



# DUEY STROEBEL

STATE SENATOR • 20<sup>TH</sup> DISTRICT

## Testimony on SB 189

*June 22, 2021*

Thank you Chairman Feyen and the Committee on Economic and Workforce Development for holding a hearing on Senate Bill 189. SB 189 could be the last piece of legislation on an issue area that has been part of the public debate since Wisconsin was a territory: repealing the personal property tax. Senate Substitute Amendment 1 makes a variety of technical changes requested by local governments and the Department of Revenue, moves the initial applicability back to 2022 and removes any appropriation language so the bill is not subject to the line item veto.

Property taxes were the main source of government revenue in the 19<sup>th</sup> century. In the first codification of law after statehood, the Wisconsin Legislature enacted a tax on all real and personal property except for government property, tribal property, property of benevolent organizations and the indigent.<sup>1</sup> Local assessors were elected. In 1868 the first exemptions to property tax were created. The passage of Wisconsin's first income tax in 1908 began a long, slow shift away from the property tax as the primary source of government revenue.

105 years ago, in 1916, the Wisconsin Tax Commission argued for repeal of the personal property tax. Governor Nelson, after being elected in 1958, announced he intended to gradually eliminate the personal property tax. In the intervening decades scores of exemptions were passed. Wisconsin governments now collect approximately \$200 million in personal property tax revenue per year.

The personal property tax is a relic from a bygone era. Before the technology and infrastructure existed for the administration of other taxes, the property tax was the only revenue source the government had. The story of Wisconsin tax law in the last century has been the gradual movement away from the personal property tax. What remains is a shell of a tax where almost all personal property is exempt.

No legislator, of either party, would cast a vote to impose the personal property tax in its current form. None of our neighboring states have a personal property tax. SB 189 can end this onerous, complicated and economically dampening tax once and for all. The pending Budget Bill contains funds necessary to backfill lost revenues for local governments for this biennium. I am confident the Legislature will honor this commitment going forward.

The personal property tax is inefficient to collect, contains outsized compliance cost and is unfairly levied with all the exemptions. I hope you will support SB 189 to finally end this tax. Thank you.

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<sup>1</sup> A HISTORY OF THE PROPERTY TAX AND PROPERTY TAX RELIEF IN WISCONSIN by Jack Stark, 1991-1992 Blue Book



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# DAN KNODL

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STATE REPRESENTATIVE • 24<sup>TH</sup> ASSEMBLY DISTRICT

## Senate Bill 189

### Public Testimony

Senate Committee on Financial Institutions and Revenue

June 22, 2021

Thank you, Chairman Feyen and members of the committee, for holding this hearing on Senate Bill 189.

We are here today to eliminate the personal property tax in Wisconsin. Passing this bill and ending the personal property tax will be a win for everyone.

In the first place, Assembly Bill 191 is a win for small businesses. Currently, businesses must go through a complicated and time-consuming process to catalog and calculate the value of their personal property just in order to pay this tax every year. The compliance costs often surpass the amount of the final bill. This amounts to a hidden tax on the small business's time. The requirements to comply with this convoluted and arbitrary tax hit small businesses and start-ups particularly hard.

This bill is also a win for local governments. As with small businesses, many municipalities find the administrative costs to collect the personal property tax exceed the amount of revenue they receive from it. Furthermore, this legislation backfills the lost revenue to these municipalities, so they will no longer need to be concerned with delinquency. The assurance of this income, combined with savings from reduced collection costs, will benefit our municipalities' bottom line.

Finally, this bill is a win for good government. The personal property tax, which Wisconsin has collected since we were just a territory, has become antiquated. We have found better and more efficient ways to collect revenue since then, and this tax has become nothing more than a relic of 19<sup>th</sup> century thinking. Most of our neighboring states recognized this and have already eliminated the tax. In Wisconsin, we have been taking a slower approach. Today, more than 50 exemptions to the personal property tax currently exist in state law. It is time to stop picking winners and losers arbitrarily and vote to end this tax for everybody.

