



Legislative Fiscal Bureau

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July 24, 2023

TO: Members
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: Property Tax Estimates Under 2023 Acts 11, 12, and 19

This memorandum compares estimated property tax levels and tax bills under 2023 Act 19 (the 2023-25 biennial budget) with the tax bill estimates under prior law and under the Governor's budget recommendations. The memorandum also describes changes made under 2023 Acts 11 and 12, related to school district finance and local government funding, respectively, and reflects the effect of those changes on estimated property tax levels and tax bills.

On May 1, 2023, this office distributed a memorandum entitled, "Property Tax Estimates Under the Governor's Budget Bill." That memorandum provided estimates of property tax levels under 2023 Assembly Bill 43/Senate Bill 70 (AB 43/SB 70), as proposed by the Governor. The memorandum described the Governor's proposed changes to municipal, county, school district, and technical college district levies. Based on these changes, statewide gross property tax levies were estimated to increase by 3.2% in 2023(24) and by 1.9% in 2024(25).

The Joint Finance Committee modified a number of the Governor's recommended provisions affecting property tax levels. For technical colleges, counties, and municipalities, modifications included deleting the Governor's recommended increase in the valuation factor, which would have allowed those taxing jurisdictions to increase their levies by a minimum of 2% annually, compared to 0% under current law. The Committee also removed other provisions included in the Governor's budget recommendations that would have allowed adjustments to county and municipal levy limits.

For counties and municipalities, Acts 12 and 19 provided a total of \$274.9 million in supplemental county and municipal aid, rather than the \$576.2 million included in the Governor's budget recommendations. The increase in state aid is expected to dampen levy increases in the biennium, though it is expected that counties and municipalities will continue to use most of their allowable levy. Additionally, Act 12 included provisions that would exempt most remaining items of personal property from general property taxation, beginning with property assessed as of January 1, 2024 (the 2024(25) property tax year). Act 19 created an aid payment in 2024-25 to be provided

to local taxing jurisdictions to hold them harmless for the loss in taxable value, in order to prevent property taxes from shifting to other properties that remain taxable in 2024(25). These provisions replaced similar provisions in the Governor's recommended budget, and would reduce statewide levies and equalized values at a similar rate in 2024(25). As a result, overall gross tax rates in that year would not be affected.

For school districts, Acts 11 and 19 made several funding changes that would affect statewide school levies, including: (a) providing a revenue limit per pupil adjustment of \$325 in 2023-24 and an additional \$325 in 2024-25; (b) increasing the low revenue adjustment under revenue limits from \$10,000 per pupil in 2022-23 to \$11,000 per pupil in 2023-24 and each year thereafter; (c) providing \$154.7 million in 2023-24 and \$379.6 million in 2024-25 for general school aids; (d) deleting \$16.8 million in base funding annually for high poverty aid; and (e) increasing payments to the private school choice and special needs scholarship programs.

Finally, Act 19 increased funding for the school levy tax credit by \$255.0 million in 2023(24) and \$335.0 million in 2024(25), for total funding of \$1,195.0 million and \$1,275.0 million, respectively. In addition, Act 19 included a reestimate of the lottery fund condition to reflect higher sales in 2022-23, and a higher opening balance in 2023-24. Act 19 also provided an additional \$12.4 million GPR for lottery retailer compensation and an additional \$3.5 million GPR for lottery vendor fees, which has the effect of increasing net SEG lottery fund revenues available for the lottery and gaming credit. Act 19 also provides additional staffing for the lottery, which offsets a small portion of the additional revenues for the credit associated with this GPR funding.

As a result of the preceding changes, gross property tax levies are estimated to increase on a statewide basis by 5.5% in 2023(24) and by 2.5% in 2024(25), while net tax levies are estimated to increase by 3.7% in 2023(24) and by 2.5% in 2024(25). These tax changes would result in tax bills for a median-valued home estimated at \$3,304 in 2023(24) and \$3,454 in 2024(25). These represent an increase of \$13 (0.4%) in 2023(24) and a decrease of \$5 (0.1%) in 2024(25), compared to the estimated tax bills under prior law. Compared to the estimated tax bill under the Governor's recommendations, these tax bills would result in a decrease in the estimated tax bill of \$1 (less than 0.1%) in each year of the biennium.

