

### Fiscal Estimate - 2015 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>15-4528/1</b>	<b>Introduction Number</b> <b>SB-689</b>	
<b>Description</b> Charge-back of rescinded or refunded property taxes		
<b>Fiscal Effect</b>		
<b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Appropriations  <input type="checkbox"/> Decrease Existing Appropriations  <input type="checkbox"/> Create New Appropriations                 </div> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Revenues  <input type="checkbox"/> Decrease Existing Revenues                 </div> <div style="width: 30%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget  <div style="display: flex; justify-content: space-around; font-size: small;"> <span><input checked="" type="checkbox"/> Yes</span> <span><input type="checkbox"/> No</span> </div> <input type="checkbox"/> Decrease Costs                 </div> </div>		
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;">                     1. <input type="checkbox"/> Increase Costs  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                      2. <input type="checkbox"/> Decrease Costs  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                 </div> <div style="width: 30%;">                     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                 </div> <div style="width: 30%;">                     5. Types of Local Government Units Affected  <input checked="" type="checkbox"/> Towns    <input checked="" type="checkbox"/> Village    <input checked="" 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                 </div> </div>		
<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 Conservation Fund (Forestry)		
<b>Agency/Prepared By</b> DOR/ Yuko Iwata (608) 267-9892	<b>Authorized Signature</b> Robert Schmidt (608) 266-5773	<b>Date</b> 2/9/2016

## Fiscal Estimate Narratives

DOR 2/9/2016

LRB Number	<b>15-4528/1</b>	Introduction Number	<b>SB-689</b>	Estimate Type	<b>Original</b>
<b>Description</b> Charge-back of rescinded or refunded property taxes					

### Assumptions Used in Arriving at Fiscal Estimate

#### CURRENT LAW

Current law provides that, in the case of property taxes paid in error because of a delayed determination from a Board of Review, Board of Assessors, or a court, the Department of Revenue (DOR) first determines whether the error affected the taxation district's equalized value and, consequently, the tax apportionments among the district and taxing jurisdictions within the district.

If DOR determines that the equalized value of the taxation district is affected as a result of the error in assessment of certain property, DOR is required to either: 1) adjust the equalized value of the taxation district under sec. 70.57 ("70.57 adjustment"); or 2) determine the amount of rescinded or refunded taxes to be charged back to taxing jurisdictions within the district. Through either action, the taxation district is compensated for the portion of the taxes the district rescinded or refunded that was shared by the other taxing jurisdictions. Under a 70.57 adjustment, the taxation district's equalized value for the following year would be adjusted so that the district would be compensated for the portion of the rescinded or refunded taxes that was shared by the other taxing jurisdictions, through the consequent adjusted apportionment of taxes. The second option requires DOR to "charge back" the taxing jurisdictions for the portion of the rescinded or refunded taxes shared by the jurisdictions, so that the taxation district experiences relatively immediate compensation, though both methods achieve the same result.

If DOR determines that the assessment error did not affect the district's equalized value, the tax amount paid in error was not shared by the other taxing jurisdictions, and as such, no adjustment or chargeback is considered necessary or justifiable under current law.

#### PROPOSED LAW

The bill requires DOR, upon application by a taxation district, to chargeback, to the other taxing jurisdictions within the district, property taxes rescinded or refunded to taxpayers regardless of the impact on equalized value. In these cases, the correct assessment would not have made a difference to the apportionment of taxes. Under the bill, if DOR determines the assessment error affected the taxation district's equalized value, DOR is required to perform both the 70.57 adjustment and the chargeback, compensating the taxation district twice for the same error.

The bill also provides that taxes levied within a tax incremental finance district are not eligible for a chargeback unless in a decrement situation. The bill is retroactive to applications submitted by taxation districts before the effective date, if: 1) DOR has not issued a final determination; 2) the final determination is under judicial review; or 3) DOR has not certified the amount of the chargeback or adjustment to the taxation district.

#### FISCAL EFFECT

Total net tax for all denied chargeback requests amounted to \$2,195,029, \$952,355, and \$1,807,823 for 2013, 2014 and 2015, respectively. The department does not currently possess information on the volume of claims denied on the basis that the error did not affect equalized value. Total net tax for all authorized chargeback requests amounted to \$5,277,599, \$9,109,713, and \$13,027,391 for 2013, 2014 and 2015, respectively.

The bill would increase the volume of chargebacks processed by the department to the extent chargebacks were previously denied on the basis that the error did not affect equalized value. This would result in an increase in chargebacks paid from the Conservation Fund (state forestation tax) and local taxing jurisdictions. In addition, for chargeback requests that impact equalized value, the dollar amount of

the chargeback would increase by the tax amount associated with the 70.57 adjustment for the same year and the tax amount associated with the 70.57 adjustment would increase by the dollar amount of the chargebacks for the same year.

The department estimates administrative costs associated with the bill to be approximately \$6,500, primarily for software updates. The cost increase could be absorbed within the current budgetary resources.

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