## Fiscal Estimate - 2015 Session

☑ Original ☐ Updated	Corrected	Supplemental
LRB Number 15-3061/1	Introduction Number	r AB-0576
<b>Description</b> Special supervision of property tax assessment	s	
Fiscal Effect		
Appropriations Reve	rease Existing to absort	Costs - May be possible o within agency's budget Yes  No e Costs
Permissive Mandatory Perr 2. Decrease Costs 4. Dec	5.Types of Governm Affected Mandatory rease Revenue missive Mandatory Mandatory Scho	ent Units  IS Village Cities  Ities Others  Ol OWTCS
Fund Sources Affected  GPR FED PRO PRS	Affected Ch. 2 SEG SEGS	0 Appropriations
Agency/Prepared By	Authorized Signature	Date
DOR/ Yuko lwata (608) 267-9892	Robert Schmidt (608) 266-5773	12/14/2015

## Fiscal Estimate Narratives DOR 12/14/2015

LRB Number 15-3061/1	Introduction Number	AB-0576	Estimate Type	Original
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

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I	2012	Number of Municipalities 2013 2014	unicipalities 2014	2015	ı	Nul 2012	Number of Municipalities 2013 2014	nicipalities 2014	2015	# of munis**	% Change
Total # of Municipalities	1,851	1,852	1,852	1,853							
Class 1 (Residential) Major Property	1,851	1.852	1.852	1.852	Class 1 (Residential) Maior Property	1.851	1.852	1.852	1.851	1	-0.1%
Assessment Ratio out of range*	294	348	262	206	Assessment Ratio out of range*	294	348	262	206	0	%0.0
% munis out of range	15.9%	18.8%	14.1%	11.1%	% munis out of range	15.9%	18.8%	14.1%	11.1%		
Class 2 (Commercial)	100	.900	0	700	Class 2 (Commercial)	П П	787	573	83	080"	%8 8C-
Major Property	. 000	145	141	137	Major Property Assessment Ratio out of range*	0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	103	57C	000	-230	.28.8% -35.0%
% munis out of range	16.0%	18.0%	17.6%	17.2%	% munis out of range	15.8%	18.3%	16.4%	15.7%	2	
Class 5 (Underdeveloped)					Class 5 (Underdeveloped)						
Major Property	61	74	69	77	Major Property	10	∞	10	6		-88.3%
Assessment Ratio out of range*	37	57	20	59	Assessment Ratio out of range*	7	5	5	∞	-51	-86.4%
% munis out of range	60.7%	77.0%	72.5%	76.6%	% munis out of range	70.0%	62.5%	20.0%	88.9%		
Class 5M (Agricultural Forest)					Class 5M (Agricultural Forest)						
Major Property	311	318	321	311	Major Property	79	80	83	81	-230	-74.0%
Assessment Ratio out of range*	158	141	151	144	Assessment Ratio out of range*	36	31	37	42	-102	-70.8%
% munis out of range	50.8%	44.3%	47.0%	46.3%	% munis out of range	45.6%	38.8%	44.6%	51.9%		
Class 6 (Productive Forest Land)					Class 6 (Productive Forest Land)						
Major Property	664	653	643	641	Major Property	383	379	366	358	-283	-44.1%
Assessment Ratio out of range*	312	311	285	296	Assessment Ratio out of range*	159	180	146	153	-143	-48.3%
% munis out of range	47.0%	47.6%	44.3%	46.2%	% munis out of range	41.5%	47.5%	39.9%	42.7%		
Class 7 (Other)					Class 7 (Other)						
Major Property	796	790	96/	793	Major Property	554	554	556	260	-233	-29.4%
Assessment Ratio out of range*	264	253	251	227	Assessment Ratio out of range*	175	167	170	156	-71	-31.3%
% munis out of range	33.2%	32.0%	31.5%	28.6%	% munis out of range	31.6%	30.1%	30.6%	27.9%		
* Assessement ratio is considered "o	ut of range"	if 10% more	or less than	full value	* Assessement ratio is considered "out of range" if 10% more or less than full value of the property category in the municipality.	ipality.					