



WISCONSIN STATE SENATE

**DAN KNODL**

STATE SENATOR • 8<sup>TH</sup> DISTRICT

**Assembly Bill 2**

Public Testimony

Assembly Committee on Ways and Means

June 8, 2023

Thank you, Chairman Macco and members of the Ways and Means Committee, for holding this hearing on Assembly Bill 2.

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 2 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. This amounts to a hidden tax on the small business's time, with compliance costs often surpassing the amount of the final bill. The requirements to comply with this convoluted and arbitrary tax hit start-ups particularly hard because the bulk of the tax liability occurs before the assets have a chance to depreciate. This discourages investment and unfairly targets small businesses when they are at their least profitable stages.

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, funding will follow this bill in the budget to backfill the lost revenue to these municipalities. The assurance of this income, combined with savings from reduced collection costs and lack of delinquent bills, 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 the 19<sup>th</sup> century. All of our neighboring states have already eliminated the tax. Our approach in Wisconsin has been much slower. Today, more than 50 exemptions to the personal property tax currently exist in state law. It is time to vote to end this tax for everybody and stop picking winners and losers.

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. Repealing the personal property tax will further grow this reform dividend.

This bill is the product of long and fruitful discussions with the Department of Revenue and industry stakeholders. If we can get this done, I have no doubt that this will be the single greatest accomplishment to come from Wisconsin's 106<sup>th</sup> legislative session. Thank you for your time, and I am happy to answer any questions you may have.



---

# DAVE ARMSTRONG

---

STATE REPRESENTATIVE • 75<sup>TH</sup> ASSEMBLY DISTRICT

## Testimony on Assembly Bill 2 June 8, 2023

Thank you for the opportunity today to speak on behalf of Assembly Bill 2, which will repeal Wisconsin's personal property tax once and for all.

I appear in the somewhat unusual position of being simultaneously the Number 2 and the lead *current* representative on the bill – then-Rep. Dan Knodl, of course, becoming Sen. Dan Knodl in the meantime. It is nevertheless a privilege to be able to speak in favor of a proposal to finally eliminate the antiquated, cumbersome personal property tax.

While the Legislature has made great strides over the years in rolling back the tax, certain properties remain taxable. For many local governments, the costs of administering the personal property tax exceed the revenue they bring in. Similarly, for many businesses, the time and money they spend to understand the law and complete the necessary paperwork are far out of proportion to any benefit the public receives from the tax. After over 150 years of increasing numbers of exceptions, the personal property tax is simply more trouble than it's worth.

Other speakers today who will be able to go into greater detail about how the personal property tax works – or, rather, doesn't work – on the ground and why it is essential to put this tax out of its misery. I want to thank Senator Knodl and Chairman Macco for all the work they have put into getting us to this point, and I hope the committee will act on AB 2 in the near future.

Thank you for your consideration.



# DUEY STROEBEL

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

## Testimony on AB 2

*June 8, 2023*

Thank you Chairman Macco and the Committee on Ways and Means for holding a hearing on Assembly Bill 2. AB 2 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. Assembly Substitute Amendment 1, along with the technical tweak in AA1 to ASA1, are the product of many hours of work from DOR, stakeholders and staff to harmonize stakeholder input with AB 2 and the Governor's version of repeal in his proposed executive budget. I want to thank DOR for working with the authors to get to where we are today. ASA 1 constitutes a bipartisan agreement on the technical language necessary to repeal the personal property tax. I ask everyone support it.

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 enactment 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.

107 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 enacted.

The personal property tax is a relic from a bygone era. Before the technology and infrastructure existed for the administration of other taxes, the personal 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. AB 2 can end this onerous, complicated and economically dampening tax once and for all. We will appropriate the funds to adequately compensate local governments for repeal in the upcoming Budget. Both parties indicated this intent with last session's JFC supplemental account set aside.

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 AB 2 to finally end this tax. Thank you.

---

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



*Tony Evers*  
Governor

*Peter W. Barca*  
Secretary of Revenue

**Information Only Testimony on Assembly Bill 2  
June 8, 2023  
Peter Barca, Secretary of the Department of Revenue**

Good morning, Chairman Macco, Ranking Member Conley, and members of the Assembly Committee on Ways and Means.

I appreciate the opportunity to provide written testimony for information only on Assembly Bill 2, a bill to eliminate the personal property tax. The Department of Revenue staff is pleased to have been part of the drafting of the latest revision of the bill to repeal the personal property tax.

