

Fiscal Estimate Narratives

DOR 5/25/2011

LRB Number	11-1311/2	Introduction Number	AB-0135	Estimate Type	Original
Description The interest rate on delinquent property taxes					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the interest rate charged on delinquent general property taxes plus any special charges, special assessments, and special taxes placed on the tax roll is 1% per month or fraction of a month. An additional penalty on these delinquencies of 0.5% per month or fraction of a month may be imposed, by ordinance, by a county board or the Common Council of the City of Milwaukee.

Under the bill, the interest rate charged on delinquent general property taxes plus any special charges, special assessments, and special taxes placed on the tax roll would be 0.5% per month or fraction of a month from the effective date of the bill through December 31, 2014. The additional penalty that may be imposed by ordinance is not affected by the bill.

The line in the annual financial report form filed with the Department of Revenue (DOR) by counties and municipalities on which interest and penalties on taxes are reported includes data for agricultural use-value penalties and agricultural rezoning fees. Assuming that the collections reported on this line by towns (\$0.3 million) are primarily for the agricultural-related items, the total interest and penalties collected in 2009 was about \$58.8 million -- \$47.0 for counties, \$8.7 million for the City of Milwaukee, and \$3.1 million for all other villages and cities.

The DOR does not have information on which localities have imposed the additional 0.5% penalty. For purposes of this estimate, it is assumed that most localities have chosen to impose the penalty. Under this assumption, one-third of the amount collected, or \$19.6 million, represents penalties and two-thirds of the amount collected, or \$39.2 million, represents interest. By reducing the interest rate from 1.0% per month or fraction thereof to 0.5% per month or fraction thereof, the bill would reduce interest earnings by 50%, or \$19.6 million -- \$15.7 million for counties, \$2.9 million for the City of Milwaukee, and \$1.0 million for other villages and cities.

The actual reduction in interest earnings in a given calendar year may be different from that noted above because the amount of tax roll delinquencies that is currently accumulating interest and penalties can vary significantly from year to year, depending of economic conditions.

The bill imposes no costs on the Department of Revenue.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description The interest rate on delinquent property taxes			
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			
		<u>State</u>	<u>Local</u>
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$	-\$19,600,000
Agency/Prepared By		Authorized Signature	Date
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