



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

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TO: Members
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: Property Tax Estimates Under the Governor's Budget Bill

This memorandum provides an estimate of the effects of Senate Bill 45 and Assembly Bill 50 (the Governor's 2025-27 biennial budget bill) on property taxes. This memorandum also updates the property tax estimates for the 2024(25) tax year based on recent reports filed with the Department of Revenue (DOR) by local governments.

SB 45/AB 50 Provisions Affecting Statewide Property Tax Levies

For school districts, the Governor's budget bill (SB 45/AB 50) would make several changes that would affect statewide school levies, including: (a) indexing the current law \$325 per pupil adjustment under revenue limits to inflation starting in 2025-26 (estimated by the Administration at \$334 in 2025-26 and \$345 in 2026-27); (b) increasing the low revenue adjustment under revenue limits from \$11,000 per pupil in 2024-25 to \$12,000 per pupil in 2025-26 and \$12,400 per pupil in 2026-27; and (c) providing \$494 million in 2025-26 and \$700 million in 2026-27 for state aid under general school aids. SB 45/AB 50 would also make a modification to the definition of revenue limits so that the personal property aid payment associated with the 2023 full exemption of all personal property from taxation would be under revenue limits, which would decrease school district levies by an estimated \$57.4 million annually.

Technical college districts have been subject to a revenue limit since the 2014 tax levy. For purposes of the limit, revenue is defined as the sum of the district's tax levy and specific state aid payments. The bill would make a minor modification to the definition of the revenue limit to include the personal property aid payment associated with the 2023 full exemption of all personal property from taxation as revenue for the purposes of calculating the limit. This provision would decrease technical college levies by an estimated \$5.1 million annually.

For counties and municipalities, SB 45/AB 50 would create a new state aid program that would provide payments to counties and municipalities that do not increase their annual property tax

levies. Beginning in 2026, counties and municipalities would be eligible to receive an aid payment from this newly-created program if their property tax levies in the year of the payment are less than or equal to their levies in the prior year (for the first year of payments, 2025(26) tax levies would be compared to 2024(25) levies). The amount of the payment would be equal to 3% of the county or municipality's payment year levy. After the first year of the program, if the county or municipality had received a payment in the prior year, the amount of its payment would be equal to 3% of its payment year tax levy, plus 1.03 multiplied by the payment it received in the prior year. The Administration estimates that this program would distribute \$111.8 million in 2025-26 and \$227.0 million in 2026-27. This aid program would be expected to reduce statewide county and municipal levies by an estimated \$49.4 million in 2025(26) and by \$108.5 million in 2026(27), compared to estimates of those levies under current law.

In addition to the new state aid program, SB 45/AB 50 would repeal the negative levy limit adjustment for services transferred to another local government. Current law requires counties and municipalities that transfer responsibility for providing a service to another unit of local government to reduce their allowable levy by an amount equal to the cost that the county or municipality would have incurred if it had continued to provide the transferred service. Based on average annual adjustments made since 2020, repealing the negative adjustment for transferred services would increase statewide municipal levies by an estimated \$0.6 million each year, and would have a negligible effect on statewide county levies.

SB 45/AB 50 would create two additional limited exclusions to the levy limit for costs related to new or enhanced transit services across adjacent county or municipal borders, as well as for amounts levied to pay for a county or municipality's share of a regional planning commission. The bill would also modify the current exclusion for amounts levied to pay for charges assessed by a joint fire department or joint emergency medical services district to allow counties or municipalities to levy for charges assessed by a broader range of joint fire protection services or joint emergency medical services. These exclusions would not be expected to have a measurable effect on statewide county or municipal levies.

SB 45/AB 50 would also allow a municipality, other than the City of Milwaukee, with a population exceeding 30,000, to impose sales and use taxes at a rate of 0.1%, 0.2%, 0.3%, 0.4%, or 0.5%. Additionally, the bills would allow a county, other than Milwaukee County, to impose an additional sales and use tax at the same rate increments, in addition to any existing county sales and use tax. In order to impose a municipal sales and use tax or an additional county sales and use tax, the voters of a municipality or county would have to approve the tax at referendum. As the sales and use tax would represent an additional source of revenues for a given county or municipality, it is possible that county or municipal property tax levies may increase at a slower rate, or decrease, compared to current law. However, the extent to which counties and municipalities would pursue this additional authority, and successfully pass the required referenda, would be up to each jurisdiction's elected officials and electors. Further, similar sales and use tax authority has been proposed in the past, and no impact on local property tax levies associated with that authority was included in estimates of levies at that time. Therefore, any downward pressure on statewide levies associated with the expanded local sales and use tax authority is not reflected in the estimates of municipal and county levies under SB 45/AB 50.

