



May 24, 2017

TO: Members
Senate Committee on Revenue, Financial Institutions and Rural Issues

FR: Brian Dake
Legislative Director
Wisconsin Independent Businesses

RE: 2017 Senate Bill (SB) 218 relating to: eliminating the personal property tax and making an appropriation.

Chairman Marklein and committee members thank you for the opportunity to testify in support of 2017 Senate Bill (SB) 218.

My name is Brian Dake, Legislative Director for Wisconsin Independent Businesses (WIB). By of background, WIB was formed in 1977 to provide small, independent business owners with a voice in the legislative and regulatory activities of state government. Earlier today, you heard thoughtful and compelling commentary from several WIB members. I wish to supplement their testimony.

WIB is a member of the Coalition to Repeal Wisconsin's Personal Property Tax. Our Coalition consists of 41 separate organizations which collectively represent thousands of Wisconsin-based small businesses. In conjunction with our advocacy efforts, the Coalition has conducted a petition drive. As of this writing, members of the Coalition have gathered more than 3,500 petition signatures from business owners and individuals who support the elimination of Wisconsin's personal property tax.

WIB...Helping you where you need it.

PO Box 2135 | Madison, Wisconsin 53701 | 800-362-9644 | www.wibiz.org

With the assistance of our local representatives, we have collected nearly 800 petition signatures from WIB members. Perhaps you may recognize some of these employers from your respective Senate Districts who signed our petition:

- Donnie's Tire and Auto in Dickeyville;
- LaFever Electric in Random Lake;
- Cleereman Industries in Newald;
- Baumberger Foundations in Evansville; and
- Sampson Heating and Air Conditioning in Hixton.

Our Coalition describes the personal property tax as the "Main Street" tax because it is a tax primarily paid by hometown companies which are located in downtown business districts. After reviewing our signed petitions, this reference is even more apropos. As it so happens, 52 of the petition signers actually operate businesses located on Main Street in their respective communities.

Although these petition signers were not here to testify, I am quite sure their views and concerns would be similar to the commentary you have heard from previous speakers.

Along with our Coalition partners, we respectfully ask for your support of Senate Bill 218 which would put an end to this antiquated, unfair tax on Wisconsin small businesses.

Thank you in advance for your consideration.



**AMERICANS FOR
PROSPERITY.**
WISCONSIN

TO: Honorable Members of the Senate Committee on Revenue, Financial Institutions and Rural Issues

**FROM: Eric Bott, State Director
Americans for Prosperity-Wisconsin**

DATE: May 24th, 2017

RE: Eliminating Wisconsin's Personal Property Tax

On behalf of more than 130,000 Americans for Prosperity activists in Wisconsin, I would like to thank Senator Marklein for holding a hearing on Senate Bill 218, legislation to eliminate Wisconsin's personal property tax (PPT). We would also like to thank Senator Stroebel, Representative Kulp, and the many co-authors of this proposal.

Intelligent tax policy should be simple, transparent, neutral, and stable. Moreover, it should seek to limit as much as possible distortionary impacts on the economy. Wisconsin's PPT fails most of these tests.

The PPT is anything but simple. The depreciation schedules inherent to the tax are complicated, costly, and challenging for small business owners to manage.

The tax also fails the transparency test. The PPT is opaque, causing consumers to pay higher prices for goods and services without their knowledge.

On neutrality, the PPT also falls short. Over the years, government has picked winners and losers when it comes to the application of the PPT, approving exemptions for certain industries while leaving others shouldering an ever-growing burden. This leaves the unpleasant stink of cronyism on the PPT.

The PPT is also highly distortive. It effectively penalizes investment in new capital assets and economic activity, creating a drag on Wisconsin's economy and job creation. If the goal of government tax policy is to grow the economy to capture more tax revenue for schools, social services and other priorities, the personal property tax is a deeply flawed approach.

For these reasons, we commend the authors of the bill for their efforts and recommend that the committee give due consideration to eliminating Wisconsin's personal property tax.

For more information, please contact Eric Bott at ebott@afphq.org.

Sterling Water, Inc.

www.culliganh2o.com

Culligan
better water. pure and simple.

Senator Howard Marklein

Senate Committee on Revenue, Financial Institutions and Rural Issues

May 23, 2017

Dear Senator Howard Marklein and Fellow Committee Members:

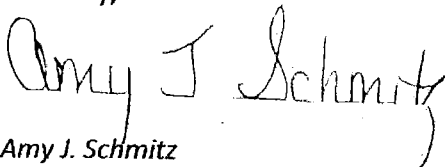
This letter serves as Sterling Water's information to Support Repeal of Personal Property Tax in Wisconsin.

