

### Fiscal Estimate - 2009 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>09-0994/1</b>	<b>Introduction Number</b> <b>AB-0159</b>
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**Description**  
 The charge-back of refunded or rescinded taxes and of personal property taxes and sharing certain collected taxes

**Fiscal Effect**

**State:**

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Decrease Existing Appropriations	<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Create New Appropriations		

**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	
2. <input type="checkbox"/> Decrease Costs	4. <input checked="" type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	

Towns     Village     Cities  
 Counties     Others    sanitary sewerage lake  
 School Districts     WTCS Districts

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

<b>Agency/Prepared By</b> DOR/ Daniel Huegel (608) 266-5705	<b>Authorized Signature</b> Paul Ziegler (608) 266-5773	<b>Date</b> 4/29/2009
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## Fiscal Estimate Narratives

DOR 4/29/2009

LRB Number	09-0994/1	Introduction Number	AB-0159	Estimate Type	Original
<b>Description</b> The charge-back of refunded or rescinded taxes and of personal property taxes and sharing certain collected taxes					

### Assumptions Used in Arriving at Fiscal Estimate

#### CURRENT LAW

Annually, by October 1, the clerk of a taxation district (a municipality within one county or the portion of a multi-county municipality in one county) may submit to the Department of Revenue (DOR) a listing of all general property taxes on the district's tax roll that have been refunded or rescinded. Property taxes may be refunded or rescinded because of a palpable error on the assessment roll or tax roll, a reduction in assessment due to a late finding regarding an assessment appeal, a recovery of taxes illegally extended on a property, a determination that part or all of a tax bill was void or illegal, and the recovery of excess taxes paid on an excessive assessment. A taxation clerk may file with DOR only if one of the following conditions apply: (1) the total of all taxes so claimed for a given year is at least \$5,000 or (2) the total on a single property for any one year exceeds \$500. DOR shall review the information on these forms and, by November 15, determine if the equalized value of the taxation district was affected. If the equalized value is not affected, no charge-back of taxes is permitted. If the equalized value was affected, one of the following occurs: (1) the following year's equalized value of the taxation district is adjusted under s. 70.57, or (2) the refunded or rescinded taxes are charged-back to the overlying taxation units. If the taxes are charged-back, DOR calculates the amounts due and bills the taxation units. The bills are payable to the taxation district by the following February 15.

When real or personal property has been omitted from the assessment roll (and therefore also omitted from the tax roll) in any of the prior two years, the property is entered on the assessment roll for each year of omission. The property taxes that would have been levied on such property had it been on the tax roll are referred to as "omitted taxes". Omitted taxes are billed to the property owner. All collections on omitted taxes are retained by the municipality.

Annually, between February 2 and April 1, a taxation district clerk may make a charge-back to all other entities that levied property taxes (except the state) to recover all personal property taxes that were settled in full in the prior February and which remain delinquent. These billings must be paid within 30 days of receipt. This process allows the loss created by unpaid and unrecoverable personal property taxes to be shared across all taxing jurisdictions, rather than being solely borne by the municipality.

#### PROPOSED LAW

The filing of the report on refunded and rescinded property taxes with the DOR by October 1 would be required, instead of optional, if the filing conditions are met. Omitted property taxes would be added to the taxes reported on the filing. This addition would, in effect, require taxation districts to share their collections of omitted taxes with overlying taxation jurisdictions instead of retaining all such collections. It is assumed that DOR would either offset any charge-backs to overlying taxation jurisdictions by the appropriate share of omitted tax collections or instruct the taxation district on the amounts of their omitted tax collections they are required to share with their overlying taxation jurisdictions.

A taxation district's charge-back for recovery of unpaid personal property taxes would only be permitted if the taxes are owed by an entity that has ceased operations or are due on property that is no longer in the taxation district. In addition, the due date for payment would be changed from within 30 days of receiving the bill to the first May 1 after receipt.

#### FISCAL EFFECT

The changes regarding the filing requirement for rescinded and refunded taxes are expected to have minimal effect on property tax collections because the vast majority of eligible filers currently file the report with DOR.

The change regarding the treatment of "omitted taxes" will affect local governments and the state. For the 2007/08 property tax year, 143 taxation districts reported they had levied a total of about \$1,304,000 in "omitted taxes". If the bill had been in effect, payments to overlying taxation units would have been about \$564,000 to school districts, \$98,000 to technical college districts, \$246,000 to counties, \$23,000 to special districts, and \$11,000 to the state (state forestation tax – SEG revenue). Thus, the amount retained by municipalities would have been \$362,000, or \$942,000 less than under current law.

Under the changes regarding the charge-back of personal property taxes, taxation district treasurers would effectively be unable to make such a charge-back until all avenues to collect the unpaid personal property taxes were exhausted. Compared to current law, this may delay the time at which the charge-back of unpaid personal property taxes takes place. Since the DOR has no role in the administration of personal property charge-backs, DOR has no data on the amount of unpaid personal property taxes that are currently charged-back and potentially affected by the bill.

The addition of omitted taxes to DOR's administrative procedures regarding the chargeback of certain property taxes will increase DOR costs. This increase can be absorbed within current resources.

Local governments will incur costs to change their computer programs related to property tax settlement. DOR does not have the data to reasonably estimate the amount by which these costs will increase.

### **Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Description</b> The charge-back of refunded or rescinded taxes and of personal property taxes and sharing certain collected taxes			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)</b>			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	<u>State</u>		<u>Local</u>
NET CHANGE IN COSTS	\$		\$See text of fiscal note
NET CHANGE IN REVENUE	\$		\$See text of fiscal note
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	
DOR/ Daniel Huegel (608) 266-5705		Paul Ziegler (608) 266-5773	
		<b>Date</b>	
		4/29/2009	