The tax bill estimates in this memorandum are for the state as a whole. The impacts on individual municipalities would vary considerably from these figures. The table below compares the statewide levies and the tax bills on the statewide median-valued home under prior law, under AB 43/SB 70, and under Act 19. It should be noted that net levies under prior law and under the Governor's recommendations have been adjusted from the May 1 memorandum to reflect actual levies for 2022(23) and the increased amounts available under the lottery and gaming credit, as these increased amounts would be available under prior law.

TABLE 1

**Property Tax Estimates Under Act 19
Compared to Prior Law and Governor's Recommendations**

	Final <u>2021-22</u>	Final <u>2022-23</u>	Estimates Based on <u>Provisions Under Act 19</u>	
			<u>2023-24</u>	<u>2024-25</u>
Tax Levies (In Millions)				
Municipalities	\$3,209.3	\$3,360.3	\$3,475.1	\$3,529.6
Counties	2,382.1	2,458.3	2,514.3	2,537.7
School Districts	5,398.4	5,477.1	5,890.0	6,046.7
Technical College Districts	470.0	476.2	491.5	500.9
Tax Increment Districts	624.1	605.4	687.6	778.1
Special Purpose Districts	123.9	128.7	132.2	133.9
Gross Property Tax Levies	\$12,207.8	\$12,505.7	\$13,190.7	\$13,526.8
Change to Prior Year		297.9	685.0	336.1
Net Property Tax Levies	\$10,784.5	\$11,101.9	\$11,513.3	\$11,795.3
Change to Prior Year		317.7	411.4	282.0
Percent Change				
Municipalities		4.7%	3.4%	1.6%
Counties		3.2	2.3	0.9
School Districts		1.5	7.5	2.7
Technical College Districts		1.3	3.2	1.9
Tax Increment Districts		-3.0	13.6	13.2
Special Purpose Districts		3.9	2.7	1.2
Gross Property Tax Levies		2.4%	5.5%	2.5%
Net Property Tax Levies		2.9	3.7	2.4
Net Tax Bill Estimate -- Prior Law				
Median-Valued Home	\$212,600	\$230,700	\$251,600	\$244,400
Tax Bill Estimate	3,340	3,278	3,291	3,459
Net Change Over Prior Year				
-Amount		-\$62	\$13	\$168
-Percent		-1.9%	0.4%	5.1%
Tax Bill Estimate -- Governor's Recommendations				
Median-Valued Home	\$212,600	\$230,700	\$251,600	\$244,400
Tax Bill Estimate	3,340	3,278	3,305	3,455
Change Over Prior Year				
-Amount		-\$62	\$27	\$150
-Percent		-1.9%	0.8%	4.5%
Change Over Prior Law				
-Amount			\$14	-\$4
-Percent			0.4%	-0.1%