As of 2017, Sterling Water prepares and submits Personal Property Statements for ten (10) different municipalities. This is a labor intensive requirement by the State of Wisconsin due to Sterling Water having to account for all 14,867 rental equipment units that are out-in-the-field to the requesting municipalities.

Every year we export and separate this information via zip code. Some zip codes are overlapping between municipalities or are in multiple counties (i.e. City of Marshfield is in Wood and Marathon Counties). This requirement takes roughly 80 hours to complete from beginning to end. Sterling Water pays out approximately \$114,000 in personal property tax.

Contrast Wisconsin with Minnesota. Sterling Water has made multiple investments in Minnesota businesses within the last decade where there is no personal property tax. It's disheartening to compare our Wisconsin businesses with our Minnesota businesses and see such a disadvantage to doing business in Wisconsin.

Sincerely,



Amy J. Schmitz
Controller
Sterling Water, Inc.
1928 Truax Blvd
Eau Claire, WI 54703



RESIDENTIAL • COMMERCIAL • INDUSTRIAL • MUNICIPAL • WATER SYSTEMS AND SERVICES





May 19, 2017

We are independent, family owned business owners in Wisconsin. We operate a grocery store in Reedsburg & Baraboo. We also have two liquor stores, three car washes, two convenience stores, laundromat and a bar.

Each year, we reinvest profits back into our businesses as much as we can. We always need to replace or upgrade equipment in our operations when we can afford to. In 2016, we spent approximately \$775,000 in new equipment purchases and we are hoping to spend approximately \$1,000,000 in 2017.

We find it quite frustrating that we are required to report & pay personal property taxes on any equipment we purchase. If we didn't have to pay these taxes, we could make more purchases of equipment, which in turn would greatly also help manufacturers. If we didn't have this burdensome tax, it would allow us to reinvest in our employees & community also.

Why are manufacturers not required to pay personal property taxes but retailers are? Why is it that bakeries do not have to pay this tax on ovens, but if a grocer purchases an oven, we have to pay the tax? Wisconsin needs to ensure that our tax code is fair & equitable.

Please, we urge you to reconsider the personal property taxes on our operations and make small business a priority in our State.

Sincerely Yours,

Pamela K Coy
General Manager of Operations
Viking Village Inc



Repeal Wisconsin's Personal Property Tax

Please support Senate Bill 218 and Assembly Bill 277:

- The personal property tax (PPT) originated in 1848 when the state had neither income nor sales tax. Today the personal property tax is unbalanced and relies disproportionately on small business revenues because many exemptions exist.
- In time the tax exemptions grew to include household goods, computers, and businesses in the agricultural and manufacturing sectors. With nearly 60 exemptions currently in place, the burden is shouldered by fewer and fewer small business owners.
- Personal Property Tax is an ongoing tax, whether or not property is being used.
- Wisconsin has 31 ski areas; the third most areas in the nation, according to the National Ski Areas Association (NSAA).
- Chair lift values depreciate quickly and the Ski industry continues to pay the tax on it, even when it is no longer in use.
- Ski Wisconsin has joined forces with more than 40 organizations and businesses in the Coalition to Repeal Wisconsin's Personal Property Tax.
- The personal property tax repeal would give businesses in Wisconsin another tool to succeed. Right now, the tax is another added expense.
- Representatives Kulp and Knodl and Senators Strobel and Craig have introduced Assembly Bill 277 and Senate Bill 218; the bills would repeal the personal property tax and reimburse municipalities for lost revenue.
- Owners would purchase new equipment more readily if the PPT was eliminated. Elimination of PPT could spur economic growth in Wisconsin.

For additional questions, contact Eric Knight at 608.772.0661.

MODERN DISPOSAL SYSTEMS

You pay personal property tax on:

All equipment, including roll off boxes, containers, dumpsters, compactors, forklifts, hoists, bobcats, end loaders, and truck attachments

You do not pay personal property tax on:

Start-up Costs, Garbage Routes, non-Compete, Land, Buildings, Trucks, and computers

Total taxable equipment reported for Tomah \$555,252.00 Assessed Value \$259,154.00
Mill Rate .023545328 **Tax Due \$5,802.75**

Total Taxable Equipment reported for Sparta \$637,461.00 Assessed Value \$247,992.00
Mill Rate .023127320 **Tax Due \$5,390.99**

Cost of Tax Preparation Services approx. \$100 per year

Note: As the equipment ages there is a conversion factor used to arrive at the Assessed Value.



DAVID CRAIG

STATE SENATOR

Senate Committee on Revenue, Financial Institutions and Rural Issues
Public Hearing, May 24, 2017
Senate Bill 218
Senator David Craig, 28th Senate District

Chairman Marklein and Committee Members,

Thank you for hearing testimony on Senate Bill 218 regarding eliminating the personal property tax.