We have worked hard over the past decade to make Wisconsin a more inviting place for job creators. Our reforms have helped established businesses grow and new businesses get off the ground. It is time for Wisconsin to take the next step and grow its reform dividend even further by eliminating the personal property tax.



1025 South Moorland Road, Suite 200  
Brookfield, WI 53005

**To:** Members of the Senate Committee on Economic and Workforce Development  
Senator Dan Feyen, Chair

**From:** Bill Elliott, President & CEO  
Kathi Kilgore, Contract Lobbyist

**Date:** June 22, 2021

**Re:** Support for SB 189 – Eliminating the Personal Property Tax

The Wisconsin Hotel & Lodging Association represents hotels, motels, resorts, inns, bed & breakfasts, and lodging executives throughout the state. It is on behalf of these members that we respectfully request your support of SB 189.

Over the past 169 years, the State Legislature has slowly whittled away at the personal property tax (PPT), arbitrarily picking winners and losers by exempting specific equipment and industries. This unfair approach puts the financial and compliance burden on businesses like Wisconsin's lodging industry, along with many other small businesses around the state. The hotel and lodging community continues to pay PPT on most of the property within our businesses - after already paying a sales tax to acquire the property to begin with. Branded properties are required as part of their franchise agreements to remodel and upgrade fixtures and furnishings every few years so they are unable to fully depreciate their personal property.

The state's hotel and lodging community continues to reel from the effects of the COVID-19 pandemic, and we expect for years to come as business and corporate travel will be slow to rebound, and lodging properties dig out of the financial hole that the pandemic has put them in. Now that Wisconsin is projecting to end the current fiscal year with a surplus of \$2.6 Billion and projecting an increase of \$4.4 Billion in additional tax revenue through mid-2023, now is the time to end this archaic tax once and for all, as all of our neighboring states have done. Not only will your vote to repeal the tax help to support the struggling lodging industry, but it will also help Main Street businesses throughout the state, as well as non-profit organizations and others who pay this onerous tax every year.

On behalf of the members of the Wisconsin Hotel & Lodging Association across the state, we ask for you to support SB 189. Thank you for your consideration.



**Statement Before the  
Senate Committee on Economic and Workforce Development**

**By**

**Bill G. Smith  
State Director  
National Federation of Independent Business  
Wisconsin**

**Tuesday, June 22, 2021**

**Senate Bill 189**

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Senator Feyen, members of the Committee, I appreciate the opportunity to share some comments with you on behalf of our state's small business community.

Mr. Chairman, the 2020 COVID-19 pandemic impacted thousands of Wisconsin Main Street business owners, many continue their struggle toward economic viability, while others plan for re-opening, tragically, many others may never reopen. While state, local, and federal government all have reached out with a lifeline of financial support during 2020, there remains unfinished business to assist our small business community, and drive them toward a position of certainty and economic strength.

Senate Bill 189, which would eliminate the personal property tax is critically important to small business.

To be competitive with all our surrounding states, promote economic development, and most importantly, encourage small business creation and growth, we believe the personal property tax should be eliminated.

In many ways, Mr. Chairman, the personal property tax is a small business tax. It is an especially burdensome and complex tax that is assessed regardless of profitability and must be paid regardless of economic status.

In fact, the personal property tax has evolved into a grab bag of exemptions and definitions that violates the basic principles of tax fairness, simple cost effective administration, and low enforcement costs.

**National Federation of Independent Business in Wisconsin  
10 East Doty Street, Suite 519 - Madison, WI 53703 - 608/255-6083 - [www.nfib.com/wi](http://www.nfib.com/wi)**

**Statement Before the Senate Committee on Economic and Workforce Development  
Tuesday, June 22, 2021  
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Importantly, the elimination of the personal property tax would impact all Main Street businesses equally, regardless of economic status, number of employees, amount of revenue or type of business.

Mr. Chairman, the time is now to remove this burdensome obsolete tax from the tax code.