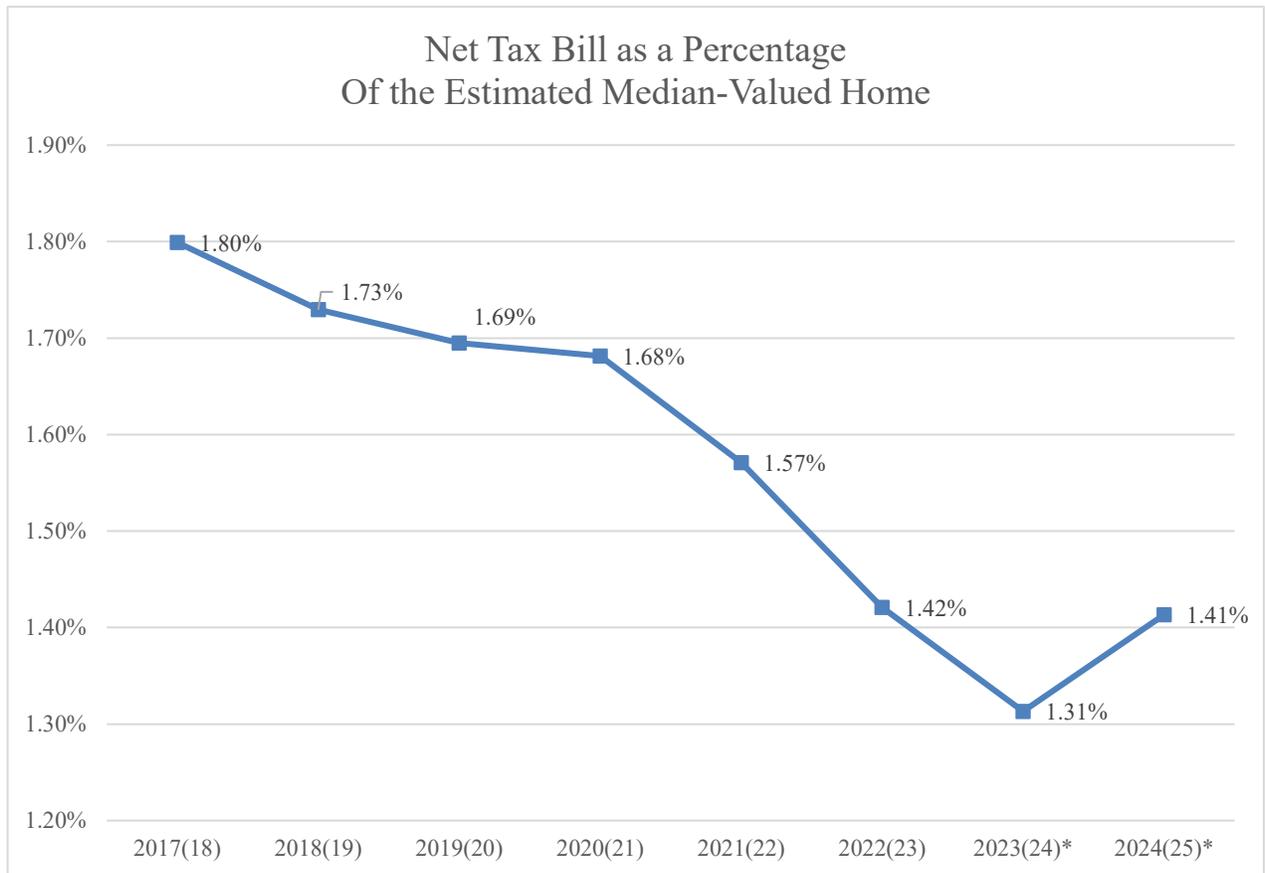
TABLE 1 (continued)

**Property Tax Estimates Under Act 19
Compared to Prior Law and Governor's Recommendations**

	Final <u>2021-22</u>	Final <u>2022-23</u>	Estimates Based on <u>Provisions Under Act 19</u>	
			<u>2023-24</u>	<u>2024-25</u>
Net Tax Bill Estimate -- Act 19				
Median-Valued Home	\$212,600	\$230,700	\$251,600	\$244,400
Tax Bill Estimate	3,340	3,278	3,304	3,454
 Change Over Prior Year				
-Amount		-\$62	\$26	\$150
-Percent		1.9%	0.8%	4.5%
 Change Over Governor's Recommendations				
-Amount			-\$1	-\$1
-Percent			<0.1%	<0.1%
 Change Over Prior Law				
-Amount			\$13	-\$5
-Percent			0.4%	-0.1%

Figure 1 below reports the net tax bill as a percentage of the estimated median-valued home since 2017(18). While the total net tax bill on the median-valued home is expected to increase in each year, the net tax bill as a percentage of the value of the home will decrease in 2023(24) and increase in 2024(25). This would occur because in 2023(24), the percentage growth in statewide equalized values (11.9%) is estimated to outpace the growth in statewide net property tax levies under Act 19 (3.8%). Conversely, in 2024(25), the statewide equalized values are estimated to decline by 4.3% under Act 19 with statewide net levies estimated to increase by 2.2%. Which results in a tax bill making up a higher percentage of the estimated statewide median-valued home in that year. In 2022(23), the net tax bill was estimated to be 1.42% of the home value. As shown below, the net tax bill is estimated to be 1.31% of the estimated home value in 2023(24) and 1.41% of the estimated home value in 2024(25) under Act 19.

Figure 1



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