Fiscal Estimate - 2013 Session

| × | Original | | Updated | | Corrected | | | Supple | mental | | | | |
|---|--|------------------------------------|-------------------------------------|---------------------|---------------------|---|---------------|---|-----------|--|--|--|--|
| LRB | Number | 13-2028/1 | | Intro | duction I | Number | Α | B-020 | 7 | | | | |
| Description Late payment of property taxes because of a medical emergency | | | | | | | | | | | | | |
| Fiscal | Effect | | | | | | | | | | | | |
| | No State Fisc Indeterminate Increase I Appropria Decrease Appropria | e Existing tions Existing | Revenue Decreas Revenue | e Existing | | Increase C to absorb Y Decrease | within 'es | n agency | | | | | |
| | No Local Go Indeterminat 1. Increas Permise 2. Decrea | e Costs | 3. Increase ory Permiss 4. Decrease | ive Ma se Revenu | e indatory ue | Types of Lo Governmen Towns Counting School District | nt Uni es | its Affect Village Others WTCS District | Cities | | | | |
| | Sources Aff | | PRS SE | G 🗖 S | | ted Ch. 20 | Аррі | ropriatio | ons | | | | |
| Agen | cy/Prepared | Ву | Au | thorized | Signature | | | | Date | | | | |
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Fiscal Estimate Narratives DOR 5/22/2013

| LRB Number 13-2028/1 | Introduction Number | AB-0207 | Estimate Type | Original | | | | | | |
|---|---------------------|---------|---------------|----------|--|--|--|--|--|--|
| Description | | | | | | | | | | |
| Late payment of property taxes because of a medical emergency | | | | | | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

Except for the City of Milwaukee, whose property tax collection procedures are not affected, the bill could affect the timing of property tax installment payments, and the imposition of interest and penalties on late property tax installment payments.

There are currently two general procedures for the collection of property tax installment payments. Under the standard procedure, property taxes are due in two installments: January 31 and July 31. Under the other procedure (used in 56 municipalities) property taxes may be paid in up to 7 installments, with the first installment due on January 31 (the due date for the final installment varies, but may be no later than July 31). In general, if an installment is not paid on time, the total amount of unpaid taxes is considered delinquent, and interest (at 1% per month or fraction of a month) is imposed on the unpaid amount. A penalty (at 0.5% per month or fraction of a month) may also be imposed. Both the interest and penalties are imposed with an effective on February 1.

Under the bill, a late payment of a property tax installment would not be deemed delinquent and would not incur interest or penalties if the following conditions are met: (1) the installment is paid no later than 60 days after it was due, (2) the taxpayer submits to the governing body of the taxation district documentation that shows the taxpayer was hospitalized or otherwise incapacitated due to a medical emergency on the date the installment was due, (3) the taxpayer has not previously been granted this exemption from penalties and interest, and (4) the taxation district's governing board agrees that the late installment was due to a medical emergency and notifies the taxpayer of this determination.

Compared with current law, the bill will reduce the amount of penalties and interest that can be collected on delinquent property tax bills. Based on data reported to the Department of Revenue (DOR) on their annual financial report form for calendar year 2011, total interest and penalties on unpaid taxes (excluding the City of Milwaukee) was about \$63.0 million. The DOR does not have information on the extent to which property tax installment payments are late due to medical emergencies, and is therefore unable to provide an accurate estimate of the reduction in interest and penalties that the bill could engender. However, since it is expected that the exemption created under the bill will be used only in rare circumstances, the reduction in penalties and interest is expected to be minimal.

The bill would impose no administrative costs on the DOR. To the extent that the exemption permitted under the bill is granted, property tax collection and administrative costs for municipalities and counties could increase slightly.

Long-Range Fiscal Implications