Thank you for today's hearing, and thank you also to Senator Stroebel, Representative Knodl and others for bringing this important small business legislation forward.

On behalf of our state's small business community, we urge all legislators to take a major step toward tax fairness and support this key tax reform,

Thank you for your consideration.



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June 22, 2021

TO: Senate Committee on Economic and Workforce Development  
Senator Dan Feyen, Chair

FR: Susan Quam, Executive Vice President

RE: Testimony on SB 189

Thank you Mr. Chairman and committee for the opportunity to submit written testimony today.

The Wisconsin Restaurant Association (WRA) represents over 7,000 restaurant locations statewide. Our organization serves every restaurant and our membership includes food establishments of all types and sizes, such as seasonal drive-ins, supper clubs, diners, locally owned franchisees, fine dining and hotels/resorts. Over 75 percent of our membership are independent restaurants. Regardless of ownership type, all restaurants are the cornerstones of their neighborhoods and communities. Restaurants not only provide great food, drink and hospitality, they support schools, teams, charities and churches with fundraising and donations. They provide meeting places to celebrate, mourn and organize, or just provide a safe, tasty meal for a busy family.

I am sure you all know the toll the COVID-19 pandemic has taken on the entire hospitality and tourism industry. The vast majority of restaurants saw steep declines in their sales, price increases in supplies and services and in some places, severe restrictions on their ability to be open and safely serve customers. There is a light at the end of the tunnel – now that restrictions have been lifted, customers are returning and restaurateurs are now hopeful for a busy summer season. **No matter how busy our members get this summer, it will not make up for the losses and debt incurred in 2020. The risk of restaurants closing permanently has not subsided.** Because of 2020 losses and debt incurred, many will not be able to service that debt next winter when restaurant traffic is traditionally very slow. Any help in lowering all taxes for restaurant owners will be crucial in helping restaurants survive and remain a vital part of their communities.

The WRA has been advocating on Personal Property Tax reform/repeal for close to 25 years. As an industry made up of small businesses, we are one of the few that did not have exemptions put in place in the past 25 years, other than those that helped every business, such as exemptions for computer equipment and the recent partial repeal two sessions ago, when machinery, tools and patterns were removed from the tax rolls.

The partial repeal four years ago was helpful to most restaurants; however, there is uneven enforcement and a few assessors are refusing to recognize high-ticket restaurant equipment such as mixers and combination ovens as machinery. Some restaurants are still paying higher personal property tax bills due to this uneven treatment. WRA has a member who own two restaurants in different taxing jurisdictions, both were recently remodeled within a year of each other. In one jurisdiction, the municipality recognizes kitchen equipment as machinery and the other jurisdiction does not. The difference in his personal property tax bills are in the thousands of dollars.

Because of personal property tax, restaurants are not reinvesting in their businesses by replacing equipment, furniture and fixtures, due to the perpetual tax they must pay on practically every item in their

establishment. New items are taxed at higher rates than old items - it is cheaper to keep the old tables and chairs, rather than invest in new. This not only hurts the restaurant, but also the suppliers and equipment manufacturers that are domiciled in Wisconsin, who's sales are also negatively impacted by the personal property tax.

Now is the time to repeal this outdated, onerous tax that only a few businesses still pay. Help **all** main street businesses, including all restaurants, stay in business and serve their communities by providing quality goods, services and jobs.



WISCONSIN MANUFACTURERS & COMMERCE

To: Senate Committee on Economic and Workforce Development

From: Corydon Fish, Wisconsin Manufacturers & Commerce

Date: June 22, 2021

Re: **Testimony in Support of Senate Bill 189**

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Thank you Chair Feyen and members of the Senate Committee on Economic and Workforce Development for the opportunity to submit testimony on behalf of Wisconsin Manufacturers and Commerce's (WMC) today. WMC applauds the authors of this legislation for working to support small businesses by repealing one of Wisconsin's oldest and most burdensome taxes, and urges a yes vote on Senate Bill 189 (SB 189) as amended by Senate Substitute Amendment 1.

