



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 498: Property Tax Exemption for Property Owned by Goodwill Industries

Assembly Bill 498, as amended, would provide a property tax exemption for property owned by Goodwill Industries. Initially, the bill was drafted to provide an income and franchise tax credit for property taxes paid on property owned by Goodwill Industries. The bill was introduced on June 14 and referred to the Assembly Committee on Housing. On June 16, the Committee held a public hearing on the bill, and on the same date, the Committee offered Assembly Substitute Amendment 1, which changed the relief mechanism from an income or franchise tax credit to a property tax exemption. The Committee recommended the amended bill for passage by a vote of six to zero. On June 23, the Assembly adopted ASA 1 to AB 498 by a vote of 74 to 24 and passed the amended bill by a vote of 90 to 8. The bill was immediately messaged to the Senate, which referred the bill to the Senate Committee on Job Creation, Economic Development, and Consumer Affairs on June 27. The Committee held a public hearing on the bill on August 23 and recommended concurrence on August 26 by a vote of four to one. The bill was referred to the Joint Committee on Finance on September 19.

The amended bill is identical to Assembly Bill 348. That bill was introduced on April 22 and referred to the Committee on Ways and Means and the Joint Survey Committee on Tax Exemptions, but no further action on the bill has occurred.

CURRENT LAW

Generally, property tax exemptions are authorized under ss. 70.11 and 70.111 of the state statutes. Property owned and used by benevolent organizations is exempt under s. 70.11(4) of the statutes, although this exemption does not contain a definition of benevolence. The courts have not

developed a substantive meaning of benevolence but have ruled that benevolence implies organization on a non-profit basis, that benevolent organizations must be engaged in benevolent activities, and that benevolence has a broader meaning than "charitable." Within each municipality, the exemption limits the amount of exempt property of a benevolent organization to 10 acres.

Property owned by a number of charitable organizations is specifically exempted under s. 70.11 (12) of the statutes. Prior to 1997, this exemption extended only to the property of the Boy Scouts of America, the Boys' Clubs of America, the Girl Scouts, and the Camp Fire Girls. In 1997, Wisconsin Act 27 retitled this exemption, "Certain Charitable Organizations," and expanded the exemption to also include property owned by the Salvation Army.

In 2001, Wisconsin Act 16 further amended s. 70.11 (12) to include property owned by the Young Men's Christian Association (YMCA) and the Young Women's Christian Association (YWCA). At that time, this property was regarded as exempt under s. 70.11 (4) because the YMCA and YWCA were regarded as benevolent organizations. Because this property was previously exempt as property owned by a benevolent organization, the 10-acre limitation included in s. 70.11 (4) was extended to the YMCA and YWCA property included under s. 70.11 (12), provided that the property is located in an incorporated municipality. Also, 2001 Wisconsin Act 16 repealed a separate exemption for YMCA and YWCA summer camps and amended s. 70.11 (12) to provide a 40-acre limitation to YMCA and YWCA property located in an unincorporated municipality. Among the organizations enumerated in s. 70.11 (12), acreage limitations extend only to the property owned by the YMCA and the YWCA.

SUMMARY OF BILL

The bill, as amended, would include Goodwill Industries among the organizations enumerated under s. 70.11 (12), and property owned by Goodwill Industries would be exempt from property taxation. Currently, Goodwill Industries is considered a benevolent organization, and its property is exempt under s. 70.11 (4), except for property in excess of 10 acres in a single municipality. The bill would not extend the 10-acre limitation that is provided under s. 70.11 (4) to s. 70.11 (12), as it applies to Goodwill Industries' property. Also, there is no requirement in s. 70.11 (12) that the property's use be related to the organization's "mission," as under s. 70.11 (4).

Wisconsin is largely served by three separate Goodwill organizations. They include Goodwill Industries of North Central Wisconsin, Goodwill Industries of Southeastern Wisconsin, and Goodwill Industries of South Central Wisconsin. Two additional Goodwill affiliates provide services in northeastern Wisconsin and the Upper Peninsula of Michigan and in northwestern Wisconsin and the Duluth area of Minnesota. All are organized on a nonprofit basis.

Wisconsin's Goodwill organizations provide a variety of services. Operation of donation centers, resale outlets, and workshops for individuals with disabilities appear common to all. Other operations include employment services programs, senior citizen programs, commercial services

for businesses, workforce development programs, and housing programs for seniors and individuals with disabilities or special needs.

FISCAL EFFECT

In its fiscal estimate for AB 348, the Department of Revenue notes that it surveyed municipal assessors and found that property owned by Goodwill Industries is typically exempt as property owned by a benevolent organization. However, DOR found one instance where an apartment building owned by Goodwill Industries was only partially exempt. A one-bedroom apartment in the otherwise exempt apartment building is subject to tax because it is used by staff for a non-exempt purpose. For 2004, the apartment had an estimated market value of about \$40,000 and a tax bill of about \$800, including approximately \$8 in state forestry taxes. This property would become exempt, and the taxes on the property would be shifted to other property that remains taxable, except for the state forestry tax. State forestry tax collections would decrease by about \$8 (SEG) relative to current law.

Representatives of Goodwill Industries indicate that some additional properties are taxable because Goodwill owns properties encompassing more than 10 acres in the City of Milwaukee. These properties have a value of approximately \$870,000 according to the assessment commissioner's office. Under the bill, this property would become exempt and cause an estimated \$21,600 in taxes to be shifted to other properties and state forestry taxes to decline by \$170.

Prepared by: Rick Olin