

GOVERNOR'S VETO MESSAGE

July 8, 2021

To the Honorable Members of the Assembly:

I am vetoing **Assembly Bill 191** in its entirety.

The bill, as amended, would exempt from property taxation almost all property that is currently classified as personal property. Certain personal property related to buildings and other improvements on leased land would be assessed instead as real property. The result is that no items of personal property would be subject to the property tax beginning with tax assessments as of January 1, 2022. The bill, as amended, would also transfer from the general fund to the transportation fund \$20 million in fiscal year 2021-22 and \$44 million annually beginning in fiscal year 2022-23 to compensate the transportation fund for expected losses in railroad tax revenue. The bill is linked to a separate provision in the 2021-23 biennial budget, as amended by the Joint Committee on Finance, to provide aid payments to local governments to compensate those governments for the property tax revenues those local governments would lose under the exemption provided by the bill.

I am vetoing this bill because I object to the unusual and haphazard process by which the Legislature pursued the repeal of the personal property tax, which has created potential unintended consequences for railroad and utility taxes as well as the manufacturing and agriculture credit. While there were attempts in the amendments to the bill to address some of these problems, we need a more comprehensive approach. Most concerning is that the Legislature has not directly addressed the possible effect that this bill could have on the state's utility taxes. As presently drafted, the exemption of all personal property could potentially extend to the state's ad valorem utility taxes, which are based on the property values of utility property, inclusive of personal property owned by utility companies. Should this treatment be applied by the courts in order to adhere to the Wisconsin constitution's uniformity clause, the state could easily lose tens of millions in general fund tax revenue, if not more. Additionally, by not providing an immediate link between the compensating aid payments to local units of government and the exemption of personal property, the Legislature has created an unusual arrangement that is at odds with prior exemptions of personal property and such compensating aid.

I have left the funding intact in the budget because I welcome additional legislative action to meaningfully address the above issues. I call upon the Legislature to pass a new bill that comprehensively addresses the unintended impacts of this exemption and provides certainty and stability for local government aid.

Respectfully submitted,
TONY EVERS
Governor