropriate
 4 county treasurer for settlement not later than ~~April 15~~ ^{August}. Failure to settle timely under
 5 this subdivision subjects the town, village, or city treasurer to the penalties under
 6 s. 74.31. On or before August 20, the county treasurer shall settle with each taxing
 7 jurisdiction, including towns, villages, and cities except 1st class cities, in the county.

8 **SECTION 10.** 79.10 (9) (bn) of the statutes is created to read:

9 79.10 (9) (bn) ~~Improvements credit~~ ^{(1) First dollar}. Except as provided in ss. 79.175 and 79.18,
 10 and subject to s. 79.15, ~~an improvements~~ ^{the first dollar} credit shall be allocated to every
 11 improvement on real property in an amount determined by multiplying the
 12 equalized value of the improvement, as determined by the department of revenue ^{STET}
 13 but not to exceed \$60,000, by the school tax rate.

14 **SECTION 11.** 79.10 (9) (c) 3. of the statutes is created to read:

15 79.10 (9) (c) 3. The credit under par. (bn) shall reduce the property taxes
 16 otherwise payable.

17 **SECTION 12.** 79.15 of the statutes is created to read:

18 **79.15 Improvements credit.** Beginning in 2009, the total amount paid each
 19 year to municipalities from the appropriation account under s. 20.835 (3) (b) ~~m~~ is

20 ~~\$175,000,000~~ ^{\$106,950,000}

21 **SECTION 9341. Initial applicability; Revenue.**

22 (1) ~~IMPROVEMENTS~~ ^{(C5) FIRST DOLLAR} PROPERTY TAX CREDIT. The treatment of sections 20.835 (3)
 23 (~~b~~), 74.09 (3) (b) 6m. and 7., 79.10 (1m) (b), (2) (a) and (b), (5m), (6m) (a), (7m) (c),

INSERT
4-16

and (11)(d)

1
2
3

~~and~~ (9) (bn) and (c) 3., and 79.15 of the statutes first applies to property taxes levied
in 2009.

(END)

2007-2008 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-1009/2ins
JK:wlj:jf

Insert 1 - 4

1 ~~SECTION 20.835 (3) (b)~~ (title) of the statutes is amended to read:

2 20.835 (3) (b) (title) School levy tax credit and first dollar credit.

NOTE: bud →
History: 1971 c. 125 ss. 192 to 195, 521; 1971 c. 215; 1973 c. 90, 158, 333; 1975 c. 39; 1975 c. 372 s. 41; 1975 c. 424; 1977 c. 29, 31, 313, 418, 447; 1979 c. 34 ss. 637m to 643m, 2102 (46) (d); 1979 c. 221; 1979 c. 329 s. 25 (1); 1979 c. 350 s. 27 (1); 1981 c. 1, 20, 93, 317; 1983 a. 2 ss. 1, 12; 1983 a. 27 ss. 489m, 490m, 2202 (45); 1985 a. 29, 41, 205; 1987 a. 27 ss. 473 to 474r, 476; 1987 a. 92; 1987 a. 312 s. 17; 1987 a. 323, 328, 399, 411, 422; 1989 a. 31 ss. 551 to 557m, 564m; 1989 a. 56 s. 259; 1989 a. 336; 1991 a. 37; 1991 a. 39 ss. 250m, 653m to 659m; 1991 a. 225, 269; 1993 a. 16, 263; 1995 a. 27, 56, 209, 417; 1997 a. 27, 237; 1999 a. 5, 9, 10; 1999 a. 150 s. 672; 1999 a. 167; 2001 a. 16, 105, 109; 2003 a. 31, 33, 320; 2005 a. 25, 361, 405, 483; s. 13.93 (1) (b).

3 ~~SECTION 20.835 (3) (b)~~ of the statutes is amended to read:

4 20.835 (3) (b) A sum sufficient to make the payments under s. 79.10 (4) and

5 (5m).

NOTE: bud →
History: 1971 c. 125 ss. 192 to 195, 521; 1971 c. 215; 1973 c. 90, 158, 333; 1975 c. 39; 1975 c. 372 s. 41; 1975 c. 424; 1977 c. 29, 31, 313, 418, 447; 1979 c. 34 ss. 637m to 643m, 2102 (46) (d); 1979 c. 221; 1979 c. 329 s. 25 (1); 1979 c. 350 s. 27 (1); 1981 c. 1, 20, 93, 317; 1983 a. 2 ss. 1, 12; 1983 a. 27 ss. 489m, 490m, 2202 (45); 1985 a. 29, 41, 205; 1987 a. 27 ss. 473 to 474r, 476; 1987 a. 92; 1987 a. 312 s. 17; 1987 a. 323, 328, 399, 411, 422; 1989 a. 31 ss. 551 to 557m, 564m; 1989 a. 56 s. 259; 1989 a. 336; 1991 a. 37; 1991 a. 39 ss. 250m, 653m to 659m; 1991 a. 225, 269; 1993 a. 16, 263; 1995 a. 27, 56, 209, 417; 1997 a. 27, 237; 1999 a. 5, 9, 10; 1999 a. 150 s. 672; 1999 a. 167; 2001 a. 16, 105, 109; 2003 a. 31, 33, 320; 2005 a. 25, 361, 405, 483; s. 13.93 (1) (b).

Insert 4 - 16

6 ~~SECTION 79.10 (11) (d)~~ of the statutes is created to read:

7 79.10 (11) (d) Before December 1, the department of revenue shall calculate,

8 to the nearest \$100, the estimated fair market value necessary to distribute the total

9 amount available for distribution under s. 79.15.

Kreye, Joseph

From: Hatch, Nikki - DOA
Sent: Friday, January 26, 2007 1:40 PM
To: Kreye, Joseph
Subject: RE: LRB Draft: 07-1009/3 School levy property tax credit

Hi Joe,

The only change I see to this now is on page 2, line 12. I think the word "and" should be "as".

I'm running this by DOR at the moment and will let you know if they spot technical concerns; otherwise it looks good to me.

-Nikki

From: Natzke, Noah [mailto:Noah.Natzke@legis.wisconsin.gov]
Sent: Friday, January 26, 2007 10:27 AM
To: Hatch, Nikki - DOA
Cc: Koskinen, John - DOA; Hanaman, Cathlene - LEGIS; Palchik, Laurie A - DOA
Subject: LRB Draft: 07-1009/3 School levy property tax credit

Following is the PDF version of draft 07-1009/3.