Fiscal Estimate - 2015 Session

☒ Original   ☐ Updated   ☐ Corrected   ☐ Supplemental

LRB Number 15-3936/1	Introduction Number SB-464

Description
Government actions affecting rights to real property; the regulation of shoreland zoning; the substitution of hearing examiners in contested cases; and the property tax treatment of unoccupied property

Fiscal Effect

State:
☐ No State Fiscal Effect
☐ Indeterminate

     ☐ Increase Existing Appropriations
     ☐ Decrease Existing Appropriations
     ☐ Create New Appropriations

     ☐ Increase Existing Revenues
     ☒ Decrease Existing Revenues

     ☒ Increase Costs - May be possible to absorb within agency's budget
         ☒ Yes   ☐ No
     ☐ Decrease Costs

Local:
☐ No Local Government Costs
☒ Indeterminate

   1. ☒ Increase Costs
     ☐ Permissive ☒ Mandatory
   2. ☐ Decrease Costs
     ☐ Permissive ☐ Mandatory

   3. ☐ Increase Revenue
     ☐ Permissive ☐ Mandatory
   4. ☐ Decrease Revenue
     ☐ 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	Conservation Fund (Forestry)

Agency/Prepared By	Authorized Signature	Date
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Description
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Assumptions Used in Arriving at Fiscal Estimate

This fiscal estimate focuses only on the sections of the bill related to the property tax treatment of undeveloped land.

The bill modifies the definition for the undeveloped property class (Class 5) under sec. 70.32 by establishing a subclass. The subclass includes "unimproved" land that is platted and zoned for residential, commercial, or manufacturing use until all permits, including post construction permits, are issued. Under the bill, property within the subclass is assessed at its "unimproved" value, whereas property classified as undeveloped under current law is assessed at 50 percent of its full value. The bill specifies that the subclass may include only land that was in agricultural use for two consecutive years prior to being converted.

Before all permits specified in the bill are issued, a developer is responsible for paying property tax only on land assessed at its "unimproved" value, thus the developer's property tax bill will be lower under the bill. Consequently, the bill will provide developers with financial incentives to specifically target agricultural land to convert for development projects.

The bill requires that land be assessed at its "unimproved" value until all permits, including post-construction permits, are issued, and does not specify who is responsible for the property tax on the newly constructed improvements until all permits are issued. This implies that improvements of significant value could be off the property tax roll and would be treated as property tax exempt until the improvements are approved for use as residential/commercial/manufacturing property. A reduction in taxable property values compared to current law would result in local property taxes shifting to the remaining taxable property and a minimal decrease in state property taxes (state forestation tax).

The Department of Revenue (DOR) does not possess sufficient information to assess the bill's fiscal impact on local governments. DOR may incur administrative costs for updating/modifying forms, training materials and software, but the costs could be absorbed within the current budgetary resources.

Long-Range Fiscal Implications