Senate Bill 218 is integral to a better business climate in the State of Wisconsin. Property in our state is divided into two broad categories, real estate and personal property. The Legislative Fiscal Bureau states that, "Items that can be removed from real estate without otherwise affecting the real estate are considered personal property." In addition, personal property is subdivided into four sections: 1) furniture, fixtures, and equipment, 2) machinery tools, and patterns, 3) boats and other watercraft, 4) all other personal property.

The state statutes governing personal property (s. 70.04) have been amended through the years, creating a hodgepodge of what is acceptable and what is not. In fact, 22 specific categories of personal property are exempt in statute (s. 70.111). From property contained in the Bradley Center to food and beverage vending machines, there is no rhyme or reason to personal property exemptions. Motion picture theatre equipment is exempt, but not a dentist chair.

Eliminating the personal property tax is an economic "three-for". Eliminating the tax removes the cost of the tax itself on business. Removing a tax riddled with special interest carve outs will benefit business owners and those savings can be reinvested into the business or passed along to customers with lower prices. Also, repeal relieves the business owner from detailing every piece of equipment he/she uses and determining whether the state will tax them on it. In addition, the municipality will no longer have to expend time and employee resources to determine whether local businesses are adhering to the tax reporting demands. Finally, state and local officials will

no longer have to document the tax and remit any overages to local officials to reimburse them for the tax.

Senate Bill 218 is another step towards a fairer and flatter tax code. Again, I appreciate your hearing of this bill today and I look forward to answering any questions you may have.

BOB KULP

STATE REPRESENTATIVE • 69TH ASSEMBLY DISTRICT

May 24, 2017

To: Members, Senate Committee on Revenue
From: Rep. Bob Kulp
Re: Senate Bill 218

Mr. Chairman, members of the committee, thank you for hearing this bill today and for allowing me to testify on its behalf.

The personal property tax is one of the most despised and damaging tax that we burden our businesses, employers, entrepreneurs, and job creators with in Wisconsin. In order to comply with the personal property tax, a business owner is required to accurately assess the current value of each piece of taxable equipment he or she owns. That may not sound difficult, but consider a landscaper who owns several lawn mowers, and who budgets for a new one every two years. Even if they are exactly the same model and purchased from the same equipment dealer, each of those mowers has a different value due to depreciation. Each will be assessed differently. And this landscaper doesn't only own mowers, but several different pieces of equipment, each of which must be assessed individually, and taxes paid on the value of each independent piece of equipment.

Does anyone pursue an education in accounting, bookkeeping, and tax law in order to start a landscaping business? Doubtful. And we can find similar examples all over the place. A local grocery store or bait shop, where they might sometimes buy new coolers or freezers. A craft brewery. A local print shop. A startup construction or home repair company. Complying with the personal property tax creates a huge burden that goes far beyond the simple cost of the taxes themselves.

This is especially true for the small and new businesses which may not have the experience necessary for complicated accounting and regulatory demands, or the resources to hire accountants and attorneys to handle it for them.

This means barriers to growth, protection from competition for established businesses, and great disincentive for entrepreneurs trying to go into business for themselves. This is exactly the opposite of what Wisconsin's government has been about for the past several years.

REPRESENTING WISCONSIN'S 69TH ASSEMBLY DISTRICT

The bill before you eliminates the personal property tax in Wisconsin, lowering taxes on our job creators, but more importantly unraveling the bureaucratic red tape from around their necks. The bill and its substitute amendment protect local governments and real property taxpayers by creating a new state payment like the computer aid payment we created years ago, and includes further protections for both local governments and their taxpayers regarding the levy and bonding limits. Not to mention, local governments will be almost as happy as business owners when they no longer have to help administer this tax.

Several years ago, I had a conversation with a leader in the Minnesota State Senate who is not in my political party who asked me what my "one big deal" was legislatively. I told her that it was repealing personal property tax. She looked at me and said in an astounded way, "You STILL have personal property tax?" GET RID of it!" This can be a bi-partisan bill. It certainly is in other states.

We talk a lot about tax reform in this building, and I know we have enacted some small reforms to the tax code in recent years. I supported those changes and continue to support them because they were the right thing to do. But those modifications weren't game changers. Especially for our small, new, and growing businesses in Wisconsin, this bill is a game changer, and I urge your support.



DUEY STROEBEL

STATE SENATOR • 20TH DISTRICT

Good Morning. Thank you Chairman Marklein and the Committee on Revenue, Financial Institutions and Rural Issues for holding a hearing on Senate Bill 218. SB 218 could be the last piece of legislation on an issue area that has been part of the public debate since Wisconsin was a territory. As a housekeeping matter, I have introduced a substitute amendment. This amendment made technical changes requested by the Department of Revenue. It also specified how revenues would flow to TIDs to ensure solvency.

