



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #676

### **State Aid for Tax Exempt Computers, Cash Registers, and Fax Machines -- Sum Sufficient Reestimate (Shared Revenue and Tax Relief -- Direct Aid Payments)**

[LFB 2005-07 Budget Summary: Page 448, #7]

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#### **CURRENT LAW**

The state aid payment for computers was created in the 1998 budget adjustment bill (1997 Wisconsin Act 237) to compensate local governments for tax base lost due to the property tax exemption for computers, software, and related equipment. Aid payments are calculated using a formula that results in an aid amount equal to the amount of taxes that would be paid if the property was taxable. Under the procedure, computer owners report the value of exempt computers to assessors, and local governments calculate their tax rates as if the exempt value was taxable. Aid payments are calculated by multiplying the two amounts. A property tax exemption for fax machines, except those that are also copiers, and cash registers was created in the 2001-03 biennial budget bill (2001 Wisconsin Act 16), effective with property assessed as of January 1, 2003. State aid payments were extended for this exempt property, as well, and began in 2003-04. Base funding for payments is \$73,900,000 GPR.

#### **GOVERNOR**

Decrease funding by \$3,900,000 GPR in 2005-06 and \$4,900,000 GPR in 2006-07 to reflect changes in tax rates and the value of exempt computers, cash registers, and fax machines under current law provisions. Total aid payments of \$70,000,000 GPR in 2005-06 and \$69,000,000 GPR in 2006-07 are estimated.

Because the Committee is scheduled to act on this issue before it acts on the Governor's proposals related to local government fiscal controls and school aid funding, the estimated funding does not reflect the effect of those proposals. Under the bill, additional funding decreases of \$2,100,000 GPR in 2005-06 and \$4,100,000 GPR in 2006-07 are estimated as a

result of those provisions, and total payments of \$67,900,000 GPR in 2005-06 and \$64,900,000 GPR in 2006-07 are estimated.

**MODIFICATION**

Decrease funding from the base year amount by \$4,300,000 GPR in 2005-06 and \$3,000,000 GPR in 2006-07 to reflect changes in tax rates and the value of exempt computers, cash registers, and fax machines under current law provisions. Estimate total aid payments, prior to any adjustment for local government fiscal controls and school aid funding, of \$69,600,000 GPR in 2005-06 and \$70,900,000 GPR in 2006-07.

**Explanation:** Relative to the Governor's estimates, the reestimates are \$400,000 lower in 2005-06 and \$1,900,000 higher in 2006-07 and are based on effective property tax rates that are slightly higher and exempt values that are lower in 2005-06, but higher in 2006-07. Statewide exempt values are estimated at \$3.10 billion for the 2005-06 payment and \$3.21 billion for the 2006-07 payment, compared to \$3.08 billion for the 2004-05 payment. The estimates under this modification will need to be revised based on the Committee's decisions regarding local government fiscal controls and school aid funding.

<u>Modification</u>	<u>GPR</u>
<b>2005-07 FUNDING</b> (Change to Bill)	\$1,500,000

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