In addition to the changes that may affect the gross levies for local taxing jurisdictions, SB 45/AB 50 includes additional funding for the school levy tax credit. The bill would provide an additional \$125.3 million in 2025-26 and \$249.7 million in 2026-27, resulting in total funding for the credit of \$1,400.3 million in 2025-26 and \$1,524.7 million in 2026-27. Compared to current law, this would decrease net statewide property tax levies by the amount of the additional funding for the credit in each year.

Estimated Statewide Property Tax Levies

Based on reports filed with DOR, gross property tax levies are estimated to total \$13,638.1 million on a statewide basis for 2024(25). This represents a 4.2% increase relative to the 2023(24) statewide total of \$13,086.7 million. After applying state property tax credits, net property tax levies in 2024(25) are estimated to be \$11,899.5 million, an increase of 4.5% compared to 2023(24) total of \$11,382.1 million. Under SB 45/AB 50, gross property levies would increase on a statewide basis by an estimated 2.0% in 2025(26) and by an estimated 2.9% in 2026(27), while net property taxes would increase on a statewide bases by an estimated 1.3% in 2025(26) and by an estimated 2.4% in 2026(27). The following table reports estimated statewide gross and net property tax amounts.

Under current law, for 2025(26) and 2026(27), gross levies are estimated to increase by 8.2% and 6.7% for school districts, by 2.6% in each year for technical college districts, by 3.7% in each year for municipalities, and by 2.3% in each year for counties. Under SB 45/AB 50, as shown in the following table, statewide 2025(26) and 2026(27) levies would increase by an estimated 1.6% and 3.7% for school districts, by 1.6% and 2.6% for technical college districts, by 3.0% and 2.7% for municipalities, and by 1.4% and 1.6% for counties. The lower estimated levies under the bills compared to current law are primarily due to the increase in general school aids provided to school districts.

The table also shows the impact of the estimated tax levies on the median-valued home taxed at the statewide average tax rate. Home value estimates are based on the values reported by the American Communities Survey (ACS), which is an annual survey carried out by the US Census Bureau. The statewide median home value is projected to increase by 6.5% in 2025 and by 3.0% in 2026. Comparatively, total statewide equalized values are projected to increase by 7.8% in 2025 and by 4.3% in 2026.

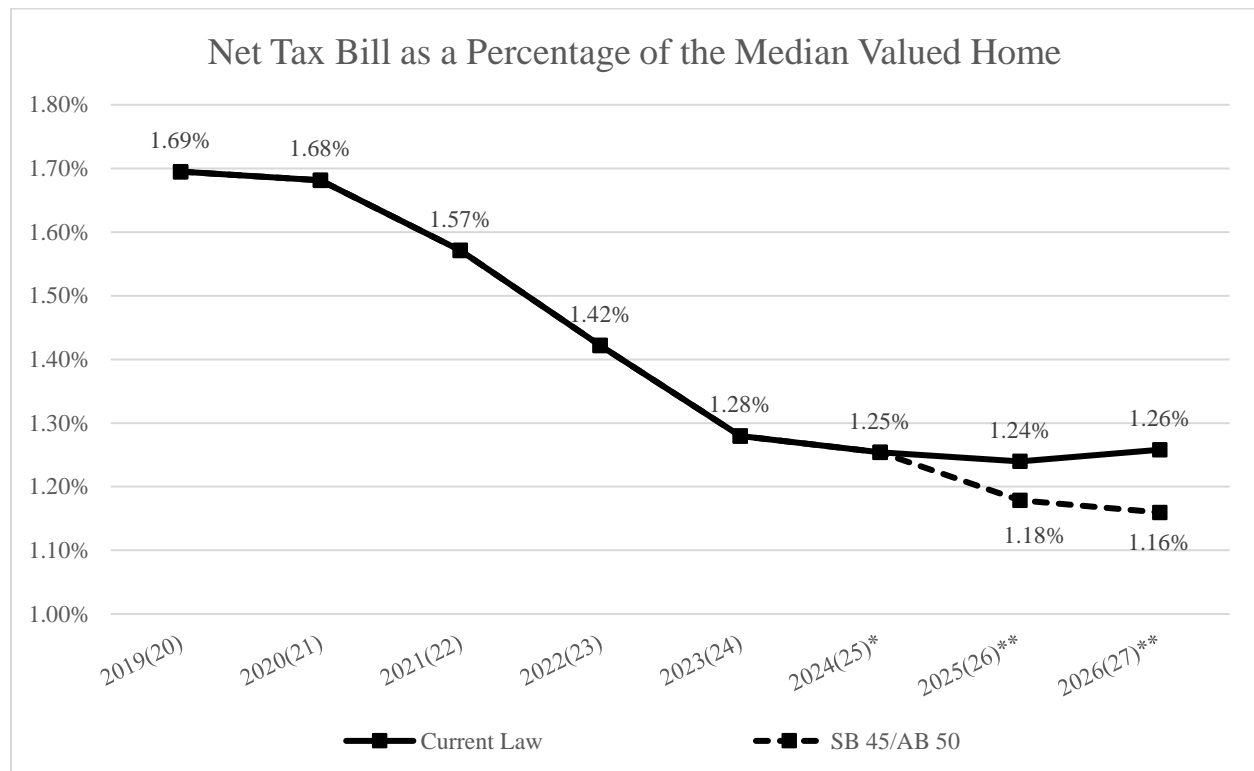
Total equalized values are expected to increase faster than the statewide median home value in both 2025(26) and 2026(27). As a result, the estimated property tax on a median-valued home will increase by less than the rate of change in overall levies in both years. Under the bills, statewide net property tax levies are estimated to increase by 1.3% in 2025(26) and by 2.4% in 2026(27). In comparison, the estimated net tax bill on a median-valued home is estimated to increase by 0.1% in 2025(26) and by 1.3% in 2026(27). Net tax bills are estimated at \$3,421 for 2025(26) and \$3,467 for 2026(27) under SB 45/AB 50, compared to \$3,600 for 2025(26) and \$3,761 for 2026(27) under current law.