Taxable property can be generally divided into two categories: real property like land and structures affixed to that land; and personal property, anything that is movable and not attached to the land or a building. Property taxes were the main source of government revenue in the 19th 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 indigent¹. 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.

100 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. One of the largest revenue sources for Wisconsin at statehood is now down to approximately \$250 million per year, or about 2.5% of total property tax when property tax is just one of many taxes that fuels our State.

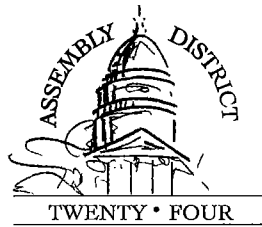
I apologize for the history lesson but there is an important lesson to be learned. The personal property tax is a relic from a bygone era. Before the technology and infrastructure existed for the administration of an income tax, sales tax, corporate tax, or many excise taxes and fees, the property tax was the only realistic revenue source the government had.

The story of Wisconsin tax law in the last century has been the chipping away at this behemoth. What remains is a hollowed-out husk where almost all personal property is exempt. Hundreds of thousands of unfortunate souls who have not been exempted must attempt to do business under its weight.

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 218 can end this onerous, complicated and economically dampening tax once and for all. Local governments have been concerned about losing revenue or a shift of the costs to residential property taxpayers. SB 218 holds local revenues harmless and allocates the funds necessary to end the personal property tax.

You will hear from a number of ordinary Wisconsinites about how the personal property tax impacts their lives. These stories are but a fraction of the real world toll of the personal property tax. Wisconsin could be at the precipice of finally moving out of the 19th century and into the 21st century in taxation. I hope you will support making that move. Thank you.

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



DAN KNODL

STATE REPRESENTATIVE • 24TH ASSEMBLY DISTRICT

Senate Bill 218

Public Testimony

Senate Committee on Revenue, Financial Institution, and Rural Issues

May 24, 2017

Thank you Chairman Marklein and members of the committee for holding this hearing on Senate Bill 218.

For the last six years, we worked hard to make Wisconsin a more inviting place for job creators. Our reforms reduced the tax and regulatory burden, helping established businesses grow and new businesses get off the ground. While we have seen significant progress, there is more work to do. In order to truly ensure Wisconsin is “Open for Business” we must take meaningful action to eliminate the Personal Property Tax.

The personal property tax is burdensome to businesses both financially and in the amount of time and effort it takes to comply. Not only must businesses pay additional taxes on property which has already been taxed, but they must catalog and calculate value for that property as well. The process is complicated and time-consuming. The requirements to comply with the personal property tax hit small businesses and start-ups particularly hard, making it more difficult for them to get off the ground, expand, and create new jobs.

Additionally, for some municipalities the administrative costs to collect the personal property tax is greater than the amount of revenue they receive from it.

It is time for Wisconsin to take the next step and grow its reform dividend even further. Eliminating the personal property tax will free up time and money for businesses and foster continued job growth across the state.



Wisconsin

**Statement Before the
Senate Committee on Revenue, Financial Institutions
And Rural Issues**

By

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

Wednesday, May 24, 2017

Senate Bill 218

Senator Marklein, members of the Committee, I appreciate you holding a hearing today on a top small business tax reform issue.

Mr. Chairman, the personal property tax, in many ways is a small business tax. It is an especially burdensome and complex tax that is assessed regardless of profitability, on the equipment, furnishings and fixtures of small retailers, restaurants, service and professional businesses, and other commercial enterprises.

The personal property tax is a grab bag of exemptions and definitions that violates the basic principles of tax fairness, simple cost effective administration and low enforcement costs.

In order to be competitive with surrounding states, promote economic development, and importantly, encourage small business creation and growth, NFIB believes the personal property tax should be eliminated.

Thirty-nine states have some form of taxation of personal property, but a dozen states have eliminated the personal property tax, or tax very little personal property. A couple states enacted laws to eliminate the tax on new equipment, others leave it to local governments to enact exemptions from the tax.

We understand that tax reform almost by definition creates winners and losers. One taxpayer's exemption, credit or deduction is another's tax increase.

**Statement Before the Senate Committee on Revenue, Financial Institutions & Rural Issues
Wednesday, May 24, 2017
Page Two**

However, when we asked small business owners if NFIB should support legislation that would eliminate the personal property tax, 82 percent said NFIB should fight to eliminate the tax, even if the lost revenue must be replaced by some other form of taxation.

Mr. Chairman, we hope this Legislature, starting with this Committee, will take a first step toward eliminating this onerous local tax by supporting meaningful reforms:

- Assess property as a percentage of actual value, or
- Exempt a percentage of assessed personal property value, or
- Provide a state credit or refund for personal property taxes.

NFIB supports these reforms because they would impact all Main Street businesses equally regardless of economic status, number of employees, amount of revenue, or type of business.

