

### Fiscal Estimate - 2017 Session

Original       Updated       Corrected       Supplemental

<b>LRB Number</b> 17-3507/1	<b>Introduction Number</b> SB-291	
<b>Description</b> property tax assessments regarding leased property		
<b>Fiscal Effect</b>		
<b>State:</b>		
<input type="checkbox"/> No State Fiscal Effect		
<input checked="" type="checkbox"/> Indeterminate		
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Increase Existing Revenues	
<input type="checkbox"/> Decrease Existing Appropriations	<input type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
	<input type="checkbox"/> Yes <input type="checkbox"/> No	
	<input type="checkbox"/> Decrease Costs	
<b>Local:</b>		
<input type="checkbox"/> No Local Government Costs		
<input checked="" type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected		
<input type="checkbox"/> Towns	<input type="checkbox"/> Village <input type="checkbox"/> Cities	
<input type="checkbox"/> Counties	<input type="checkbox"/> Others	
<input type="checkbox"/> School Districts	<input type="checkbox"/> WTCS Districts	
<b>Fund Sources Affected</b>		
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
<b>Affected Ch. 20 Appropriations</b>		
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DOR/ Craig Steinfeldt (608) 266-5705	Robert Schmidt (608) 266-5773	6/9/2017

## Fiscal Estimate Narratives

DOR 6/9/2017

LRB Number	17-3507/1	Introduction Number	SB-291	Estimate Type	Original
<b>Description</b> property tax assessments regarding leased property					

### Assumptions Used in Arriving at Fiscal Estimate

Under the bill, the assessor shall consider the lease provisions and actual rent associated with a property if the lease provisions and rent are a result of an arms-length transaction. The bill defines real property to include any leases, rights, and privileges pertaining to the property, including assets that cannot be taxed separately but that are inextricably intertwined with the real property. The bill requires real property be assessed at its highest and best use based on the current use or an expected higher use in the immediate future. The bill defines arms-length sale as a sale between a willing buyer and seller, neither being under compulsion and both familiar with the property.

### Fiscal Estimate

The fiscal estimate is indeterminate as the department lacks parcel level data on market lease rates and contract lease rates. In *Walgreens v. City of Madison*, the City of Madison's contract lease based appraisal resulted in property appraisals 54 percent higher than market lease rates used in Walgreen's appraisals. If contract rates result in higher property assessments, the bill will shift a higher portion of the property tax levy to those properties.

The impact on tax increments is indeterminate and dependent upon the location of properties that may be assessed at higher levels as a result of the bill.

### Long-Range Fiscal Implications