

**ADMINISTRATIVE RULES
FISCAL ESTIMATE
AND ECONOMIC IMPACT ANALYSIS**

Type of Estimate and Analysis	
<input checked="" type="checkbox"/> Original <input type="checkbox"/> Updated <input type="checkbox"/> Corrected	
Administrative Rule Chapter, Title and Number	
Chapter Tax 18 – Assessment of Agricultural Property	
Subject	
Property subject to use value assessment	
Fund Sources Affected	Chapter 20 , Stats. Appropriations Affected
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG SEG-S	
Fiscal Effect of Implementing the Rule	
<input type="checkbox"/> No Fiscal Effect <input type="checkbox"/> Indeterminate	<input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Decrease Existing Revenues
	<input checked="" type="checkbox"/> Increase Costs <input checked="" type="checkbox"/> Could Absorb Within Agency's Budget <input type="checkbox"/> Decrease Costs
The Rule Will Impact the Following (Check All That Apply)	
<input type="checkbox"/> State's Economy <input checked="" type="checkbox"/> Local Government Units	<input type="checkbox"/> Specific Businesses/Sectors <input type="checkbox"/> Public Utility Rate Payers
Would Implementation and Compliance Costs Be Greater Than \$20 million?	
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Policy Problem Addressed by the Rule	
<p>The rule provides clarification regarding what land in federal and state pollution control and soil erosion programs qualify as agricultural land for purposes of agricultural use value assessment.</p>	
Summary of Rule's Economic and Fiscal Impact on Specific Businesses, Business Sectors, Public Utility Rate Payers, Local Governmental Units and the State's Economy as a Whole (Include Implementation and Compliance Costs Expected to be Incurred)	
<p>Some of the affected land is currently assessed as "undeveloped" land. Such land is currently assessed at 50% of market value. The average statewide value for "undeveloped" land in 2012 was \$636 per acre. "Agricultural" land is assessed at use value. The average statewide value for "agricultural" land in 2012 was \$177 per acre, which is \$459 per acre less than the value for "undeveloped" land. To the extent that a farmer's land can shift from "undeveloped" to "agricultural" as a result of the rule, his or her property taxes will decrease.</p> <p>Total property taxes will not change due to the rule. Instead, there will be a shift in property taxes. The department does not have information to determine the portion of program land that was in agricultural use when it was entered into a program or whether the programs adhere to the standards and practices provided in ATCP 50.04, 50.06, 50.72, 50.83, 50.88, or 50.98. If all such program land qualifies, the department estimates approximately 87,000 acres may be affected by this rule, the rule will cause a reduction in statewide taxable property value of about \$40 million. Based on the average net tax rate for agricultural and undeveloped land for the 2012-13 property tax year of \$18.1676 per \$1,000 in value, about \$725,000 in property taxes would be shifted under the rule.</p> <p>Comments on the economic impact were received from Erin O'Brien of the Wisconsin Wetlands Association. Ms. O'Brien was consulted about her comments regarding the limited economic impact of the rule changes, in part based on a study performed by the Wisconsin Wetlands Association that showed lands in programs not covered by the current rule were often currently assessed as agricultural land. The Department of Revenue requested data from that study, but ultimately determined that the sample size of five counties was too small to rely on to make any assumptions and the economic impact of the rule change should not account for erroneous assessments, but rather be based on the regulatory requirements as written. Ms. O'Brien's comments also highlighted the nominal economic impact of the potential property tax shift on individual property owners, which is reflected in the estimated statewide economic impact above. Lastly, she commented on the tangential positive economic impact of wetlands. This rule does not deal specifically with wetland restoration or conservation, and to the extent that this is an indirect effect of the rule change, the department is unable to measure the impact.</p> <p>The Department of Revenue received several other comments on the current and proposed rule, but none that commented</p>	

on the economic impact of the proposed rule.
Benefits of Implementing the Rule and Alternative(s) to Implementing the Rule
Clarifications and guidance provided by administrative rules will permit local assessors to assess the affected lands on a more consistent basis.
Long Range Implications of Implementing the Rule
No long-range implications are anticipated.
Compare With Approaches Being Used by Federal Government
N/A
Compare With Approaches Being Used by Neighboring States (Illinois, Iowa, Michigan and Minnesota)
N/A

FISCAL ESTIMATE FORM

2013 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB #

INTRODUCTION #

Admin rule # Tax 18: Agricultural Use Value Assessment

Subject

Proposed order of the Department of Revenue relating to sales tax filing frequency

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

Increase Costs - May be Possible to Absorb Within Agency's Budget Yes No

Decrease Costs

Local: No Local Government Costs

1. Increase Costs

Permissive Mandatory

2. Decrease Costs

Permissive Mandatory

3. Increase Revenues

Permissive Mandatory

4. Decrease Revenues

Permissive Mandatory

5. Types of Local Governmental Units Affected:

Towns Villages Cities

Counties Others All taxing entities

School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate:

There are several programs available to property owners under which the permitted uses of the land are limited for purposes of conserving natural resources, preventing erosion, enhancing stream quality, and the like. Under the existing statutes and rules for determining which land qualifies for assessment under the "agricultural use value" rules, some program land is not being assessed at use value because the state or federal program in which the land is enrolled is not on the list of qualifying programs in Tax 18 and many of these programs do not permit crops to be grown or animals to be grazed on this land.

The intent of this rule is to clarify this situation so that the land under these programs will qualify for "agricultural use value" assessment in the same circumstances as other program land.

Currently, land under these programs would potentially be classified as "undeveloped" land, which by law is assessed at 50% of market value (average statewide value in 2012 was \$636 per acre). "Agricultural" land is assessed at use value (average statewide value in 2012 was \$177 per acre). The difference in value in 2012 was \$459 per acre. To the extent that a farmer's land can shift from "undeveloped" to "agricultural" as a result of the rule, his or her property taxes will decrease.

Total property taxes will not change due to the rule. Instead, there will be a shift in property taxes. The department does not have information to determine the portion of program land that was in agricultural use when it was entered into a program or whether the programs adhere to the standards and practices provided in ATCP 50.04, 50.06, 50.72, 50.83, 50.88, or 50.98. If all such program land qualifies, the department estimates approximately 87,000 acres may be affected by this rule, the rule will cause a reduction in statewide taxable property value of about \$40 million. Based on the average net tax rate for agricultural and undeveloped land for the 2012-13 property tax year of \$18.1676 per \$1,000 in value, about \$725,000 in property taxes would be shifted under the rule.

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

2013 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB #

Admin. Rule #
 Tax 181:Agricultural
 Use Value

INTRODUCTION #

Subject

Proposed order of the Department of Revenue relating to sales tax filing frequency

I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringe	\$	\$ -
(FTE Position Changes)	()	-
State Operations-Other Costs		
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$	\$
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		-
TOTAL State Revenues	\$	\$ -

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$	\$ 0
NET CHANGE IN REVENUES	\$	\$ 0
Agency/Prepared by Wisconsin Department of Revenue Daniel Huegel 608 266-5705	Authorized Signature/Telephone No. Wisconsin Department of Revenue Bob Schmidt 608 266-5773	Date 12/5/2013