



## Fiscal Estimate Narratives

DOR 4/29/2009

|  |           |                     |        |               |          |
|--|-----------|---------------------|--------|---------------|----------|
| LRB Number   | 09-1179/1 | Introduction Number | SB-145 | Estimate Type | Original |
| <b>Description</b><br>Determining the value of billboards for personal property tax purposes |           |                     |        |               |          |

### Assumptions Used in Arriving at Fiscal Estimate

Current law requires assessors to value real and personal property at its "true cash value." This value is generally derived by valuing a given property under three approaches to value: sales, income, and cost. Under the sales approach, value is estimated by comparing the property to recent arms-length sales of the same or similar property. Under the income approach, value is estimated by capitalizing the income the property is capable of producing by an appropriate rate. Under the cost approach, value is estimated by determining the replacement or reproduction cost of the property and subtracting depreciation.

The Wisconsin Property Assessment Manual instructs assessors to consider all available data and to use all three approaches when valuing property, and then identify the most appropriate approach for a specific property. Assessors typically use the sales approach when there are sufficient sales of comparable properties. The income approach is typically used for income-producing properties when an active rental market exists. The cost approach is used for new property, special purpose property, or where sales and rental data are sparse or non-existent.

Under the bill, assessors would be directed to value off-premises advertising signs (commonly referred to as billboards) under the cost approach – by subtracting depreciation from the cost of reproducing the signs. When assessing these signs, the value of certain intangible interests, such as sign permits and leasehold interests, would be excluded.

The Department of Revenue (DOR) does not have data which would permit a reasonable estimate of how this bill would affect the value of billboards for property taxation purposes. To the extent that the value of billboards increases or decreases under the bill, property taxes on other property will decrease or increase, respectively. The state forestation property tax will also be affected; for each \$1,000 increase or decrease in value, the forestation tax will increase or decrease by about \$0.17. While statewide data to evaluate the bill are unavailable, the bill may have a distinct impact on those municipalities that emphasized the income approach when assessing billboards in recent years.

Although the bill would require DOR to revise the Wisconsin Property Assessment Manual, costs can be absorbed within current budgetary authority.

### Long-Range Fiscal Implications