

**REPORT**  
**STATE OF WISCONSIN**  
**JOINT SURVEY COMMITTEE ON TAX EXEMPTIONS**  
**2023 ASSEMBLY BILL 245**

[Introduced by Representative Kurtz and Senator Felzkowski]

2023 Assembly Bill 245 modifies shared revenue programs, addresses the retirement systems of the City of Milwaukee and Milwaukee County, and eliminates the personal property tax, among other provisions. It affects existing statutes and creates new statutes relating to an exemption from the personal property tax, as explained below.

### **GENERAL NATURE OF PROPOSAL**

Under current law, machinery, tools, and patterns, not including those used in manufacturing, are exempt from the personal property tax. This exemption became effective beginning with property tax assessments as of January 1, 2018. Beginning in 2019, the state pays each taxing jurisdiction annually an amount equal to the taxes that were levied on such items of personal property based on assessments as of January 1, 2017. Also, certain public utilities, including railroad companies, generally are subject to an ad valorem tax on the market value of their real and personal property, based on the statewide average property tax rate, in lieu of local property taxes or assessments. Railroad utility tax revenue is deposited in the transportation fund.

Beginning with property tax assessments as of January 1, 2024, the bill expands the exemption from the personal property tax to apply to all items defined as “personal property” under the statutes, including steam and other vessels, furniture, and equipment (other than items redefined as real property under the bill, and heat, power, and light property subject to local assessment). Beginning in 2025, the bill requires the state to pay each taxing jurisdiction annually an amount equal to the taxes that were levied on such items of personal property based on assessments as of January 1, 2023. The bill also provides that for assessments after January 1, 2024, the personal property of a railroad company is exempt from state ad valorem tax, and from local assessment and taxation, to comply with the federal Railroad Revitalization and Regulatory Reform Act.

### **LEGALITY INVOLVED**

There are no questions of legality involving the provisions of the bill described in this report.

### **FISCAL EFFECT**

It is estimated that the provisions of the bill described above would have an overall fiscal effect of **\$183,295,800** in the upcoming fiscal biennium, comprised as follows:

- The Legislative Fiscal Bureau estimates there will be a cost of **\$173,800,000** as a result of the additional payments to taxing jurisdictions equal to taxes levied on personal property

exempted under the bill, beginning in 2025, based on assessments as of January 1, 2023. (This assumes payments would be funded in subsequent legislation; in the absence of such funding, a property tax shift will occur from exempted personal to other taxable property.)

- The Department of Revenue (DOR) estimates there will be a cost of **\$8,000,000**, in the form of a reduction from the general transportation fund, resulting from the loss of deposits into the fund from railroad utility taxes, due to the exemption from taxation of the personal property of a railroad company under the bill.
- DOR also estimates there will be a cost of **\$1,495,800** to implement and administer the expanded exemption from personal property tax under the bill. This includes ongoing funding of \$20,600 per year for trainings and reviews, and the remaining balance would represent onetime costs of updating DOR computer systems and applications.

## **PUBLIC POLICY INVOLVED**

The Joint Survey Committee on Tax Exemptions finds the tax exemption provision in 2023 Assembly Bill 245 is **not good** public policy on a vote of **Ayes, 5; Noes, 4**.

05/15/23

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