Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2007 Session

[x] Original [ ] Updated [ ] Corrected [ ] Supplemental

LRB Number **07-0641/1**	Introduction Number **AB-0244**

Description
Eliminating the personal property tax

Fiscal Effect

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

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

Fund Sources Affected

[x] GPR [ ] FED [ ] PRO [ ] PRS [ ] SEG [x] SEGS

Affected Ch. 20 Appropriations

20.835(1)

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives
DOR 4/30/2007

LRB Number **07-0641/1**	Introduction Number **AB-0244**	Estimate Type **Original**
Description Eliminating the personal property tax		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, certain personal property is subject to taxation. Many articles of personal property are currently exempt, however, including household personal property, crops, manufacturing and farm machinery and equipment, rented personal property and computers. Improvements on leased land may be assessed either as real or personal property. Under current law, the state pays each local taxing jurisdiction a state aid payment equal to the value of exempt computers in the jurisdiction in the preceding year multiplied by the preceding year's full value gross tax rate of the jurisdiction.

The bill eliminates the property tax on personal property. Under the bill, property that is taxed as improvements on leased land would be assessed as real property. The bill eliminates the state aid payment for exempt computers.

The total equalized value of personal property was $10.4 billion in 2006/07, $1.8 billion of which was classified as "other personal property". Assuming one half of the "other personal property" is improvements on leased land that would be exempt under the bill and that personal property value will grow 4% annually, $10.7 billion in personal property would be exempt in 2009, the year the bill would take effect. Assuming a net personal property tax rate of $17.5 per $1,000 of full value in 2009, the bill would result in a shift of $187.6 million in property taxes from owners of taxable personal property to owners of other taxable property [$10.7 billion x .0175].

The state forestry tax would also decrease by approximately $1.8 million ($10.7 billion x .00017).

The bill would reduce state aid payments to taxing jurisdictions by approximately $67.7 million GPR annually because the state aid for exempt computers is eliminated. As a result, local property tax levies could increase by a corresponding amount, resulting in slightly higher property tax rates in taxing jurisdictions. This may particularly be the case for jurisdictions with high concentrations of computers.

To the extent that the value increment in tax incremental finance (TIF) districts would be reduced as a result of the exemption on personal property located in the TIF district, the life of TIF districts may increase slightly.

The bill would reduce municipal costs associated with the assessment of personal property and the billing, collection and settlement of personal property taxes. Municipalities would have cost savings associated with printing, postage, and auditing personal property self-reporting forms and the printing and postage of personal property tax bills. In addition, local assessors would no longer be required to assess personal property for which no self-report was submitted. Local assessors would no longer be required to include personal property valuation reported to the department and would not file reports of exempt computers for purposes of computer aid payments. While the cost savings cannot be quantified, the total savings is not expected to be a significant share of total costs associated with local property tax administration.

Under the bill, the department would no longer be required to administer the state aid payments for exempt computers. This would reduce costs associated with computer programming, data input and aid calculations, printing and postage of reporting forms and aid payments to affected taxing jurisdictions.

Under the bill, the department would not assess manufacturing personal property and would not administer aid payments for exempt manufacturing computer property. The department would realize some savings due to fewer printing and postage costs of manufacturing personal property tax bills. Since personal property assessments make up a small share of manufacturing assessments and field audits, the savings would be minor.

The Department would incur one-time costs to change computer systems dealing with personal property and to notify and train local officials. The Department anticipates being able to absorb those costs.

Long-Range Fiscal Implications

Wisconsin Department of Administration
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Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

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Description Eliminating the personal property tax		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
II. Annualized Costs:	**Annualized Fiscal Impact on funds from:**	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	$	$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		-67,700,000
Aids to Individuals or Organizations		
TOTAL State Costs by Category	**$**	**$-67,700,000**
B. State Costs by Source of Funds		
GPR		-67,700,000
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)		
	Increased Rev	Decreased Rev
GPR Taxes	$	$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		-1,800,000
TOTAL State Revenues	**$**	**$-1,800,000**
NET ANNUALIZED FISCAL IMPACT		
	State	Local
NET CHANGE IN COSTS	$-67,700,000	$See_Text
NET CHANGE IN REVENUE	$-1,800,000	$-67,700,000

Agency/Prepared By	**Authorized Signature**	**Date**
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