

Fiscal Estimate Narratives

DOR 4/18/2017

LRB Number	17-2081/1	Introduction Number	AB-0277	Estimate Type	Original
Description eliminating the personal property tax and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, unless exempted, personal property is subject to general property taxes under Chapter 70. Personal property is also included in some ad valorem utility taxes assessed under Chapter 76. For improvements on leased land, current law allows them to be assessed as either real property or personal property. Current law also provides state aid payments to taxing jurisdictions for exempt computers.

The bill exempts all personal property under Chapter 70 beginning with January 1, 2018 property tax assessments. Under the bill, improvements on leased land would be assessed as real property beginning with the tax exemption. The bill creates a sum sufficient appropriation and state aid payment for revenue losses resulting from the exemption of personal property. The bill also sets the exempt computer aid payment to the amount determined in 2017.

Fiscal Estimate

The department estimates the potential local revenue loss and corresponding state aid payments to local taxing jurisdictions at \$261,035,800. If taxing jurisdictions decrease levies in proportion to the state aid payment, then the bill should not cause a tax shift between property classes. The bill does not require such a levy reduction.

The bill lowers equalized values by removing personal property, which affects other current law calculations, such as the 5 percent debt limit in the Wisconsin Constitution. Under the bill, four municipalities would be over the debt limit by an average of \$377,600.

Under the bill, 2016 forestry mill tax revenue would have declined by an estimated \$2,023,400 due to lower equalized values. The 2016 forestry mill tax generated \$85,722,600 for forestry programs managed by the Department of Natural Resources.

2016 exempt computer aid payments totaled \$89,720,000. Under the bill, future exempt computer aid payments would remain at the 2017 estimated amount of \$91,012,200.

The bill will reduce the increment value of most tax increment districts (TID). For uniformity with new TID districts, the department will need to re-determine each TID's base value. Since a breakdown of increment value is not available by property class, the impact on tax increments is indeterminate.

Manufacturing and Agriculture Credit

Under current law, the manufacturing portion of the manufacturing and agriculture credit is available to taxpayers who generate receipts from the sale, rental, license, or exchange of qualified production property, defined as tangible personal property manufactured in whole or in part by the claimant on property that is assessed as manufacturing under s. 70.995. In addition, the original cost of personal property assessed as manufacturing is also used in the calculation of the property factor for the credit.

Under the bill, the Department would no longer assess personal property as manufacturing property. For taxpayers that currently use personal property assessed as manufacturing in calculating the credit, this would likely reduce the amount of credit, although the amount of reduction is unknown. Some current claimants who only use personal property in the manufacture of qualified production property would no longer qualify for the credit. Based on a review of Department assessment records, approximately 3,500 out of 11,000 manufacturers are only assessed for personal property, although it is unknown how many of these taxpayers claim the manufacturing and agriculture credit and therefore the amount of the reduction in credit claims is unknown.

Administrative Costs

The department would incur one-time costs of \$244,600 to re-determine TID bases, update computer programs and revise forms for the bill's personal property tax exemption.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description eliminating the personal property tax and making an appropriation		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
\$244,600		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance	261,035,800	
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$261,035,800	\$
B. State Costs by Source of Funds		
GPR	261,035,800	
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S (Conservation)		-2,023,400
TOTAL State Revenues	\$	\$-2,023,400
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$261,035,800	\$
NET CHANGE IN REVENUE	\$-2,023,400	\$
Agency/Prepared By	Authorized Signature	Date
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