



Legislative Fiscal Bureau

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June, 2019

Joint Committee on Finance

Paper #353

Limit Real Estate Transfer Fee Exemptions for Transfers Between Related Entities (General Fund Taxes -- Excise Taxes and Other Taxes)

[LFB 2019-21 Budget Summary: Page 157, #5]

CURRENT LAW

The real estate transfer fee is imposed on the seller of real estate at a rate of \$3.00 per \$1,000 of value. The county where the property is located retains 20% of revenues from the fee and remits the remaining 80% to the state. Certain conveyances are exempt from the fee.

A conveyance by a subsidiary corporation to its parent for nominal or no consideration, or in sole consideration of cancellation, surrender, or transfer of capital stock between parent and subsidiary corporation, is exempt from the real estate transfer fee. Current law also provides an exemption from the fee for a conveyance made solely in order to provide or release security for a debt or obligation.

GOVERNOR

Clarify that, to be eligible for the exemption regarding transfers between parent and subsidiary, both the subsidiary and the parent must be a corporation. Also stipulate that, regarding the exemption for conveyances made to provide or release security for a debt, the exemption would not apply if the debt or obligation was incurred as the result of a conveyance. The administration estimates the provision would increase state tax revenues by \$538,500 in 2019-20 and \$718,000 in 2020-21 and annually thereafter. In addition, county revenues would increase by approximately \$135,000 in 2019-20 and \$180,000 in 2020-21 and annually thereafter.

MODIFICATION

Specify that this provision would first apply to conveyances made on the first day of the third month following publication of the bill.

Explanation: The provision under the bill does not include an initial applicability date. The modification would specify when the provision would first apply.

Prepared by: Dan Spika