



TOM TIFFANY

STATE SENATOR • 12TH SENATE DISTRICT

Testimony on Senate Bill 624

Senate Committee on Revenue, Financial Institutions, and Rural Issues

I want to thank Chairman Marklein and members of the committee for hearing Senate Bill 624 today.

Senate Bill 624 simply clarifies that 11 categories of items that are currently considered personal property will be considered real property. By classifying these items as real property instead of personal property, business owners will be able to avoid some of the paperwork involved with paying personal property taxes, while still paying the same tax rate. I've often heard that the time and resources committed to filling out the paperwork related to personal property tax is greater than the tax itself.

The items that would be classified as real property include:

1. Cooking ranges.
2. Furnaces.
3. Water heaters used for a special purpose.
4. Communications, radio station, and television station towers.
5. Pinspotters.
6. Car wash equipment.
7. Indoor theater seats.
8. Aboveground tanks.
9. Surface mounted lifts used to provide automotive services.
10. Alarm systems.
11. Surveillance systems.

Section 70.03, Wis. Stats., defines real property as the land, buildings, improvements, and fixtures. Section 70.04, Wis. Stats., defines personal property as all goods, wares, merchandise, chattels, and effects that are not real property.

Obviously, there is sometimes confusion about which category an item should be included in. The 11 items we included in this legislation come from the DOR's Property Assessment Manual section where they provide recommendation on many "tricky items." By ensuring these items are classified as real property, it provides more clarity to both business owners and assessors.

I want to thank Representatives Duchow for her work on this bill, and I would also like to thank the Chairman and members of the committee for hearing this bill today.



CINDI DUCHOW

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Testimony on SB 624

Thank you Chairman Marklein and committee members for hearing this bill today.

The personal property tax has long been a burden on small businesses across the state. As a small business owner myself, I can personally attest to the dozens of hours and costs needed to fill out the personal property tax forms. Without a doubt, business owners would agree that the hassle associated with complying has proven just as onerous, if not more, than paying the tax itself.

The DOR publishes an annual Property Assessment Manual, which includes a “tricky items” section that is supposed to separate real from personal items. Some pieces of property, however, are confusingly classified as personal property when they clearly should be real. To remedy this, we used this “tricky items” section to identify the pieces of property that have no justification being on the list. For example, theater seats have no reason to be personal since they are bolted to the ground and part of the real property. Thus, this bill would take 11 categories of the most disputed pieces of personal property and convert their classification to real property.

This change speaks to the issue of clarity. Tax laws and definitions should not be so complicated that those who are supposed to comply cannot easily decipher them. This bill would provide clarity for assessors and business owners alike because now the most confusing items would be squarely in one camp or the other. No longer would one assessor define an item as one thing and another assessor define that same item as another. To ensure this, the DOR would include clear direction to assessors in its yearly manual and meetings on how to treat these newly categorized items and assess the property accordingly.

Most importantly, next tax season business owners would no longer have to go through the extra paperwork for those 11 categories of items that were once personal property because now they would be real property. It would reduce the headache on small businesses and decrease their compliance costs because they would no longer have to claim as many items as personal property.

The fiscal estimate states this bill would have no fiscal impact. Instead of paying taxes on personal property, these individuals would now pay the same tax rate on real property—minus the hassle of additional tax forms and compliance costs.

I think it is long past due that we address what has now been commonly referred to as the “Main Street” tax because of its acute effect on small business. This bill would go a long way in reducing that burden and for this reason, I humbly ask for your support.



Property Taxpayers United
for Fairness & Reform
Since 1985

Senate Bill 624 Testimony
Senate Committee on Revenue, Financial Institutions, and Rural Issues
28 January 2016

John Jacobson, Wisconsin Property Taxpayers

Thank you, Chairman Marklein, Vice Chairman Stroebel, and committee members, for accepting testimony today on Senate Bill 624, and thank you to the authors of the bill- Senator Tiffany and Representative Duchow.

Wisconsin Property Taxpayers, Inc., a non-partisan organization, representing tens of thousands of Wisconsin businesses, farms, and property owners throughout the state is here to strongly support this legislation, which would help alleviate an incredible hassle and time consumption imposed on businesses through this particular tax and its reporting process.

As WPT's membership reaches every corner of the state, the primary concern we hear from business owners, no matter the size of the business, is the burden that the personal property tax puts on their bottom line. While that might not be a surprise, what we find most interesting is that their number two concern or complaint is the confusing and wearing process by which their personal property is reported and taxed.

Many items in the DOR guidelines for personal property are truly confusing, and often lead to error or misreporting that result in this tax being even more costly to local job creators. This bill provides some excellent clarity in an already burdensome process to pay a tax that restricts businesses from reinvesting, hiring, or modernizing. Furthermore, the exactitude with which this bill classifies these certain items would assist both business owners and assessment professionals by moving properties definitively into one category, removing any potential for misinterpretation or erroneous tax charges.

If this bill is enacted, business owners would still pay taxes on these items as real property, and no negative fiscal impact would be felt. As such, WPT asks this committee to consider the only real purpose of this bill- to provide clarity for, and reduce the burden on, the very businesses that keep our state moving forward.

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Wisconsin Independent Businesses Inc.