Whatever the Legislature decides is the most appropriate way to proceed toward eliminating the personal property tax, we urge you to take the important first step, do what the state can afford, and chose a reform that will maximize winners, minimize so-called losers.

Mr. Chairman, members of the Committee, thank you for allowing me to share some comments on behalf of our state's small business community.



Wisconsin

Discussion

Personal Property Tax

The level of taxation imposed on Wisconsin's small business owners by state as well as local governments is a key factor in the economic growth of our state and the job opportunities in our local communities.

Thirty-nine states have some taxation of personal property, but according to the Tax Foundation, reliance on the tax is decreasing.

Seven states have eliminated the personal property tax entirely (Delaware, Hawaii, Iowa, Illinois, New York, Ohio and Pennsylvania), and four states tax very little personal property (Minnesota, New Jersey, North Dakota, South Dakota).

Maine and Kansas have enacted laws to eliminate the personal property tax on new property.

Alaska, Maryland, Vermont and Virginia allow local governments to enact exemptions from the tax.

The personal property tax is especially burdensome for small businesses that are required to pay the tax regardless of profitability.

According to NFIB survey study, 82% of those firms responding support the eliminating of the personal property tax - Options:

- Permit local jurisdictions to establish exemption thresholds.
- Exempt selected properties from taxation.
- Assess personal property as a percentage of actual value.
- Exempt a percentage of the assessed value of the personal property.
- Provide a state income tax credit for personal property taxes.
- Provide a state refund for personal property taxes.
- Provide a personal income tax deduction for personal property taxes paid.
- Exempt new property from the personal property tax.
- Permit local jurisdictions to exempt personal property from taxation.
- Provide a partial exemption from the personal property taxation.
- Eliminate the personal property tax.
- Refund a percentage of personal property taxes paid.
- Permit local jurisdictions to reduce or repeal personal property tax.



Leading the Fight for Small Business Tax Fairness

Small & Independent Business Owners United to Repeal Wisconsin's Personal Property Tax

- *Small business owners currently pay individual or corporate income taxes, real estate property taxes and dozens of fees and assessments.*
- ***Repeal of the personal property tax*** would provide tax relief to thousands of locally owned and operated small businesses throughout Wisconsin.
- *According to the League of Wisconsin Municipalities, the administration and collection of personal property taxes is burdensome and time consuming for both businesses and local governments.*
- *The personal property tax is especially burdensome for small businesses that are required to pay the tax regardless of profitability.*
- *NFIB Survey studies show **82% of respondents believe the tax should be repealed** even if the lost revenue must be replaced.*
- *To be competitive with surrounding states, promote economic development, and encourage small business creation and growth, **we believe the personal property tax should be eliminated.***

MEMORANDUM

TO: Honorable Members of the Senate Committee on Revenue, Financial Institutions and Rural Issues

FROM: Curt Witynski, League of Wisconsin Municipalities Assistant Director
Kyle Christianson, Wisconsin Counties Association Director of Government Affairs

DATE: May 24, 2017

SUBJECT: Senate Bill 218 – Personal Property Tax Repeal

The League of Wisconsin Municipalities (LWM) and the Wisconsin Counties Association (WCA) have vigorously opposed prior efforts to repeal Wisconsin's personal property tax. The opposition to prior efforts was due to lack of a plan to reimburse local governments for lost revenue. Senate Bill 218 (SB 218) is different and we want to acknowledge the improvements this legislation makes over legislation introduced in prior years. Both LWM and WCA applaud the authors for including in SB 218 a state-funded plan for holding local governments harmless and avoiding a property tax shift to homeowners and other taxpayers.

While our associations are not opposed to SB 218, we are testifying for information purposes only to share membership concerns that have been raised regarding this legislation. These concerns include the following:

1. SB 218 provides for no growth in the state aid payment over time. The total amount of the state aid payment to local governments for the personal property tax repeal is fixed at an amount equal to the amount of revenue loss incurred by the taxing jurisdiction in 2018. The Wisconsin Department of Revenue (DOR) estimates the potential local revenue loss and corresponding state aid payments to local taxing jurisdictions to total \$261,035,800. The bill also sets the exempt computer aid payment to the amount determined in 2017. Under the bill, future exempt computer aid payments would remain at the 2017 estimated amount of \$91,012,200.

The state aid payments should grow at least at the rate of inflation. A static payment over time will not hold local governments harmless for the long term. Over time, tax rates will rise and other property taxpayers—mainly residential homeowners—will be required to make up the difference. We recommend that the bill be amended to provide for at least inflationary growth in both the personal property tax reimbursement payments and computer aid payments. Just last

week the Legislature's Joint Committee on Finance adopted a similar proposal to the state budget which will index future computer aid payments to inflation (consumer price index). We recommend that approach be applied to this bill.

