



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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Joint Committee on Finance

Paper #710

State Aid for Tax Exempt Computers, Cash Registers, and Fax Machines -- Sum Sufficient Reestimate (Shared Revenue and Tax Relief -- Direct Aid Payments)

Bill Agency

[LFB 2007-09 Budget Summary: Page 507, #8]

CURRENT LAW

The state aid payment for computers was created in the 1998 budget adjustment bill (1997 Wisconsin 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 formula 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. A property tax exemption for fax machines, except those that are also copiers, and cash registers was created in the 2001-03 biennial budget bill (2001 Wisconsin Act 16), effective with property assessed as of January 1, 2003. State aid payments were extended for this exempt property, as well, and began in 2003-04. Last session, 2005 Wisconsin Act 25 changed the payment date for this program from the first Monday in May of each year to the fourth Monday in July of each year, beginning in 2007. This produced one-time savings in the 2005-07 biennium and established a base funding level for this biennium of \$0.

GOVERNOR

Estimate state aid payments of \$64,450,000 GPR in 2007-08 and \$64,180,000 GPR in 2008-09. These entire amounts represent increases in funding, due to the 2005 Wisconsin Act 25 change described above. The preceding amounts reflect payments for the 2007 and 2008

calendar years based on estimated exempt values for 2006 and 2007 and property tax rates for 2006(07) and 2007(08).

MODIFICATION

Estimate total aid payments of \$65,067,600 GPR in 2007-08 and \$65,300,000 GPR in 2008-09.

Explanation: Relative to the Governor's estimates, the reestimates are \$617,600 higher in 2007-08 and \$1,120,000 higher in 2008-09. The 2007-08 aid payment will be made in July 2007, and is based on 2006 exempt values and 2006(07) tax rates. Because both factors are known at this time, only minor changes to the reestimate will occur. For 2008-09, statewide exempt values are estimated to increase by 0.9%, from \$3,175 million to \$3,203 million and tax rates are expected to decline slightly (-0.6%). The administration's estimates assume exempt values will increase at a higher rate (2.1%), but assume a larger decrease in tax rates (-2.5%). The Legislative Fiscal Bureau estimate for 2008-09 incorporates tax rate estimates that were included in the Bureau's March 23, 2007, memorandum on SB 40 fiscal controls on local property taxes. Those estimates forecast a tax rate decrease that is less significant than the decrease that has occurred in prior years due to a lower estimated increase in taxable property values, reflecting decreased activity in the housing market.

	Change to Bill Funding	Change to Base Funding
GPR	\$1,737,600	\$130,367,600

Prepared by: Rick Olin