

### Fiscal Estimate - 2021 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>21-5664/2</b>	<b>Introduction Number</b> <b>AB-1048</b>
<b>Description</b> eliminating the personal property tax	
<b>Fiscal Effect</b>	
<b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input checked="" type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs	
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input checked="" type="checkbox"/> Increase Costs             3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs             4. <input checked="" type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	
<b>5. Types of Local Government Units Affected</b> <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	
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS	
<b>Agency/Prepared By</b> DOR/ Craig Steinfeldt (608) 266-5705	<b>Authorized Signature</b> Ann DeGarmo (608) 266-7179
<b>Date</b> 3/7/2022	

## Fiscal Estimate Narratives

DOR 3/7/2022

LRB Number	<b>21-5664/2</b>	Introduction Number	<b>AB-1048</b>	Estimate Type	<b>Original</b>
<b>Description</b> eliminating the personal property tax					

### Assumptions Used in Arriving at Fiscal Estimate

Under the bill, beginning with the property tax assessments as of January 1, 2022, no items of personal property will be subject to the property tax. Beginning in 2023, and in each year thereafter, the state will pay each taxing jurisdiction an additional amount equal to the property taxes levied on the items made exempt under the bill for the property tax assessments as of January 1, 2021. The bill also makes technical changes related to the repeal of the personal property tax, such as providing a process whereby manufacturing establishments located in this state that do not own real property in this state may continue to claim the manufacturing income tax credit.

#### General Fund Transfer

The bill transfers money from the general fund to the transportation fund in the amounts of \$20,000,000 in FY 2022 and \$44,000,000 in FY 2023, and each year thereafter.

#### Personal Property Aid Fiscal Estimate

Based on 2021 equalized values and preliminary 2021-22 property tax levy data, the department estimates the bill's revenue loss and increased state aid payments to local taxing jurisdictions at \$190,338,300.

#### Utility Tax Revenues

Chapter 76 deems property, both real and personal, including all rights, franchises and privileges used in and necessary to the prosecution of the business as personal property. Under the bill, utilities may also receive a personal property exemption. Based on FY 2022 revenue estimates, the general program revenue (GPR) loss is estimated at \$369 million for installment payments and \$24 million for utility credit refunds for a GPR total of \$393 million. The transportation fund revenue loss is estimated at \$44 million. Local governments could also lose railroad and pipeline terminal payments resulting in an estimated expenditure reduction of \$1.7 million for the transportation fund and \$6.1 million for GPR.

#### Conservation Fund Transfer

Under the bill, FY 2022 GPR transfer to the conservation fund would have declined by an estimated \$1,576,700 due to lower equalized values. The FY 2022 conservation fund transfer totaled \$111,123,017 for forestry programs managed by the Department of Natural Resources.

#### Tax Incremental Districts

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. Compared to current law, future TIDs will have less taxable property upon which increment may be generated. Since a breakdown of increment value is not available by property class, the impact on increment value is indeterminate.

#### Manufacturing and Agriculture Credit

The bill may result in additional classification of property as manufacturing property, leading to an increase in manufacturing credit claims. Some business engaged in manufacturing activities that are not currently classified as manufacturers may seek reclassification. The department does not have sufficient data to estimate the magnitude of the fiscal impact as many of these businesses are primarily engaged in other activities and DOR does not have information on income derived from manufacturing activities for such businesses. The expected state revenue decrease is indeterminate but nontrivial.

#### Administrative Costs

The department cannot absorb annual costs of \$20,500 and one-time costs of \$1,404,400 to re-determine TID bases, update computer programs and revise forms.

**Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

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  Updated
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<b>LRB Number</b> <b>21-5664/2</b>		<b>Introduction Number</b> <b>AB-1048</b>	
<b>Description</b> eliminating the personal property tax			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
One-time refunds for utility credits are estimated at \$24,000,000. One-time administrative costs are estimated at \$1,404,400.			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$20,500		\$
(FTE Position Changes)			
State Operations - Other Costs	44,000,000		
Local Assistance	190,338,300		-7,800,000
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$234,358,800</b>		<b>\$-7,800,000</b>
<b>B. State Costs by Source of Funds</b>			
GPR	234,358,800		-6,100,000
FED			
PRO/PRS			
SEG/SEG-S			-1,700,000
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$-369,000,000	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S		-44,000,000	
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-413,000,000</b>	
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$226,558,800	\$	
NET CHANGE IN REVENUE	\$-413,000,000	\$	
<b>Agency/Prepared By</b>			
DOR/ Craig Steinfeldt (608) 266-5705		<b>Authorized Signature</b>	<b>Date</b>
		Ann DeGarmo (608) 266-7179	3/7/2022