2. Negative impact on TIF Districts. The bill will reduce the increment value of most tax increment districts (TID). For uniformity with new TID districts, DOR will need to re-determine each TID's base value. Also, existing TIDs with significant amounts of personal property were created with the understanding that the value of such property would grow over the life of the TID and the increment would be used to help pay off the debt the TID incurred as part of the project plan.

Also, there are TID projects that were authorized and are under construction (started in 2016 but will not be fully complete until 2017 or 2018) that had significant potential personal property components that will now no longer be able to collect the tax nor receive any reimbursement for the tax as they would not be fully assessed until 1/1/18 or 1/1/19. It seems unfair to change the rules in the middle of the game and not allow local communities to utilize the rules that were in place at the time the commitment was made.

The bill should be amended to allow communities to extend the life of TIDs negatively impacted by repeal of the personal property tax.

3. Fully exempting all personal property from the property tax is likely to lead to a significant increase in disputes between property owners and municipal assessors and boards of review over what is classified as real versus personal property. These disputes, which increase the cost of tax administration and may lead to litigation, will occur mostly in cities and villages due to the high concentration of personal property.

4. Will the state remain committed to making the reimbursement payments? Given the state's chronically tight fiscal condition, we are concerned that an annual personal property tax hold-harmless payment from the state to local governments might be discontinued after a few years. Short of ending the payments, the state may feel compelled in the future to maintain the payments by reducing shared revenue or other municipal or county aid programs.

LWM and WCA appreciate that SB 218 calls for the state to reimburse local governments for the lost revenue caused by the repeal of the personal property tax. We have concerns, however, about the payment amount being static over time and the willingness of the state to continue making the payments.

Thanks for considering our comments and please contact us with any questions.



**OUR MISSION: TO BE AN ADVOCATE FOR MEMBERS,
FACILITATING RELATIONSHIPS WHICH EDUCATE,
SUPPORT AND PROMOTE THE INDUSTRY**

May 24, 2017

Committee on Revenue, Financial Institutions and Rural Issues



Dear Committee Members:

As a representative for the manufactured, modular and RV industries, I'd like to thank you for taking the time to hear real stories from small businesses in Wisconsin and how they are affected by Wisconsin's Personal Property Tax. I'd like to share a few examples of how this unjust tax affects them.

1. A small business owner that owns a small retail sales center and mobile home parks pays nearly \$12,000 in personal property tax. He pays this tax on everything including the office desks, lawn mowers and construction tools. If the business didn't have to pay this \$12,000 annually, they could invest in additional staff or new equipment. The ironic thing about this tax is that the small business is paying the personal property tax on their construction equipment, however, this same equipment in a home manufacturing plant is not being taxed. I'm glad for the manufacturer, but if a nail gun is exempt in a home building factory, it should surely be exempt for the small business owner that uses it for the on-site completion of a home.
2. Below is a quote from a member:
"Here is a true story about how the burdensome and petty Personal Property Tax issue affected our small business. We are a 15-person property management company located in a small Village. Due to a series of management changes which occurred at the company during the owner's battle with cancer, the PPT form and filing was neglected for 2 years. The village refused to accept a compromise and instead filed a claim for payment and statutory penalties that took a \$1500 tax bill to a \$25,000 claim. After several thousand dollars of legal fees, the company finally settled for approximately \$15,000."
3. As a very small non-profit trade association, the WI Housing Alliance pays our CPA firm \$100-\$200 more to file the tax form than what we pay for the personal property tax. We are still paying on desks that are more than 20 years old. A tax that is still applied to fully depreciated furniture and equipment is very difficult to understand when neighbors in surrounding states do not share this type of arbitrary tax burden.

Sincerely,

Amy Bliss
Executive Director
Amy@housingalliance.us



Wednesday May 24th

Senate Committee on Revenue, Financial Institutions and Rural Issues

Testimony on SB 218 by Michelle Vetterkind, Wisconsin Broadcasters Association CEO

Mr. Chairman and members of the committee, I'm Michelle Vetterkind, CEO of the Wisconsin Broadcasters Association.

The members of the WBA are the small, medium and large radio and television stations in Wisconsin

Thank you for letting me present the broadcasters position on repealing the Personal Property Tax in Wisconsin. Simply said we support repeal. Broadcast Radio and Television stations are subject to Wisconsin's Personal Property Tax and believe me, our members have some very serious assessments.

The next time you are in your local TV or radio station do an interview or a show, take a look around at all the equipment that is needed to put the interview you just did out over the air.

Here's a list of some of that equipment that is subject to the tax:

- Towers
- Furniture, Fixtures, and Office Equipment
- Copiers, Phone Systems, Equipment with embedded computerized equipment
- Transmitters, Field Cameras
- Studio fixtures and sets
- Lighting
- Stationary cameras
- Control room board/monitors, microphones
- MMJ Kit – computers with hot spot/cell phone/teleprompter
- All vehicles including satellite trucks
- Federally mandated equipment used for the EBS

As you can imagine, this equipment is expensive.

