



**WISCONSIN LEGISLATIVE COUNCIL
AMENDMENT MEMO**

2005 Senate Bill 28

**Senate Substitute Amendment 1
and Senate Amendments 2 and
3 to Senate Substitute
Amendment 1**

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SENATE SUBSTITUTE AMENDMENT 1

The substitute amendment limits the property tax levies of counties, municipalities (cities, villages, and towns), and technical college districts, and modifies the revenue limits placed on K-12 school districts under current law.

Counties and Municipalities

Under the substitute amendment, the increase in the property tax levy of each county and municipality over the amount of the prior year's levy may not exceed the percentage increase in the value of taxable property of that county or municipality that is due to new construction, less improvements removed, over the prior year's value. (Between 1996 and 2004, this percentage increase averaged 2.6% annually.) This limitation would be determined by the January 1st equalized property tax values in the year of the property tax levy, but could not be less than zero. The limit would not apply to property taxes levied on the value increment of a tax incremental district.

The property tax levy limits are sunset three years after the effective date of the substitute amendment. Therefore, if the substitute amendment were enacted into law in 2005, the limits would apply to property taxes levied in 2005 (payable in 2006), 2006 (payable in 2007), and 2007 (payable in 2008).

A county or a municipality would be allowed to exceed its property tax levy limits by an amount approved both by the county or municipal governing body, by resolution, and by its electors in a referendum. The resolution and the referendum would be required to specify whether the proposed increase is for the next fiscal year only or if it will apply on an ongoing basis. The form of the referendum question is specified in the substitute amendment. A town with a population under 2,000 would be allowed to exceed the levy limits by an amount approved at a town meeting.

The following adjustments to levy limits would be authorized by the substitute amendment:

Transfers of service. Levy limits would be increased for a county or municipality that assumes responsibility for providing service previously performed by another governmental unit and would be decreased for a county or municipality that transfers responsibility for providing service to another governmental unit.

Annexation. The levy limit for a municipality that annexes property would be increased by an amount equal to the town taxes levied on the property in the previous year and the levy limit for the town from which property is annexed would be decreased by an identical amount.

Debt service. For debt authorized prior to July 1, 2005, the levy limit for a county or municipality would be increased by the amount that debt service in the current year exceeds the amount of debt service in the prior year. For debt authorized on or after July 1, 2005, levy limits would not apply to the amount of the property tax levy needed for debt service if the debt was authorized by referendum and was secured by the full faith and credit of the county or municipality.

County children with disabilities education boards. The levy limit would not apply to amount so property taxes levied by a county for a county children with disabilities education board. Currently, four counties provide such services, which are generally provided by school districts in the rest of the state.

First-class city levies for schools. The levy limit would not apply to property taxes levied by a first-class city for school purposes. (However, a school district funded by such property tax levies is subject to revenue limits under the substitute amendment.) Currently, only the City of Milwaukee levies a property tax for K-12 schools. School districts other than the Milwaukee Public School district are responsible for their own property tax levy.

Technical College District Levy Limit

Under the substitute amendment, the property tax levy of each technical college district may not increase more than 2.6% over the district's prior year's levy.

The property tax levy limits are sunset three years after the effective date of the substitute amendment, on the same basis as are the limits for municipalities and counties. A technical college district would be allowed to exceed its property tax levy limits by an amount approved both by the district board, by resolution, and by its electors in a referendum under the same circumstances as are applicable to municipalities and counties.

In addition, the adjustments to levy limits on counties and municipalities allowed by the substitute amendment for transfers of service and debt service would also be applicable to technical college districts.

School District Revenue Limits

The substitute amendment would reduce the per pupil adjustments to revenue limits for school districts to \$210 per pupil in 2005-06 and to \$200 per pupil in 2006-07 and thereafter. Based on current

projections of inflation, the Legislative Fiscal Bureau estimates that, under current law, the per pupil adjustments would be \$248 in 2005-06 and \$252 in 2006-07.

SENATE AMENDMENT 2

Under Senate Amendment 2, the property tax levy for the state forestation tax (currently assessed at a fixed tax rate of 20 cents per thousand dollars of value) could not increase more than 2.6% over the prior year's property tax levy for that purpose. This property tax levy limit would be sunset three years after the effective date of the substitute amendment.

SENATE AMENDMENT 3

Senate Amendment 3 would establish an annual process under which the Department of Administration, Legislative Fiscal Bureau, and Department of Public Instruction certifies to the Joint Committee on Finance the dollar amount of the per pupil adjustment to school district revenue limits that would increase the statewide school property tax levy an estimated 2.6%. The per pupil adjustments would then be determined by the Joint Committee on Finance.

LEGISLATIVE HISTORY

The substitute amendment was introduced by Senators Kanavas and S. Fitzgerald on January 27, 2005. On February 1, 2005, Senate Amendments 2 and 3 were introduced by the Joint Committee on Finance and were adopted by a vote of Ayes, 12; Noes, 4. The bill, as amended, was recommended for passage by a vote of Ayes, 12; Noes, 4.

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