



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #596

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

[LFB 2011-13 Budget Summary: Page 399, #3]

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 2011-12 aid payment.

GOVERNOR

Increase estimated payments by \$4,374,000 GPR in 2011-12 and \$7,856,500 GPR in 2012-13 to reflect: (a) changes in tax rates and the value of exempt computers, cash registers, and fax machines under current law provisions (\$4,374,000 in 2011-12 and \$10,296,000 in 2012-13) and (b) lower estimated property tax levels associated with the proposed local fiscal controls (-\$2,439,500 in 2012-13). No fiscal effect associated with the proposed local fiscal controls is reflected for 2011-12 because those aid payments will be based on tax levies for 2010(11), prior

to the proposed local fiscal controls taking effect. With these adjustments, base level funding of \$76,700,000 would increase to \$81,074,000 in 2011-12 and \$84,556,500 in 2012-13.

MODIFICATION

13. Increase estimated payments by \$915,700 GPR in 2011-12 and \$1,443,500 GPR in 2012-

Explanation: Total aid payments are estimated at \$81,989,700 GPR in 2011-12 and \$86,000,000 GPR in 2012-13. The 2011-12 aid payment will be made in July, 2011, and is based on 2010 exempt values and 2010(11) tax rates. Because both factors are known at this time, only minor changes to the reestimate should occur. For 2012-13, statewide exempt values are estimated to increase by 2.9%, from \$3,488 million to \$3,591 million, and tax rates are expected to increase by 1.9%. The administration's estimate assumes a 2012-13 aid increase of 4.3%, based on estimated increases of 1.7% in exempt values and 2.6% in tax rates. The reestimate for 2012-13 incorporates tax rate estimates that were included in the Legislative Fiscal Bureau's April 15, 2011, memorandum on property taxes under SB 27/AB 40. 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 1.2%, 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	\$2,359,200

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