Small TV Market \$25,000 - \$75,000

Medium TV Market \$75,000 - \$200,000

Larger TV Market \$250,000+

It would safe to say that radio stations across Wisconsin will pay similar amounts based on their size and markets.

While a small market radio station might pay several thousand dollars, a larger market radio station could pay \$25,000 and more, again based on what equipment is on the schedules.

And, like all of these businesses you are haring from today that pay the tax, it means less working capital to invest in new equipment, create more jobs or grow sales and customers.

The personal property tax should be repealed so that Wisconsin businesses can grow and help rebuild our economy.

Thank you very much.



2801 Fish Hatchery Road | Madison, WI 53713 | (608) 270-9950 | (800) 589-3211 | FAX (608) 270-9960 | www.wirestaurant.org

May 24, 2017

Senate Revenue, Financial Institutions and Rural Issues Committee

Jean Landreman, Chairwoman –Elect, Wisconsin Restaurant Association

Testimony – SB218

Good Morning! I am Jean Landreman, co-owner of Landreman's Family Restaurant in Kaukauna. I am also the chairwoman-elect of the Wisconsin Restaurant Association. My husband Mark and I also have the honor of being named the 2017 Wisconsin Restaurateurs of the Year.

My husband and I have owned our own business for the past 22 years. We employ 25 people and serve breakfast, lunch and dinner seven days a week. As part of our business we are well known for our homemade desserts, bakery items and wedding cakes.

I want to thank the Committee for this opportunity to testify in support of SB218. Small businesses, like mine, are in need of relief from this regressive tax that creates an uneven playing field with my competitors.

Let me give you an example: We bake cookies, cupcakes and special occasion and wedding cakes. We sell those to our customers to take home or use at parties. We pay \$450 in personal property tax to the city of Kaukauna.

The bakeries that I compete with in selling cookies, cupcakes and specialty cakes, do not have to pay anything on its equipment, because the very same oven, work tables and equipment in their kitchens are exempt from personal property tax. In addition, those bakeries now serve breakfast and lunch meals, competing with me and the other restaurants in my area. This is an uneven playing field and puts our small business at a disadvantage.

The personal property tax also makes us think twice about buying a new piece of equipment. Since I have to pay a tax every year on everything in my restaurant, I am not really excited about investing in anything new and seeing my taxes go up the next year.

Thank you for the opportunity to tell my story. I can answer any questions you may have.



Property Taxpayers United
for Fairness & Reform
Since 1985

24 May 2017

TO: Senate Committee on Revenue, Financial Institutions and Rural Issues

RE: 2017 Senate Bill 218

Relating to: eliminating the personal property tax and making an appropriation

FROM: John Jacobson

Government & Member Relations Director

Wisconsin Property Taxpayers, Inc. (WPT)

Thank you Chairman Marklein and members of the committee for allowing me the opportunity to testify today on Senate Bill 218. My name is John Jacobson, and I am the Government & Member Affairs Director for Wisconsin Property Taxpayers, Inc. (WPT). Seated with me is Mike Marsch, the president of our organization.

WPT consists of 18,000 small businesses, from every corner of the state, and who resoundingly support the bill before you today, and the full repeal of the personal property tax in Wisconsin.

Our state's Main Street businesses are truly the cornerstone of the communities that each one of us call home. They are our economic lifeblood, and our job creators. According to the most recent Small Business Administration (SBA) numbers, 449,763 small businesses employed 50.7% of our state's workforce, or 1.2 million employees. And firms with fewer than 100 employees have the largest share of employment in Wisconsin.

It is those businesses which need your help the most in repealing this unfair and ununiform tax in Wisconsin. And rather than speak about probable constitutional issues with this tax, or how Wisconsin is the only state in the region that still imposes this tax, I would like to take a moment to share some real-life experiences from a few of our small business members. These individuals wanted to attend today, but could not take time away from their businesses or employees to travel to Madison. I will also furnish a copy of these comments to committee members, if you wish.

Ryan Flaig from Eau Claire (Ryan P. Flaig Insurance) wrote:

While it may only be a couple hundred dollars per year, this tax is redundant. I paid sales tax when I purchased my business equipment. I have to complete a painstaking form every year to report the same equipment that I reported every prior year. I have not purchased new office equipment because I do not want to pay this tax in the future. What is more troubling to me is that I have sat at the same desk for 21 years. How many times are you going to tax me on this same desk? There needs to be an end.

