Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2005 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **05-4622/1**	Introduction Number **SB-660**

Description
Revision and elimination of the exemption from the property tax for certain property and the use of income from certain tax-exempt leased property

Fiscal Effect

State:
☐ No State Fiscal Effect
☒ Indeterminate
☐ Increase Existing Appropriations
☐ Decrease Existing Appropriations
☐ Create New Appropriations
☐ Increase Existing Revenues
☐ Decrease Existing Revenues
☐ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☐ No
☐ Decrease Costs

Local:
☐ No Local Government Costs
☒ Indeterminate
1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
☐ Towns ☐ Village ☐ Cities
☐ Counties ☐ Others
☐ School Districts ☐ WTCS Districts

Fund Sources Affected
☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	**Authorized Signature**	**Date**
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Fiscal Estimate Narratives

DOR 3/21/2006

LRB Number **05-4622/1**	Introduction Number **SB-660**	Estimate Type **Original**
Description Revision and elimination of the exemption from the property tax for certain property and the use of income from certain tax-exempt leased property		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, certain property of a benevolent association is exempt from the property tax. No definition of "benevolent" is provided, however. In addition, current law specifies that if exempt property is leased, the property retains its exempt status only if the lease income is applied toward maintenance of or debt retirement related to the leased property.

2003 Wisconsin Act 195 directed the Legislative Council to study property tax exemptions for housing. 2005 AB 573 contains the recommendations of the Legislative Council's Study Committee.

This bill includes both elements of and modifications to AB 573. The bill would first apply to property tax assessments as of January 1, 2011.

Under the bill, separate subdivisions are created for tax exemptions for educational associations, churches and religious associations, women's clubs, historical societies, libraries, and fraternal societies. Separate subdivisions are also created for non-residential property owned by benevolent associations and for low and moderate income housing owned by Wisconsin Housing and Economic Development Authority (WHEDA) sponsors. These provisions restructure current law and have no fiscal effect.

Under the bill, a new subdivision is created that applies to residential property owned by benevolent associations, churches, and religious associations. Under this subdivision, residential property owned by these entities is exempt if it is any of the following:
(1) A nursing home licensed under s. 50.03;
(2) A community-based residential facility licensed under s. 50.03;
(3) An adult family home certified under s. 50.032 or licensed under s. 50.033;
(4) A residential care apartment complex registered or certified under s. 50.034 if at least 25% of the residents receive certain nursing or personal services;
(5) A domestic abuse shelter;
(6) A shelter for the homeless;
(7) Housing for low-income persons that meet certain Internal Revenue Service requirements;
(8) Residential facilities providing services relating to alcohol or drug abuse; or
(9) Residential housing for persons with permanent disabilities that meet certain eligibility requirements of the Social Security Administration if at least 75 percent of the housing units are occupied by one or more persons with permanent disabilities.

In addition, the bill specifies that leasing property as residential housing may not render it taxable if all leasehold income is used to support the benevolent or educational activities of the owner or, for churches and religious associations, to support the religious activities of the church or association, and the activities are undertaken in the county where the tax-exempt property is located (except that leasehold income from low-income housing may be used anywhere in this state).

If residential property owned by a benevolent association, church, or religious association becomes taxable under the bill, and if sales of reasonably comparable properties on which to base an assessment are not available, the bill requires the assessor to use the income approach to determining the taxable value of the property. Also, if a property becomes taxable due to failure to comply with the leased property provisions under the bill, the property may not be assessed as property omitted from the tax rolls and thereby liable for the two prior years' taxes.

Some residential facilities may not meet the bill's Internal Revenue Service income requirements, the Social Security Administration permanent disability provisions, or other criteria for exemption and, therefore, become taxable. However, most housing that is exempt from property taxes under current law is expected to remain exempt under the bill. The Department of Revenue does not have data to permit a reasonable estimate of the amount of property that could become taxable under the bill. Hence, a reasonable estimate of the shift in property taxes at the local level and the increase in state forestation taxes under the bill is not feasible.

Long-Range Fiscal Implications