WMC is the state chamber of commerce, manufacturers association, and the largest general business association in Wisconsin. We were founded over 100 years ago, and are proud to represent approximately 4,000 member companies of all sizes, and from every sector of our economy. Our mission is to make Wisconsin the most competitive state in the nation in which to do business. One way the legislature can help Wisconsin become more competitive is to repeal Wisconsin's personal property tax.

Every January, Wisconsin job creators are reminded that Wisconsin's tax burden remains far too high when they are required to catalog—and are taxed on—the value of all the “personal property” of their businesses from phones to forklifts. That reminder was even more apparent this year following months of shutdowns and an economic downturn that have pushed many businesses to the financial brink. Small businesses are hurting. The repeal of this archaic tax will help them dig out of this public health and economic crises by allowing them to reinvest in their employees and equipment and eliminate unnecessary paperwork.

The Wisconsin Legislature has made significant progress in reducing the tax burden for Wisconsin businesses and making Wisconsin a more competitive state to do business. However, one of Wisconsin's oldest—and most convoluted—taxes (predating statehood) is still on the books. The personal property tax is hard for businesses to comply with, expensive for government to administer, and collects only modest revenues. Businesses are already on the hook for other taxes including real estate property taxes, corporate taxes, and income taxes, they do not need the personal property tax as an additional concern.

To be clear, these various taxes are incredibly burdensome and Wisconsin is struggling to keep up with other states to create a pro-economic growth environment. Wisconsin is ranked as having the 6<sup>th</sup> worst property tax burden (personal property tax included), the 11th worst individual income tax burden, and the 20th worst corporate income tax burden in the nation.

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*Founded in 1911, WMC is Wisconsin's chamber of commerce and largest business trade association.*



All of our neighboring states—Iowa, Illinois, Minnesota, and Michigan—no longer have a personal property tax. If Wisconsin's personal property tax remains in place, businesses will choose to invest in new equipment—and the associated jobs—in other states where they are not challenged by onerous administrative requirements and excessive taxes.

The strain placed on Main Street businesses by the personal property tax is completely disproportionate to the total revenue for the state raised. The personal property tax raises modest revenues and it is not uncommon for the cost to small businesses to keep up with the onerous record keeping and reporting requirements to exceed the taxes they actually owed. Further, because of the multitude of exemptions, the tax is constantly under attack leading to time-consuming and expensive audits and excessive litigation which cost job creators and taxpayers significant amounts of money. Repealing the tax will save taxpayers, the state, and local governments the money these disputes consume.

Last week, the Joint Committee on Finance took the first step towards repealing this tax by setting aside enough revenue to ensure that municipalities will be made whole. This Committee can take the next step to provide struggling small businesses with meaningful tax relief by repealing this tax. The state, local governments, and businesses will all benefit from this repeal.

WMC is not alone, in requesting this repeal. Thirty local chambers of commerce, collectively representing tens of thousands of businesses across the state, sent a letter (attached) to the legislature earlier this month requesting the tax be eliminated.

We respectfully urge the legislature to work in bipartisan manner to repeal Wisconsin's oldest tax. Support Main Street businesses getting back on their feet following a year of financial hardship, vote yes on SB 189 as amended.

June 9, 2021

Wisconsin Legislature  
Wisconsin State Capitol  
2 E. Main St.  
Madison, WI 53702

Dear Speaker Vos and Majority Leader LeMahieu:

On behalf of the undersigned organizations, we respectfully request that the legislature work together in a bipartisan manner to repeal the personal property tax as a part of the mix of any tax relief in the 2021-23 budget. The personal property tax is an outdated, unfair, and regressive tax that reminds Wisconsin businesses every January that our tax burden remains too high despite the progress the legislature has made over the last decade cutting taxes.

That point is true more than ever this year as the Wisconsin business community continues to dig out from one of the worst economic downturns in a century. Many small businesses, especially those in the tourism and hospitality industries, have been stretched to their limit already and now have to pay and comply with this burdensome tax.

