

### Fiscal Estimate - 2017 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>17-0372/6</b>	<b>Introduction Number</b> <b>AB-0387</b>
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**Description**  
 property tax assessments regarding leased property

**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

<b>Fund Sources Affected</b> <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	<b>Affected Ch. 20 Appropriations</b>
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## Fiscal Estimate Narratives

DOR 6/16/2017

LRB Number	17-0372/6	Introduction Number	AB-0387	Estimate Type	Original
<b>Description</b> property tax assessments regarding leased property					

### Assumptions Used in Arriving at Fiscal Estimate

Under the bill, the assessor shall consider the lease provisions and actual rent associated with a property if the lease provisions and rent are a result of an arms-length transaction. The bill defines real property to include any leases, rights, and privileges pertaining to the property, including assets that cannot be taxed separately but that are inextricably intertwined with the real property. The bill requires real property be assessed at its highest and best use based on the current use or an expected higher use in the immediate future. The bill defines arms-length sale as a sale between a willing buyer and seller, neither being under compulsion and both familiar with the property.

### Fiscal Estimate

The fiscal estimate is indeterminate as the department lacks parcel level data on market lease rates and contract lease rates. In *Walgreens v. City of Madison*, the City of Madison's contract lease based appraisal resulted in property appraisals 54 percent higher than market lease rates used in Walgreen's appraisals. If contract rates result in higher property assessments, the bill will shift a higher portion of the property tax levy to those properties.

The impact on tax increments is indeterminate and dependent upon the location of properties that may be assessed at higher levels as a result of the bill.

### Long-Range Fiscal Implications