



## Legislative Fiscal Bureau

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May 14, 2015

Joint Committee on Finance

Paper #590

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

[LFB 2015-17 Budget Summary: Page 403, #1]

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#### **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. A provision in 2005 Wisconsin Act 25 produced one-time savings in the 2005-07 biennium by changing 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. Due to this law change, local governments' budgets for the current year anticipate receipt of the 2015-16 aid payment.

#### **GOVERNOR**

Increase estimated payments by \$2,560,000 GPR in 2015-16 and \$4,875,000 GPR in 2016-17 to reflect projected changes in tax rates and the value of exempt computers, cash registers, and fax machines. With these adjustments, base level funding of \$86,700,000 would increase to \$89,260,000 in 2015-16 and \$91,575,000 in 2016-17.

## MODIFICATION

Decrease estimated payments by \$2,960,000 GPR in 2015-16 and \$4,675,000 GPR in 2016-17.

**Explanation:** Total aid payments are estimated at \$86,300,000 GPR in 2015-16 and \$86,900,000 in 2016-17. These represent a decrease of 0.6% in 2015-16 (compared to the 2014-15 actual payment of \$86,802,200) and an increase of 0.7% in 2016-17 (over the 2015-16 reestimate). The 2015-16 aid payment will be made in July, 2015, and is based on 2014 exempt values and 2014(15) tax rates, which are both known at this time. For 2016-17, statewide exempt values are estimated to increase by 2.7%, from \$3,518 million to \$3,613 million, and tax rates are expected to decrease by 2.0%. This paper's reestimate for 2016-17 incorporates tax rate estimates that were included in the Legislative Fiscal Bureau's March 30, 2015, memorandum on property taxes under AB 21/SB 21. Those estimates reflect the Governor's proposals related to local government fiscal controls and local aid funding (including school aids) and forecast statewide tax levies increasing at a slightly slower pace than equalized values, producing an estimated decrease in the statewide average tax rate. The estimates under this modification may need to be revised based on the Committee's decisions regarding funding for state aid to local governments and related fiscal controls.

Change to Bill	
GPR	- \$7,635,000

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