Statewide Property Tax Estimates Under Current Law and SB 45/AB 50

	Final <u>2023(24)</u>	Preliminary Estimates <u>2024(25)</u>	Estimates Based on Provisions <u>in the Governor's Budget</u>	
			<u>2025(26)</u>	<u>2026(27)</u>
Tax Levies (In Millions)				
Municipalities	\$3,485.3	\$3,623.1	\$3,732.4	\$3,831.6
Counties	2,516.9	2,558.0	2,593.7	2,635.5
School Districts	5,774.9	6,102.0	6,200.8	6,432.2
Technical College Districts	499.4	516.0	524.4	538.1
Tax Increment Districts	677.4	701.0	714.7	731.8
Special Purpose Districts	132.7	138.0	142.5	147.1
 Gross Property Tax Levies	 \$13,086.7	 \$13,638.1	 \$13,908.4	 \$14,316.4
Change to Prior Year		551.4	270.3	408.0
Net Property Tax Levies	11,382.1	11,899.5	12,053.7	12,348.1
Change to Prior Year		517.4	154.3	294.4
 Percent Change				
Municipalities		4.0%	3.0%	2.7%
Counties		1.6	1.4	1.6
School Districts		5.7	1.6	3.7
Technical College Districts		3.3	1.6	2.6
Tax Increment Districts		3.5	2.0	2.4
Special Purpose Districts		3.9	3.3	3.3
 Gross Property Tax Levies		4.2%	2.0%	2.9%
Net Property Tax Levies		4.5	1.3	2.4
 Tax Bill Estimate -- Current Law				
Statewide Median-Valued Home	\$252,800	\$272,500	\$290,300	\$299,000
Tax Bill Estimate	3,235	3,417	3,600	3,761
 Change Over Prior Year				
-Amount		\$182	\$183	\$161
-Percent		5.6%	5.4%	4.5%
 Tax Bill Estimate -- Governor's Recommendations				
Statewide Median-Valued Home	\$252,800	\$272,500	\$290,300	\$299,000
Tax Bill Estimate	3,235	3,417	3,421	3,467
 Change Over Prior Year				
-Amount		\$182	\$4	\$46
-Percent		5.6%	0.1%	1.3%
 Change Over Current Law				
-Amount			-\$179	-\$294
-Percent			-5.0%	-7.8%

The figures in the table are estimates for the state as a whole. The tax impacts on individual municipalities and their taxpayers would vary considerably from these figures. Also, the tax bills shown under current law and under the Governor's budget recommendations include lottery and gaming tax credits that reflect reestimates of the lottery fund condition included in SB 45/AB 50, which predicts somewhat higher lottery sales in 2024-25 than the amounts included in the October, 2024 certification of the 2024(25) lottery and gaming credit amount. Lottery sales and the lottery and gaming credit may be reestimated as part of legislative deliberations on the biennial budget.

The figure below reports the net tax bill as a percentage of the median home value since 2019(20), including the projected tax bills in 2025(26) and 2026(27) under both current law and under SB 45/AB 50. While the total net tax bill on the statewide median-valued home is expected to increase slightly in each of the next two years, the net tax bill as a percentage of the value of the home is expected to decrease slightly in both years. This would occur because the percentage growth in statewide equalized values (7.8% in 2025(26) and 4.3% in 2026(27)) would outpace the growth in statewide net property levies under the bills (1.3% in 2025(26) and 2.4% in 2026(27)). In 2024(25), the net tax bill was estimated to be 1.25% of the home value. Under current law, the net tax bill is estimated to be 1.24% of the home value in 2025(26) and 1.26% of the home value in 2026(27). As shown below, the net tax bill under SB 45/AB 50 is estimated to be 1.18% of the median home value in 2025(26) and 1.16% of the home value in 2026(27).



*Preliminary values

**Projected values

NA/lb