David Martell from Chippewa Falls (Martell Tire & Auto Service) wrote:

This is an added tax burden of approximately \$2,000 annually. In my business, the reporting alone is a hassle and undue burden. Most of the general public is unaware that this tax even exists. Try taxing the general public on their clothing and household furnishings and see how that goes over.

Steve Riley from Fond du Lac (Riley Electrical Supply) wrote:

I still remember the first time I found out that the personal property tax was something I had to pay. This was about 30 years ago. I could not believe it was true- having to pay every year because we wanted to reinvest. It's so complicated that I also do not know how to track the items year after year, so we have the expense of hiring someone to track any new items. I always think twice about buying new stuff and adding to our tax burden.

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Scott Vorpapel from Lake Geneva (Lake Geneva Country Meats) wrote:

Each year I have to pay PPT, it costs me thousands of dollars. Over the past five years, I have paid out approximately \$35,000. I am trying to update our store and replace old equipment. It makes it extremely difficult to do this when each year I have to continually pay tax on the items I already bought, in some cases many years earlier. It also costs me hundreds of dollars in accounting fees each year to have them properly fill out the paperwork. I am a small business, and that amount of money would really help our business continue to grow so we can continue to provide jobs and income for these people.

Todd Stittleburg from Black River Falls (Antler King Trophy Products, Inc.)

I have owned by company for 30 years, and in the past 5 months have added 4 new employees. Business is good, but the personal property tax does certainly create a burden on my company. My current assessable property is right around \$36,000. I do that this tax into account every time I look at purchasing new equipment. This tax has made me change my mind more than once about making a purchase. I feel this is an unfair tax directed at small business and if we did not have to shoulder the burden, or time for filling out the forms and the dollars to pay this tax, I would certainly put the savings into purchasing more equipment or hiring more people.

These people, and the thousands of other businesses that WPT is honored to represent here today, are dedicated to their communities and the people they employ. Imagine putting hundreds of millions of dollars back into the hands of Main Street, Wisconsin. Imagine the reinvestment and the new jobs created. When Michigan repealed their personal property tax in 2014, they now estimate that 15,000 new jobs were created, and nearly \$500 million of local reinvestment occurred. When the livelihood of our neighbors and small business job creators often hang in the balance, these are no small numbers.

In closing, I would like to add; as a property taxpayer advocate organization, we have been asked multiple times if we fear that property tax on homeowners will be raised as a result of our efforts to repeal the PPT. We want to thank Senator Stroebel and Representative Kulp for ensuring that those concerns were put to rest in this bill, and we will continue to stand with the Coalition to Repeal PPT WI in advocating only for solutions and policies that ensure a shift to real property taxes does not occur, and that municipalities are reimbursed for their lost revenue.

Thank you for your consideration.

My name is Quentin Schultz, former owner and founder of BioDiagnostics, Inc., a molecular genetics company located in River Falls, WI. I am here today to support the passage of Senate Bill 218 which would eliminate the Personal Property Tax in Wisconsin. I have found the Personal Property Tax to be a very unfair tax and detrimental to the development of a vibrant business economy in this state. I object to this tax for 3 main reasons: its enforceability, problems of compliance, and cost of compliance.

Enforceability: I had operated my business in Wisconsin for seven years before I even heard of the personal property tax. The only way I learned of it was when I hired a new income tax accountant. He was looking for a deduction number for that tax. This leads me to believe that this tax has not been uniformly applied to all businesses across the state. Furthermore, after I did find out about this tax and attempted to comply, I was never audited to confirm the accuracy of my submission. I do not know if auditing of the personal property tax information is a normal practice around the state, but I suspect not.

Compliance: Once I became aware of this tax, I attempted to comply. I believe the folks who wrote the report form knew exactly what kinds of equipment were supposed to fit in each category; however, I found it to be quite confusing and very nebulous. I decided on an interpretation that favored me and began submitting my reports. After about 10 years I tired of trying to figure the brackets out and outsourced the job to my tax accountant. He and I obviously did not agree on placement of the various fixed assets into the different categories, because my tax bill doubled that year. Again, since we were never audited, we never really learned whether we were doing the reporting correctly. Compliance for this requirement has been option in many ways and consequently has been unfairly applied across the state.

Cost: My personal property tax usually ran from \$8,000-\$11,000 per year. It took me around 20 frustrating labor hours each year to attempt to comply with this requirement. When the tax bill came, I always viewed this tax as a penalty for investing in my company.

There are many ways that tax dollars could be spent to improve the lives of the citizens of this state. The needs seem to significantly outmatch the money available to meet those needs. The only way to raise the tax revenues to adequately address these issues is to create a vibrant business environment in this state. I want to thank those of you on the committee who have worked hard over that last 7 years to make this state a much more business friendly state. The elimination of the personal property tax is one more step in making Wisconsin businesses much more competitive in the national and international market. Please vote for passage of Senate Bill 218.