

Fiscal Estimate - 2007 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 07-1388/1	Introduction Number AB-0219	
Description Property tax installments paid no later than five working days after the due date and imposing a penalty		
Fiscal Effect		
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input checked="" type="checkbox"/> Increase Costs 3. <input checked="" type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
Fund Sources Affected Affected Ch. 20 Appropriations <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
Agency/Prepared By DOR/ Pamela Walgren (608) 266-7817	Authorized Signature Paul Ziegler (608) 266-5773	Date 4/16/2007

Fiscal Estimate Narratives

DOR 4/17/2007

LRB Number	07-1388/1	Introduction Number	AB-0219	Estimate Type	Original
Description Property tax installments paid no later than five working days after the due date and imposing a penalty					

Assumptions Used in Arriving at Fiscal Estimate

Under current law beginning with property taxes payable in 2008, for municipalities except the City of Milwaukee, there is a five-day grace period whereby installment payments are not considered delinquent and interest is not imposed if the amount of property tax due is paid within five days after the due date. Taxes may be paid in two installments due January 31 and July 31, or in three or more installments if authorized by the governing body of the district.

If property taxes are not paid by the end of the five-day grace periods, the entire unpaid balance becomes delinquent and is subject to interest and penalties from February 1, regardless of the date the installment was due. The interest rate on delinquent taxes is 1% per month or fraction thereof. In addition to the interest charge, any county board and the common council of any city authorized by its charter to sell land for the nonpayment of taxes may by ordinance impose a penalty of up to 0.5% per month or fraction thereof in addition to the interest.

Under the bill, the five-day period during which payments can be made after the due dates without triggering immediate and full delinquent status is retained, but payments during the five-day period would be subject to a new and separate penalty of 1% of the amount of taxes or special assessments due.

Property taxes in 2005/06 were approximately \$7.7 billion, excluding the City of Milwaukee. Information in the Tax District Settlement Forms filed with the Department in February of each year provides information concerning first installment payments due by January 31 of each year. According to the 2005/06 report, approximately 4% of the first tax installments were delinquent. Assuming the same delinquency rate applies to the second tax installments and to localities adopting the optional multiple installments, approximately \$308 million of taxes (\$7.7 billion x 4%) were delinquent in 2005/06. Since this data pertains to collections prior to the establishment of the five-day grace period, which will first apply to payments in 2008, the amount of payments made within the five-day grace period is not known. Assuming that an amount equal to 2.5% of the delinquent payments from the 2005/06 data is made within five days of the due date, it is estimated that \$7.7 million of taxes (\$308 million x 2.5%) will be paid during the five-day grace periods and subject to the new 1% penalty under the bill. A 1% penalty on that amount would increase local revenue by \$77,000.

Since the bill would first apply to the payment of taxes based upon the first January 1 assessment after publication, the bill would first impact property tax payments in 2009 (based on January 1, 2008 assessments and assuming enactment of the bill in 2007).

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 07-1388/1		Introduction Number AB-0219	
Description Property tax installments paid no later than five working days after the due date and imposing a penalty			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$	\$77,000
Agency/Prepared By		Authorized Signature	Date
DOR/ Pamela Walgren (608) 266-7817		Paul Ziegler (608) 266-5773	4/16/2007