We thank Chairman Macco in particular for jump-starting the conversation this legislative session and for his hard work and partnership in drafting this extensive bill. We'd like to thank all of the Assembly sponsors along with the Senate sponsors and Senate committee leadership for their active involvement in this issue.

While we want to recognize that the technical aspects of the personal property tax repeal have been addressed by the Assembly substitute amendment and the subsequent amendment, there are three issues outstanding – the backfilling of local government revenues and transportation fund revenues, as well as the administrative costs to DOR. Our need for administrative costs to be funded has increased since the Joint Finance Committee motion significantly reduced the funding that will be needed to perform new and complicated elements to assist local governments in cleanly repealing the personal property tax. These cuts came at a time when we were requesting additional resources in order to meet statutory timelines.

The drafting of this bill has proven challenging, as the personal property tax runs through many chapters of Wisconsin statutes. Our goal is, and has always been, clarity. The Department of Revenue staff is aiming for clarity to minimize litigation and thereby avoid, or at least minimize, potential unintended revenue loss to local governments and the state.

In working with organizations focused on small businesses, it has been abundantly clear that any effort to avoid litigation for small businesses would be welcomed and vital. Small businesses generally do not have attorneys on their staff, and retaining one is very costly. Additionally, the uncertainty of pending litigation for small businesses is very damaging from knowing how to budget and if they lose it can be disruptive to their ongoing operations, with often penalties and interest added on to a settlement.

In 2021, when a version of the personal property repeal passed, there were several components that were missing from the bill. We expressed concern over those issues, which unfortunately didn't get addressed, and ultimately factored into the Governor's veto along with the lack of a documented commitment to backfill future revenues for local governments.

As you are aware, the Governor has been supportive of repealing the personal property tax. In fact, the language for the repeal was put in the Governor's 2023-25 budget, which ensures that

local government funding is held-harmless by the repeal. Additionally, the Governor's budget included language and funding for this important initiative.

The legislative staff and the DOR team have put in many hours to ensure that this draft includes the relevant provisions to provide local government officials the direction they need to carry out the repeal, and correctly classify property in a post-repeal world. For example, the draft ensures assessors can transfer items, such as buildings on leased land from the personal property rolls to the real property rolls. We also added a provision to assist the local real property listers with obtaining abbreviated legal descriptions so that the shift can occur promptly. The needs of local treasurers, clerks, assessors, other local stakeholder groups, and business organizations have been taken into account as we worked to draft a comprehensive bill.

Again, we sincerely appreciate the consideration you and your staff have provided in getting to this point today, and we look forward to joining other states that have already repealed the personal property tax.

Thank you for the opportunity to provide this testimony. We appreciate your attention to this important matter and look forward to continued cooperation and the passage of this important bill.



**To:** Members of the Assembly Committee on Ways and Means  
Representative John Macco, Chair

**From:** Kathi Kilgore, WHLA Contract Lobbyist

**Date:** June 8, 2023

**Re:** Support for AB 2 - Eliminating the Personal Property Tax

The Wisconsin's Hotel & Lodging Association is made up of approximately 600 bed and breakfasts, vacation homes, hotels, motels, resorts and other industry partners who play a key role in the successful operation of lodging properties in the state. Our members span across all regions of the state, and we represent a great variety of independent, franchise, family-owned and corporate-owned properties. Some have restaurants, some have attractions and some are single units that allow you to get away from it all.

No matter what type of property they run or which corner of the state they do business in, WHLA members support the repeal of Wisconsin's archaic Personal Property Tax. For decades, the Legislature has been chipping away at the tax, picking winners and losers by exempting specific equipment and industries. This unfair approach has put the tax and compliance burden on Wisconsin's lodging industry and other "Main Street" businesses.

We know that these taxes are a factor when developers decide if they are going to invest in new hotels in our communities, and the personal property tax deters economic development throughout the state. The lodging industry is already paying sales tax to acquire personal property items, like tables, chairs, beds and other furniture and fixtures, so it is especially unfair to continue to tax us year after year on the same goods. Lodging properties who try to "stay fresh" remodel and upgrade fixtures and furnishings on a regular basis, so we aren't able to fully depreciate our personal property. Oftentimes, our franchise agreements require it every seven years.

Thank you for giving me the opportunity to share this update with you, and I look forward to working with you all to bolster Wisconsin's tourism economy to help advance our great state.



