



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #831

### **State Aid for Exempt Computers (Shared Revenue and Tax Relief -- Direct Aid Payments)**

[LFB 2001-03 Budget Summary: Page 606, #5]

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#### **CURRENT LAW**

The state aid payment for computers was created in the 1998 budget adjustment bill (1997 Act 237) to compensate local governments for tax base lost due to the property tax exemption for computers, software and related equipment. Aid payments are calculated using a procedure that results in an aid amount equal to the amount of taxes that would be paid if the property was taxable. Under the procedure, computer owners report the value of exempt computers to assessors, and local governments calculate their tax rates as if the exempt value was taxable. Aid payments are calculated by multiplying the two amounts. Base funding for payments is \$71,000,000.

#### **GOVERNOR**

Increase funding by \$6,016,000 GPR in 2001-02 and \$10,171,000 GPR in 2002-03 to reflect growth in the value of exempt computers. Total aid payments under the sum sufficient appropriation are estimated at \$77,016,000 GPR in 2001-02 and \$81,171,000 GPR in 2002-03. Payments are made from the sum sufficient appropriation to compensate local governments for the tax base lost due to the property tax exemption for computers and related equipment.

#### **MODIFICATION TO BASE**

Increase funding by \$5,600,000 GPR in 2001-02 and \$7,400,000 GPR in 2002-03 to reflect reestimates of the sum sufficient aid payments at \$76,600,000 GPR in 2002 and \$78,400,000 GPR in 2003.

**Explanation:** State aid payments will equal the value of exempt computers in each municipality multiplied by the municipality's tax rate for all purposes, except for the 0.2 mil state forestry tax rate. The reestimate of computer aid reflects an analysis of preliminary reports for 2001 on exempt computer values filed by manufacturing taxpayers and local officials with DOR. To receive the exemption, taxpayers are required to file requests for the exemption with DOR, if a manufacturer, or with local assessors, if a business other than a manufacturer. The requests include information on the exempt property's original cost and its year of acquisition, which assessors use to estimate its value. Based on the reports for 2001, which will be used to calculate payments in 2002, the value of exempt computers is estimated at \$3.07 billion for 2001 and \$3.20 billion for 2002. The tax rates used in the calculation are based on actual tax rates for 2000(01), adjusted to reflect estimated changes in tax levies and values over the next two years. The reestimated amounts represent reductions of \$416,000 GPR in 2001-02 and \$2,771,000 GPR in 2002-03, compared to amounts in the bill.

<u>Modification</u>	<u>GPR</u>
<b>2001-03 FUNDING</b> (Change to Base)	\$13,000,000
<i>[Change to Bill</i>	<i>- \$3,187,000]</i>

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