



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #702

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

[LFB 2009-11 Budget Summary: Page 570, #7]

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. A provision in 2005 Wisconsin Act 25 produced one-time savings in the 2005-07 biennium by changing the payment date for this program from the first Monday in May of each year to the fourth Monday in July of each year, beginning in 2007. Due to this law change, local governments' budgets for the current year anticipate receipt of the 2009-10 aid payment.

GOVERNOR

Increase estimated payments by \$8,200,000 GPR in 2009-10 and \$11,800,000 GPR in 2010-11 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 of \$73,200,000 GPR in 2009-10 and \$76,800,000 GPR in 2010-11.

MODIFICATION

Increase payments by an estimated \$470,000 GPR in 2009-10 and \$600,000 GPR in 2010-11.

Explanation: Total aid payments are estimated at \$73,670,000 GPR in 2009-10 and \$77,400,000 GPR in 2010-11. The 2009-10 aid payment will be made in July, 2009, and is based on 2008 exempt values and 2008(09) tax rates. Because both factors are known at this time, only minor changes to the reestimate will occur. For 2010-11, statewide exempt values are estimated to decrease by 0.8%, from \$3,494 million to \$3,466 million and tax rates are expected to increase by 5.9%. The administration's estimate assumes a smaller increase in tax rates and a slight increase in exempt values. This reestimate for 2010-11 incorporates tax rate estimates that were included in the Legislative Fiscal Bureau's April 8, 2009, memorandum on property taxes under AB 75. Those estimates, which reflected the Governor's proposals related to local government fiscal controls and local aid funding (including school aids), forecast a tax rate increase that is caused, in part, by a reduction in the statewide equalized value of 0.8%, reflecting decreased activity in the housing market. The estimates under this modification may need to be revised based on the Committee's decisions regarding local government fiscal controls and local aid funding.

Change to Bill Funding	
GPR	\$1,070,000

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