While Wisconsin has made great strides in improving its tax climate, we are still ranked as having the 6<sup>th</sup> worst property tax burden, 11<sup>th</sup> worst individual income tax burden, and the 20<sup>th</sup> worst corporate income tax burden in the nation. Whether we are competing regionally with neighboring states like Iowa and Indiana that have recently undergone significant pro-business tax reform, or competing nationally against low tax states like Texas, Florida, and North Carolina, Wisconsin struggles to keep up.

Further, if Wisconsin does not eliminate the personal property tax, it may soon be an island in the Midwest. Iowa, Illinois, Minnesota, Michigan, North Dakota, South Dakota, and Ohio no longer have a personal property tax.

There are many reasons to get rid of this tax:

- **Widespread Inequity.** Wis. Stat. § 70.11 contains over 60 separate sections that contain exemptions from the property tax, most of which apply to personal property. However, virtually all Main Street business, from mom and pop retailers to large national chains must still report and pay tax on personal property.
- **Burden Disproportionate to Revenue Raised.** For the remaining taxpayers, the personal property tax raises modest revenues, but creates a disproportionate reporting burden for every Main Street business. Every business must annually prepare and file a statement of personal property for each of its Wisconsin locations and maintain records on assets at each location. It is not unusual for the cost of preparing the return to exceed the tax paid.

- **Onerous Record-Keeping Requirements.** The record-keeping requirements are much more onerous than the requirements of state and federal income/franchise taxes. Not only must all taxpayers keep records of all personal property, including those that have been totally depreciated for tax and book purposes, but the taxpayers must keep track of their specific location within the state and use a depreciation method that differs from the requirements of taxing authorities and which periodically changes.
- **Messy Exemption Fights.** A constant source of friction between taxing entities and taxpayers is the scope of current exemptions. The difference in interpretation leads to time consuming and expensive audits and litigation. For example, there are a significant amount of audits and legal challenges surrounding the machinery, tools, and patterns exemption in the 2017-19 budget due to disagreements about if machinery owned by manufacturers but not used in the manufacturing process is exempt from taxation.

As representatives of the business community, we are familiar with the fiscal implications to local governments of repealing the personal property tax. We support holding local governments harmless as a part of the repeal, similar to the action the legislature took to do so when it exempted machinery, tools, and patterns from the personal property tax in 2017. Further, we are confident that providing businesses with relief from the personal property tax will pay for itself in future years through added growth, investment, and job creation.

In conclusion, we ask for your support in repealing this obsolete tax and send the message to all businesses, inside and outside of our great state, that Wisconsin is still open for business.

Respectfully,

Wisconsin Manufacturers & Commerce  
 Kenosha Area Chamber of Commerce  
 Oshkosh Chamber of Commerce  
 Sauk Prairie Area Chamber of Commerce  
 Marinette Menominee Area Chamber of Commerce  
 Eau Claire Area Chamber of Commerce  
 Racine Area Manufacturers and Commerce  
 West Bend Area Chamber of Commerce  
 Portage County Business Council  
 Fox West Chamber of Commerce  
 Waushara Chamber of Commerce  
 Muskego Area Chamber of Commerce  
 Fort Atkinson Area Chamber of Commerce  
 Greater Wausau Chamber of Commerce  
 Waukesha County Business Alliance  
 Metropolitan Milwaukee Association of Commerce  
 La Crosse Area Chamber of Commerce  
 Forward Janesville  
 Pulaski Area Chamber of Commerce

Envision Greater Fond du Lac  
Rice Lake Chamber of Commerce  
Milton Area Chamber of Commerce  
River Falls Chamber of Commerce  
Hartford Area Chamber of Commerce  
Jefferson Chamber of Commerce  
VISIT Lake Geneva  
Watertown Area Chamber of Commerce  
Greater Beloit Chamber of Commerce  
Portage Area Chamber of Commerce  
Greater Green Bay Chamber of Commerce

cc: Wisconsin Senate  
Wisconsin Assembly