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# Wisconsin Legislative Council

## AMENDMENT MEMO

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### 2023 Senate Bill 2

### Senate Substitute Amendment 1 and Senate Amendment 1 to Senate Substitute Amendment 1

## 2023 SENATE BILL 2

Current state law imposes a property tax that is based on the assessed value of taxable real and personal property in the state. 2023 Senate Bill 2 provides that no property tax shall be levied against items of personal property, beginning with the property tax assessments as of January 1, 2023. It repeals various sections pertaining to the personal property tax and related references in other sections. It expands the exemption from property taxation to include all business and manufacturing personal property. It requires certain items to be assessed as real property, including improvements on government-owned property, and all buildings, improvements, and fixtures on leased lands, exempt lands, forest croplands, and managed forest lands. The bill also requires the Department of Revenue (DOR) to recalculate the base value of tax incremental districts affected by the repeal of the personal property tax and makes other technical changes related to the repeal of the personal property tax. Under the initial applicability provision, the changes will first apply to the property tax assessments as of January 1, 2023.

## SENATE SUBSTITUTE AMENDMENT 1

Whereas the bill repeals various sections and references pertaining to the personal property tax, Senate Substitute Amendment 1 to the bill retains them in the statutes but applies them only to assessments made before January 1, 2024. The substitute amendment creates a broad exemption applicable to nearly all personal property as of such date. The substitute amendment also creates a railroad utility tax exemption, requires certain payments, and makes miscellaneous other changes, as described below.

### Exemption

The substitute amendment expands the exemption from property taxation to generally apply to all items defined as “personal property” under the statutes, including steam and other vessels, furniture, and equipment, other than heat, power, and light property subject to local assessment and items redefined as real property under the substitute amendment. The items redefined as real property are nearly the same as those under the bill, with some minor changes. Toll bridges and private railroads and bridges are excluded from the definition of personal property for purposes of the exemption. These changes would first apply to property tax assessments as of January 1, 2024.

### Railroad Utility Tax

Current state law imposes on certain public utilities, including railroad companies, an ad valorem tax on the market value of their real and personal property, based on the state average property tax rate, in lieu of local property taxes or assessments. Current state law provides that railroad utility tax revenue must be deposited in the transportation fund.

The substitute amendment provides that railroad company personal property is exempt from the state ad valorem tax, and from local assessment and taxation, to comply with the federal Railroad Revitalization and Regulatory Reform Act. The exemption from state ad valorem tax first applies to property tax assessments as of January 1, 2024.

## **Payments**

The substitute amendment requires that, beginning in 2025, the state annually must pay each local taxing jurisdiction an amount equal to the taxes that were levied on items of personal property exempted under the substitute amendment, based on assessments as of January 1, 2023. Additionally, the substitute amendment requires that the state must transfer \$8 million from the general fund to the transportation fund on December 30, 2025, and annually thereafter.

## **Miscellaneous Provisions**

The substitute amendment creates a process whereby manufacturing establishments located in this state that do not own real property in this state may continue to claim the manufacturing income tax credit. It requires DOR to recalculate the base value of tax incremental districts affected by the repeal of the personal property tax. The substitute amendment imposes certain reporting requirements on local jurisdictions and makes other changes to implement the repeal of the personal property tax.

## **SENATE AMENDMENT 1 TO SENATE SUBSTITUTE AMENDMENT 1**

Senate Amendment 1 to the substitute amendment provides that the requirement to transfer \$8 million to the transportation fund begins on December 30, 2024 (instead of December 30, 2025, as provided under the substitute amendment).

## **BILL HISTORY**

Senator Stroebel introduced 2023 Senate Bill 2 on January 27, 2023. Senator Stroebel offered Senate Substitute Amendment 1 to the bill on April 24, 2023. The Senate Committee on Universities and Revenue held a public hearing on April 25, 2023. Senator Stroebel offered Senate Amendment 1 to the substitute amendment on May 1, 2023. The committee took action on May 9, 2023, recommending adoption of the amendment to the substitute amendment, on a vote of Ayes, 9; Noes, 0; adoption of the substitute amendment, as amended, on a vote of Ayes, 8; Noes, 1; and passage of the bill, as amended, on a vote of Ayes, 7; Noes, 2.

For a full history of the bill, visit the Legislature's [bill history page](#).

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