

### Fiscal Estimate - 2019 Session

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>19-1128/1</b>	Introduction Number <b>SB-257</b>
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**Description**  
 eliminating the personal property tax and making an appropriation

**Fiscal Effect**

**State:**

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	
<input checked="" type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

**Local:**

<input checked="" type="checkbox"/> No Local Government Costs	<b>5. Types of Local Government Units Affected</b>	
<input type="checkbox"/> Indeterminate	<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	
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	

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.835(1)(f)	

<b>Agency/Prepared By</b> DOR/ Craig Steinfeldt (608) 266-5705	<b>Authorized Signature</b> Jamie Adams (608) 266-6785	<b>Date</b> 6/17/2019
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## Fiscal Estimate Narratives

DOR 6/17/2019

LRB Number	19-1128/1	Introduction Number	SB-257	Estimate Type	Original
<b>Description</b> eliminating the personal property tax and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

The bill exempts all personal property under Chapter 70 beginning with January 1, 2020 property tax assessments. Under the bill, improvements on leased land would be assessed as real property beginning with the tax exemption. Beginning in 2022, each taxing jurisdiction will receive a payment to compensate it for its loss in personal property equal to the payment received in the previous year. After a tax increment district (TID) closes, the taxing jurisdiction shall retain the TID amount. Current law also provides a general program revenue (GPR) transfer to the conservation fund based on equalized values of the state.

#### Fiscal Estimate

Based on assessed values and 2018-19 property tax data, the department estimates the bill's revenue loss and state aid payments to local taxing jurisdictions at \$188,798,900.

Under the bill, FY 2019 GPR transfers to the conservation fund would have declined by an estimated \$1,475,300 due to lower equalized values. The FY 2019 conservation fund transfer totaled \$93,255,700 for forestry programs managed by the Department of Natural Resources.

The bill will reduce the increment value of most tax increment districts (TID). For uniformity with new TID districts, the department will need to re-determine each TID's base value. Compared to current law, future TIDs will have less taxable property upon which increment may be generated. Since a breakdown of increment value is not available by property class, the impact on increment value is indeterminate.

#### Manufacturing and Agriculture Credit

Under current law, the manufacturing portion of the manufacturing and agriculture credit is available to taxpayers who generate receipts from the sale, rental, license, or exchange of qualified production property, defined as tangible personal property manufactured in whole or in part by the claimant on property that is assessed as manufacturing under s. 70.995. In addition, the original cost of personal property assessed as manufacturing is also used in the calculation of the property factor for the credit.

Under the bill, the Department would no longer assess personal property as manufacturing property. For taxpayers that currently use personal property assessed as manufacturing in calculating the credit, this may reduce the amount of credit, although the amount of reduction is unknown. Some current claimants who only use personal property in the manufacture of qualified production property may no longer qualify for the credit. Based on a review of Department assessment records, approximately 1,400 out of 9,100 manufacturers are only assessed for personal property, although it is unknown how many of these taxpayers claim the manufacturing and agriculture credit and therefore the amount of the reduction in credit claims is unknown.

#### Administrative Costs

The department would incur one-time costs of \$910,200 to re-determine TID bases, update computer programs and revise forms for the bill's personal property tax exemption.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Description</b> eliminating the personal property tax and making an appropriation			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  \$910,200			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes (FTE Position Changes)	\$		\$
State Operations - Other Costs			
Local Assistance	188,798,900		
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$188,798,900</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR	188,798,900		
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$188,798,900		\$
NET CHANGE IN REVENUE	\$		\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Craig Steinfeldt (608) 266-5705		Jamie Adams (608) 266-6785	6/17/2019