**To:** Members of the Assembly Committee on Ways and Means  
Representative John Macco, Chair

**From:** Michael Luehrs, General Manager, Hilton Garden Inn Madison Downtown

**Date:** June 8, 2023

**Re:** Support for AB 2 - Eliminating the Personal Property Tax

Good morning Chair Macco and committee members, I appreciate the opportunity to be here today as a representative from Wisconsin's hotel and lodging industry.

My organization, Raymond Management Company, operates multiple lodging facilities throughout the state of Wisconsin, including the Hilton Garden Inn Madison Downtown where I serve as the General Manager. I'm here to ask for your support in repealing Wisconsin's Personal Property Tax.

All of our properties are located in municipalities that impose a Personal Property Tax, and the annual bills start at more than \$13,256 and go to \$83,004 depending on the property. Please note that we paid \$171,082 in total Personal Property Tax last year alone. Hotels rely on furniture, fixtures, and equipment to provide travelers to Wisconsin with a great experience. Unfortunately, we do not enjoy the same exemptions that other industries get. We pay extra when others do not. This is unfair. These taxes not only hold down our profitability, but they leave us with fewer resources to invest in our employees, our business, and the communities we serve.

Each property that we manage in Wisconsin is a franchise, from my property here in Madison to Home2 Suites by the Milwaukee Airport. Our franchise contracts require us to keep our properties updated to meet Hilton brand standards. This means we are required to make ongoing investments in our facilities. When we are purchasing new products, we are paying sales tax, but then we continue to pay the personal property tax on these items well into the future. This also adds an administrative burden on our businesses, as we need to be sure that we are tracking and reporting our personal property correctly in each of the municipalities we have hotels.

Of course, the repeal of this tax has a much broader impact on the business community, it is not just about our hotels. So many of the "Main Street" businesses in the communities we serve are saddled with the same problems that we have with this tax. Now that Wisconsin has the resources to eliminate this tax once and for all, I strongly urge you to support Assembly Bill 2.

A handwritten signature in black ink that reads "Michael Luehrs".

Michael Luehrs  
General Manager  
Hilton Garden Inn Madison Downtown  
Raymond Management Company

Hilton Garden Inn Madison Downtown  
770 Regent St  
Madison, WI 53715

T 6082519588  
F 6082861522  
madisondowntown.hgi.com





**Statement Before the  
Assembly Committee on Ways and Means**

**By**

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

**Thursday, June 8, 2023**

**Assembly Bill 2**

---

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

Assembly Bill 2, which would eliminate the personal property tax, is critically important to small business.

Wisconsin's small business community continues to struggle in these months of post pandemic. And while some businesses have reopened, others will never reopen, still others struggle to capture the economic strength and viability enjoyed during the months before the 2020 pandemic.

Small businesses continue to face economic headwinds including the uncertainty of inflation and the on-going challenge of workforce shortages. Last week, NFIB released the monthly Small Business Jobs Report showing Main Street businesses have record high levels of job openings – 63 percent reported hiring or trying to hire in May, while 89 percent of those owners reported few or no qualified applicants for the positions they had available to fill.

To be competitive with all our surrounding states, promote economic development, and most importantly, encourage small business creation and growth, we believe the elimination of the personal property tax is a key reform that will have a positive impact on the bottom line of small businesses throughout our state.

**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)**



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

June 8, 2023

TO: Assembly Committee on Ways and Means  
John Macco, Chair

FR: Susan Quam, WRA Executive Vice President

Thank you for the opportunity to share written comments relating to the repeal of the Personal Property Tax (PPT) – AB 2.

- Over many decades, many industries have been exempted from paying the PPT based on their business activities. However, main street businesses, like restaurants pay the PPT tax over and over again on fixtures and equipment that they already paid state and county sales tax on when purchased
- There are businesses, such as bakeries, that restaurants compete with those who do not pay PPT on their equipment and fixtures, but restaurants still do. This is not fair and creates an uneven playing field
- For a lot of restaurants, especially independent operators, the fixtures and furniture on which PPT is owed, has already fully depreciated and is no longer on their balance sheets, yet they still must have it on their PPT roster
- Restaurants margins are thin. In 2019 the average Wisconsin restaurant had a profit margin of 3-5 percent. Now, many are just breaking even or may have a 1-2 percent margin. Eliminating the PPT will help the industry continue to recover from pandemic and the inflationary forces caused by the pandemic that are out of restaurant operator's control. While Wisconsin restaurants are busy, that does not mean they have recovered from terrible years in 2020 and 2021. *(Please see other side for more info on the state of the restaurant industry)*
- The PPT discourages most independent restaurants from remodeling or investing in their business. If a restaurant is a franchise, it is required to remodel every 7-10 years, forcing those restaurants to pay even higher PPT, since the fixtures are newer and never fully depreciated before replacement
- Please help all the businesses who unfairly still pay this onerous tax each year and finish the job to repeal the Personal Property Tax!

