

Fiscal Estimate - 2009 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 09-4035/1	Introduction Number AB-0788
Description Creating a sunset provision for the county tax levy rate limit	
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 checked="" type="checkbox"/> Decrease Costs	
Local: <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5.Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input 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	
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Date 3/16/2010	

Fiscal Estimate Narratives

DOR 3/16/2010

LRB Number 09-4035/1	Introduction Number AB-0788	Estimate Type Original
Description Creating a sunset provision for the county tax levy rate limit		

Assumptions Used in Arriving at Fiscal Estimate

CURRENT LAW

County property tax levies are subject to three limitations: an operating tax rate limit, a debt tax rate limit, and a property tax levy limit.

Under the operating tax rate limit, a county's operating tax rate may not exceed the greater of 0.001 (1 mill, or \$1 per \$1,000 of equalized value) or the operating tax rate that was imposed for the 1992/93 property tax year. Operating levy is defined as the total county levy minus the debt levy and certain levies that are not allocated county-wide. Adjustments are allowed for levies approved by voters at a referendum and for transfers of service to or from the county government.

Under the debt tax rate limit (under sec. 67.045), a county's debt tax rate may not exceed the debt tax rate that was imposed for the 1992/93 property tax year. Adjustments are allowed for debt issued to comply with court orders and judgments; debt issued to pay unfunded liabilities to the Wisconsin Retirement System; debt issued to provide liability insurance and risk management services; debt approved by referendum; debt authorized by the county board before August 12, 1993; debt issued for improvements related to grade crossings, school buildings, regional projects, or removal of hazardous substances in schools; debt issued to refund other debt; and debt approved by a three-fourths vote of the county board.

Under the property tax levy limit, for the tax levy imposed in 2009 and 2010, a county may not increase its levy from the prior year amount by a percentage that exceeds the greater of 3% or the percentage increase in its equalized value due to net new construction. Levies for county-operated children with disabilities boards are exempt from the limit. Adjustments to or exclusions from the limit are permitted for unreimbursed expenses related to an emergency declared by the Governor; changes in costs associated with intergovernmental cooperation agreements; transfers of service to or from another governmental entity; for consolidating services in the prior year at the county level; lease payments for lease revenue bonds issued before July 1, 2005; revenue shortfalls for debt service on certain revenue bonds; increases from the prior year in debt service on debt authorized before July 1, 2005; debt service on general obligation debt authorized on or after July 1, 2005; debt service on appropriation bonds issued by certain counties to fund pension liabilities; for levies approved by voters at a referendum; and, for 2009 only, an amount equal to the unused levy capacity for the 2007/08 property tax year.

If a county's operating tax rate exceeds the amount allowed under the operating tax rate limit, the Department of Revenue (DOR) can impose a penalty equal to the dollar amount levied in excess of the limit. The penalty is recovered by reducing the county's payments under the county and municipal aid program and, if that is insufficient, by requesting the Department of Transportation to reduce the aids it pays to the county.

Technically, if the issuance of a bond would result in a county exceeding its debt tax rate limit, a county may not issue the bonds. However, this does not apply to referendum approved bonds. In addition, if the county board adopts a resolution that sets forth its reasonable expectations that the issuance of the debt will not cause the county to increase its debt levy rate, the bonds can be issued.

If a county's levy is in excess of the property tax levy limit, and the amount of the excess is over \$500, the DOR can impose a penalty equal to the amount levied in excess of the limit. The penalty is recovered by reducing the county's payments under the county and municipal aid program.

PROPOSED LAW

Under this bill, the operating levy rate limit would be repealed. The 2009/10 property tax levy would be the last operating levy subject to the limit.

Analysis of county-purpose property tax levies for the 2009/10 property tax year is not yet finalized. However, sufficient information is available to make the following statements concerning the amounts counties levied and the three tax limits.

Under the operating rate limit for the 2009/10 property tax year, the maximum operating levy for all counties could have been \$2.198 billion. The actual operating levy for rate limitation purposes was of \$1.626 billion. Of the state's 72 counties, no county levied at their operating rate limit. However, seven counties – Columbia, Fond du Lac, Kewaunee, La Crosse, Marathon, Waupaca, and Wood – had operating levies that were between 90% and 100% of their limit.

Under the debt rate limit for 2009/10 property tax year, the maximum debt levy for all counties could have been \$505 million. The actual debt levy for rate limitation purposes was \$224 million. Of the state's 72 counties, five counties – Bayfield, Dodge, Marinette, Oconto, and Oneida – were at their debt rate limit and one county – Burnett – was between 90% and 100% of its limit.

Under the property tax levy limit for 2009/10 property tax year, the maximum property tax levy for all counties could have been \$2.004 billion. The actual property tax levy was \$1.847 billion. Of the states 72 counties, 65 were between 90% and 100% of their limit. Only seven counties – Grant, Milwaukee, Oneida, Ozaukee, Portage, Sheboygan, and Washburn – had levies of less than 90% of the allowable limit.

In recent years, when comparing the allowable levies under (a) the sum of the operating rate limit and debt rate limit and (b) the property tax levy limit, the property tax levy limit is usually the smaller amount and is therefore the one that is the effective constraint. Thus, as long as a property tax levy limit remains in place, the bill is expected to have little effect on county property tax levies. However, if the property tax levy limit is not renewed for the 2011 levy, county property tax levies could be higher than under current law.

The bill would lead to a small reduction in DOR property tax administration costs.

Long-Range Fiscal Implications