Fiscal Estimate - 2015 Session

☒ Original   ☐ Updated   ☐ Corrected   ☐ Supplemental

LRB Number **15-3954/1**	Introduction Number **SB-430**

Description
Special supervision of property tax assessments

Fiscal Effect

State:
☐ No State Fiscal Effect
☐ Indeterminate
　　☐ Increase Existing Appropriations　　☐ Increase Existing Revenues　　☒ Increase Costs - May be possible to absorb within agency's budget
　　☐ Decrease Existing Appropriations　　☐ Decrease Existing Revenues　　　　☒ Yes　　☐ No
　　☐ Create New Appropriations　　☐ Decrease Costs

Local:
☐ No Local Government Costs
☒ Indeterminate
　　1. ☒ Increase Costs　　3. ☐ Increase Revenue
　　　　☐ Permissive ☒ Mandatory　　☐ Permissive ☐ Mandatory
　　2. ☐ Decrease Costs　　4. ☐ Decrease Revenue
　　　　☐ Permissive ☐ Mandatory　　☐ Permissive ☐ Mandatory

5. Types of Local Government Units Affected
　☒ Towns　☒ Village　☒ Cities
　☐ Counties　☐ Others
　☐ School Districts　☐ WTCS Districts

Fund Sources Affected　　　　　　　　　　**Affected Ch. 20 Appropriations**
☐ GPR　☐ FED　☐ PRO　☐ PRS　☐ SEG　☐ SEGS

Agency/Prepared By	Authorized Signature	Date
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Description Special supervision of property tax assessments		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, if the Department of Revenue (DOR) determines that the assessed value of each major class of property of a taxation district has not been established within 10 percent of the full value of the same major class of property at least once during a four-year period, DOR may notify the district (5th year) that the assessors would be required to participate in an assessor educational program (6th year) if the assessors would make no improvements in the 5th year of the cycle. After seven consecutive years of non-compliance, DOR orders a state-supervised assessment. The bill eliminates the educational program participation requirement for the assessors, and thus the current eight-year cycle of the process becomes seven-year cycle under the bill.

Under current law, "class of property" includes residential (Class 1), commercial (Class 2), personal property, undeveloped (Class 5), agricultural forest (Class 5M), productive forest land (Class 6), and other (Class 7). "Major class of property" means any class that accounts for more than five percent of the full value within the taxation district. The bill provides that a major class of property is any class of property that includes more than 10 percent of the full value of the taxation district.

For the majority of municipalities in Wisconsin, Class 1 property (residential) is a major class of property. Class 1 property in 1,852 out of 1,853 municipalities is deemed major class of property in 2015 – see attached spreadsheet. Changing from five percent to 10 percent of the full value of the taxation district as a definition of a major class of property would have little impact on the number of municipalities where Class 1 property is deemed as a major class of property. However, for all other relevant property classes, the change in the definition from 5 percent to 10 percent would lead to nontrivial decreases in the number of municipalities whose property classes are considered as major classes of property under the bill. Consequently, fewer municipalities/local assessors would potentially be subject to the supervision prescribed in the bill for over/under-valuation. Currently, DOR appoints one or more persons to assist the assessor in conducting revaluation, and the municipality is responsible for all costs involved in a supervised assessment. However, DOR does not have sufficient data to estimate the bill's fiscal impact on municipalities.

The bill requires municipalities that are currently going through the eight-year cycle to transition to the seven-year cycle, which moves deadlines for certain process steps up by one year. As such, the bill may require DOR to temporarily provide additional resources to supervise the increased number of revaluation cases. This will result in one-time costs of approximately $144,000 to DOR. Additionally, DOR would incur approximately $37,000 as one-time cost for software modifications.

Long-Range Fiscal Implications

SB 430
The Department of Revenue

	1. Current Law ("Major Property" = 5% of jurisdiction's full value): Actual				2. Under SB 430 ("Major Property" = 10% of jurisdiction's full value)				3. Impact (2015): curret law vs. SB430	
	Number of Municipalities				Number of Municipalities				# of munis**	% Change
	2012	2013	2014	2015	2012	2013	2014	2015		
Total # of Municipalities	1,851	1,852	1,852	1,853						
Class 1 (Residential)										
Major Property	1,851	1,852	1,852	1,852	1,851	1,852	1,852	1,851	-1	-0.1%
Assessment Ratio out of range*	294	348	262	206	294	348	262	206	0	0.0%
% munis out of range	15.9%	18.8%	14.1%	11.1%	15.9%	18.8%	14.1%	11.1%		
Class 2 (Commercial)										
Major Property	805	806	800	798	558	564	573	568	-230	-28.8%
Assessment Ratio out of range*	129	145	141	137	88	103	94	89	-48	-35.0%
% munis out of range	16.0%	18.0%	17.6%	17.2%	15.8%	18.3%	16.4%	15.7%		
Class 5 (Underdeveloped)										
Major Property	61	74	69	77	10	8	10	9	-68	-88.3%
Assessment Ratio out of range*	37	57	50	59	7	5	5	8	-51	-86.4%
% munis out of range	60.7%	77.0%	72.5%	76.6%	70.0%	62.5%	50.0%	88.9%		
Class 5M (Agricultural Forest)										
Major Property	311	318	321	311	79	80	83	81	-230	-74.0%
Assessment Ratio out of range*	158	141	151	144	36	31	37	42	-102	-70.8%
% munis out of range	50.8%	44.3%	47.0%	46.3%	45.6%	38.8%	44.6%	51.9%		
Class 6 (Productive Forest Land)										
Major Property	664	653	643	641	383	379	366	358	-283	-44.1%
Assessment Ratio out of range*	312	311	285	296	159	180	146	153	-143	-48.3%
% munis out of range	47.0%	47.6%	44.3%	46.2%	41.5%	47.5%	39.9%	42.7%		
Class 7 (Other)										
Major Property	796	790	796	793	554	554	556	560	-233	-29.4%
Assessment Ratio out of range*	264	253	251	227	175	167	170	156	-71	-31.3%
% munis out of range	33.2%	32.0%	31.5%	28.6%	31.6%	30.1%	30.6%	27.9%		

* Assessement ratio is considered "out of range" if 10% more or less than full value of the property category in the municipality.