The voice of independent business in state government

January 28, 2016

TO: Members
Senate Committee on Revenue, Financial Institutions and Rural Issues

FR: Brian Dake
Legislative Director
Wisconsin Independent Businesses

RE: 2015 Senate Bill (SB) 624 relating to assessing certain items as real property for property tax purposes.

Chairman Marklein and committee members, thank you for the opportunity to testify in support of 2015 Senate Bill 624.

By way of background, Wisconsin Independent Businesses seeks to provide small, independent businesses with a voice in the legislative and administrative activities of state government. We have more than 4,000 members – the vast majority of whom own businesses with fewer than 25 employees and annual gross revenues of less than \$5 million.

In brief, 2015 Senate Bill (SB) 624 improves the administration of the personal property tax by local assessors and eases the compliance burden on those who pay the majority of personal property taxes - small businesses.

State law requires local assessors to value personal property following procedures enumerated by the Wisconsin Department of Revenue in the Wisconsin Property Assessment Manual. Chapter 15 of the Manual is titled: Personal Property Assessment. The guidance provided in Chapter 15 speaks directly to the merits of this legislation.

Under the heading *Classification Guide – Real vs. Personal*, the section reads:

“In most cases, a particular piece of property is obviously either personal property or real property. In some instances, however, the lines are blurred. When this happens, distinguishing between real and personal property becomes a significant challenge.”

Under the heading *Discovery of Personalty*, the first paragraph reads:

“Personal property, as a class, presents problems in discovery and valuation that are not present in real estate. The many items to be valued, the movable nature of the property owned or leased, and the fact that property owners are not required to come to the assessor, requires that the assessor be alert and resourceful to be certain that all taxable property has been discovered, valued and listed on the assessment roll. Chapter 70 should be reviewed regularly for statutory changes affecting taxation or exemption of personal property.”

SB 624 relieves the discovery and valuation problems for local assessors on the items listed in the bill by statutorily defining those items as real property. For the 11 items listed in this bill, there are no blurred lines. These items are to be assessed as real property.

The local property tax experts are not the only ones who struggle with the blurred lines between real and personal property. Local assessors often utilize small business owners to self-report their personal property.

These “Statement of Personal Property” forms are mailed out prior to the start of the calendar year and must be returned before March 1. On this form, the small business owner must report the personal property’s original cost by year of acquisition and the declared or indexed value of the property. Filling out these forms accurately is difficult when the small business owner does not know whether the property in question is real or personal.

If small businesses are asked to self-report their personal property, they deserve clear guidance from the state as well as the local assessors as to what is and what is not personal property. SB 624 improves that guidance – guidance which in turn eases the compliance burden on small employers.

We respectfully ask for your support of this legislation.

Thank you in advance for your consideration.



WISCONSIN ASSOCIATION OF ASSESSING OFFICERS

www.waao.org

RE: SB 624 – Classifying certain items of Personal Property as Real Estate for assessment purposes.

Senator Tiffany:

The Wisconsin Association of Assessing Officers (WAAO) would like to offer the following points for your consideration regarding your proposal, SB 624, to reclassify certain specific items of personal property as real estate.

A first impression of this proposal might lead one to conclude that by simply reclassifying items of personal property as real estate would only require a clerical change of classification where no value would be lost, only changed from one class to another, and, by doing so, this process would eliminate any reporting responsibility. This would not be a wholly accurate conclusion and WAAO would like to offer the following points to illustrate.

1. A property tax shift would occur because all of the three recognized approaches used to value real estate purposely *exclude* personal property value. If the local assessor wasn't aware enough to add back the value of the personal property items during the real estate valuation process, the affect would be to essentially exempt the items described in the proposal resulting in a property tax shift.
2. Items classified as real property generally have the same depreciation rate applied as the building to which they are attached even when those items are new replacements. Newly installed items, valued as personal property, would have a greater value than the same item valued as real estate and then immediately depreciated at the same rate as the building.
3. No building permit is required for many of the items listed in this bill so the local assessor would not have knowledge of the newly installed item unless it was reported by the property owner/operator.
4. The person responsible for the real estate tax will also be responsible for the property tax on those personal property items not owned by him/her but nonetheless valued as real estate. Many of the items described in the proposal, and almost all towers, are located on land leased from others. Valuing them as real estate would require 1) valuing them with the real estate in which they are attached and not to the actual owner of the item, or 2) assigning a new and separate real estate parcel ID number and legal description for these items.

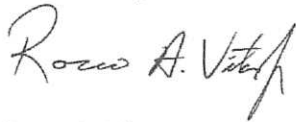
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5. A solution to avoid 'losing' the assessed value of personal property items when reclassified as real estate, the WI Department of Revenue (DOR) would create and provide reporting forms allowing business owners to provide to assessors the necessary information used to estimate a fair market value for those items represented in this proposal. The form would be similar in nature to the personal property reporting forms used today but would be specific to the items listed in the proposal.

All of these issues can be addressed but doing so will take additional annual effort from business owners, assessors, and the WI DOR in the form of additional reporting and processing as well as somehow dealing with the property tax liability referenced in item 4 above.

The Wisconsin Association of Assessing Officers hope you find the above information illustrative and helpful in addressing the issues presented by SB 624.

Respectfully,

A handwritten signature in black ink that reads "Rocco A. Vita". The signature is written in a cursive style with a large initial 'R' and a stylized 'V'.

Rocco A. Vita
WAAO Legislative Committee Chair