Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2007 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **07-1147/1**	Introduction Number **AB-0020**

Description
Providing loans to persons who are paying more property taxes as a result of the Department of Revenue's error in calculating equalized value and making an appropriation

Fiscal Effect

State:
- ☐ No State Fiscal Effect
- ☐ Indeterminate
  - ☐ Increase Existing Appropriations
  - ☐ Decrease Existing Appropriations
  - ☒ Create New Appropriations
  - ☐ Increase Existing Revenues
  - ☐ Decrease Existing Revenues
  - ☒ Increase Costs - May be possible to absorb within agency's budget ☒ Yes ☐ No
  - ☐ Decrease Costs

Local:
- ☐ No Local Government Costs
- ☐ Indeterminate
  1. ☒ Increase Costs ☐ Permissive ☒ Mandatory
  2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
  3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
  4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
  5. Types of Local Government Units Affected
     ☒ Towns ☐ Village ☐ Cities
     ☐ Counties ☐ Others
     ☐ School Districts ☐ WTCS Districts

Fund Sources Affected
☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 1/16/2007

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Description Providing loans to persons who are paying more property taxes as a result of the Department of Revenue's error in calculating equalized value and making an appropriation		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the Department of Revenue (DOR) annually determines the full value of taxable property, or equalized value, of every municipality and county in the state. This value is used to allocate property tax levies of multiple-municipality entities to each constituent municipality. If DOR finds or makes an error in a given year's equalized value, the error is corrected by adjusting the subsequent year's equalized value as required under s.70.57 (1)(d).

Under the bill, if, when compared to the prior year's value, DOR overstates a municipality's current year's equalized value by 10% or more, and the error was caused by a clerical, arithmetic, transpositional, or similar error, the municipality is eligible to receive a payment from DOR. The payment to the municipality shall be equal to the total amount of loans it makes to local taxpayers who paid more in property tax as a result of the DOR error. A person may receive a loan if he or she applies to the municipality for such a loan no later than July 31 of the year following the error (the date on which the final installment of taxes affected by the error is due). The maximum amount of such a loan to an individual taxpayer is the amount by which his or her taxes were higher than they should have been due to the DOR error. The amount loaned to the taxpayer is recovered as a special charge on the subsequent year's property tax bill, which the municipality then pays back to the state. No interest is charged to either the municipality or individual taxpayers.

For the 2006/07 property tax year, the bill would affect one municipality: the Town of Oregon in Dane County. The error in the Town's equalized value for 2006 increased the property taxes allocated to the town by the state, Dane County, Madison Area Technical College, Oregon School District, and Belleville School District by a total of about $578,000. Thus, if every taxpayer in the Town requested a loan for the amount by which their 2006/07 tax bills were overstated, total loans would be about $578,000. Since it is likely that some taxpayers will not request the loans, the actual amount that will be borrowed from the town and, therefore, paid to the town by DOR, is likely to be less than $578,000. The Department is unable to reasonably project how many taxpayers in the Town of Oregon will take advantage of the loan program if it is enacted.

To the extent that payments under the bill are made, the state's general fund balance will be smaller than it would otherwise be, leading to a decrease in potential interest earnings for the period from when the payments are distributed to when the state is reimbursed through the property tax settlement process. Given the uncertainty over how much money will be paid out and when the reimbursements would occur, it is not possible to estimate the state's potential loss in interest earnings. However, given current short-term interest rates of about 5% per year, any loss is expected to be insignificant.

The Department of Revenue's administrative costs under the bill will be absorbed within existing budgetary authority.

The Town of Oregon will have some administrative costs related to administering the loans.

Long-Range Fiscal Implications