

### Fiscal Estimate - 2011 Session

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>11-2894/1</b>	Introduction Number <b>AB-0272</b>
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**Description**  
 correcting the 2011 equalized valuation for the village of Twin Lakes.

**Fiscal Effect**

**State:**

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

<input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate 1. <input checked="" type="checkbox"/> Increase Costs <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<b>5. Types of Local Government Units Affected</b> <input type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>special districts</u> <input checked="" type="checkbox"/> School Districts <input checked="" type="checkbox"/> WTCS Districts
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<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 checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS state forestry tax	

<b>Agency/Prepared By</b> DOR/ Paul Ziegler (608) 266-5773	<b>Authorized Signature</b> Paul Ziegler (608) 266-5773	<b>Date</b> 9/21/2011
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## Fiscal Estimate Narratives

DOR 9/21/2011

LRB Number	11-2894/1	Introduction Number	AB-0272	Estimate Type	Original
<b>Description</b> correcting the 2011 equalized valuation for the village of Twin Lakes.					

### Assumptions Used in Arriving at Fiscal Estimate

#### Background and Current Law

The equalized value for the Village of Twin Lakes for 2011, as established by the Department of Revenue (DOR) on August 15, 2011, was overstated by \$70,841,100. Under current law, DOR will correct for this error by reducing the equalized value for 2012, as certified on August 15, 2012, by \$141,682,200. One-half of the total reduction (\$70,841,100) represents the amount necessary to correct the base value of the municipality for 2012. The other half (\$70,841,100) represents a one-time compensation for the 2011 overstatement in Equalized Value and is not carried forward to 2013. In short, the municipality was apportioned property taxes that were based upon \$70,841,100 more in Equalized Value for 2011, which is compensated for by the reduction in 2012. The correction is carried out under section 70.57.

For property tax purposes, equalized values are used (1) to calculate the state forestation tax charged to a municipality, and (2) to allocate property tax levies among municipalities in multiple municipal entities – such as counties, special districts, school districts, and technical college districts. When a municipality's equalized value is overstated, the property taxes allocated to it are overstated – in effect; property taxes are shifted into the municipality. When a municipality's equalized value is understated, the property taxes allocated to it are understated – in effect; property taxes are shifted away from the municipality.

The purpose of the correction under section 70.57 is for the property tax error in one year to be balanced by an adjustment in the other direction in the following year – so that total levy allocations over the two year period will be essentially correct.

#### Proposal

Under the bill, the section 70.57 process described above to correct the error in the 2011 valuation of the Village of Twin Lakes would not be used. Instead, DOR would be directed to correct the 2011 equalized value of the village prior to November 30, 2011.

#### Fiscal Effect

Correcting the Village of Twin Lakes value prior to November 30, 2011 would avoid the over and under allocation of levies that occur when valuation errors occur.

The state forestry tax (currently imposed at a rate of about \$0.1697 per \$1,000 equalized value) would be decreased by approximately \$12,000 for FY12 (due to the reduction in equalized value caused by correcting the village's value for 2011). The state forestry tax would, however, be increased by this same amount in FY13.

Correcting the equalized value at this point in time will create additional administrative duties for the department. If the bill is passed after October 1st, school district equalized values will need to be corrected in addition to correcting the values for the village and Kenosha County. All previously posted county and state totals will need to be revised. DOR will also need to notify various departments and agencies that 2011 equalized value figures have been revised. DOR costs for these activities are expected to be absorbed within existing expenditure authority.

Due to the administrative changes that the bill will require, delays may occur in DOR's provision of equalized value figures to local governments. As a consequence, the time period provided to local governments to make budget decisions based on final valuations and the period to distribute property tax bills may be narrowed. The procedure for allocating a municipality's equalized value to the other taxing entities includes a number of steps – including (a) allocating state-assessed manufacturing property to individual school districts, technical college districts, and special districts; (b) allocating municipally assessed property to

overlying jurisdictions; and (c) adjusting overlying jurisdiction amounts to reflect corrections or omissions.

Local government administrative costs in determining levies and issuing tax bills may increase if delays in the issuance of equalized values occur or if initial (uncorrected) valuations are utilized during some portion of a locality's budget process.

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

## Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
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<b>LRB Number</b> 11-2894/1		<b>Introduction Number</b> AB-0272	
<b>Description</b> correcting the 2011 equalized valuation for the village of Twin Lakes.			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  State forestry tax revenue would decrease in FY12 by \$12,000 and increase by this amount in FY13. One-time state administrative costs will be incurred. Local costs may increase.			
<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, etc.)</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	\$		\$
NET CHANGE IN REVENUE	\$		\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Paul Ziegler (608) 266-5773		Paul Ziegler (608) 266-5773	9/21/2011