*The Wisconsin Restaurant Association (WRA) represents over 7,000 restaurant locations statewide and represents all segments of the restaurant and hospitality industry. Our membership includes food establishments of all types and sizes, such as seasonal drive-ins, supper clubs, diners, bars, locally owned franchisees, fine-dining, and hotels/resorts. Over 75 percent of our membership are independent restaurants or restaurant groups. 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.*



# CHALLENGES FOR RESTAURANTS CONTINUE TO PILE ON

Many restaurants continue to struggle to bounce back from the cumulative negative impacts of the COVID-19 pandemic. New challenges are now piling on including an intensified worker shortage, inflation and supply chain instability.

## Profitability is expected to remain challenged in 2023

Despite the wide variety of mitigating actions taken to address higher costs, a strong majority of Wisconsin restaurant operators **do not expect their profitability to improve in 2023.**

**45% of operators** think they will be less profitable in 2023.

Wisconsin restaurants will continue **expanding payrolls**— unless business conditions deteriorate.

**65% of operators** say their restaurant currently **does not have enough employees** to support its existing customer demand.

**92% of restaurant operators** say they will **likely hire additional employees** during the next 6-12 months if there are qualified applicants available.

**Supply chain disruptions** continue to impact Wisconsin restaurants

**97% of operators** say their restaurant experienced supply delays or shortages of key food or beverage items during the past 6 months.

**79% of operators** said they experienced supply delays or shortages of equipment or service items in recent months.

## Elevated costs continue to negatively impact Wisconsin restaurants

Elevated costs across all parts of the operation are creating significant challenges for restaurants. Restaurant operators in Wisconsin took a number of actions in recent months as a result of higher costs:



The Wisconsin Restaurant Association and the National Restaurant Association continue to tell the restaurant story, underscoring the need to provide support for restaurants.

[wirerestaurant.org](http://wirerestaurant.org)



**Testimony**

On Behalf of the

**Wisconsin Grocers Association**

Before the

**Assembly Committee on Ways and Means**

**Assembly Bill 2**

June 8, 2023

Please accept this testimony in support of Assembly Bill 2 eliminating the personal property tax.

For Wisconsin's grocery industry and many other retailers such as convenience stores, the elimination of the personal property tax would be welcome news for two predominant reasons.

Primarily, it is the elimination of a burdensome tax, both financially and in the amount of time effort it takes to comply. The items WGA members pay property tax on have already been taxed and the process is complicated, time-consuming, and may not be consistent from one municipality to another. This compounds the problem for operators with stores in multiple counties. Without this tax, some retailers may be able to invest in their people, others may be able to upgrade equipment or facilities, and WGA acknowledges that some businesses may barely even realize it's gone. But the grocery industry will take notice.

Second, the elimination of this tax that is as old as statehood, is a signal to businesses small and large that the legislature and the administration are taking active steps to clarify and streamline Wisconsin's tax code to reflect a more modern way of doing business.

WGA appreciates the work and efforts of the authors, the co-sponsors, legislative staff, and the administration. The grocery industry hopes that you will all be able to support this legislation.

-OVER-



**The Wisconsin Grocers Association (WGA) is a non-profit trade association established in 1900 to represent independent grocers and grocery chains, warehouses & brokers, vendors, suppliers, and manufacturers before all levels of government. The WGA provides educational and networking opportunities, leadership training, public affairs, and compliance information for its membership.**

**WGA and its membership have a significant Economic Impact in the state of Wisconsin.** The WGA represents nearly 350 independent grocers with multiple locations across the state, more than 200 retail grocery chain stores, warehouses and distributors, convenience stores, food brokers and suppliers. Wisconsin grocers employ over 30,000 people with over \$1 billion in payroll and generate more than \$12 billion in annual sales in Wisconsin resulting in approximately \$800 million in state sales tax revenue. (Data provided by The Food Institute).

**CONTACT:** Mike Semmann, (608) 516-8567  
[msemmann@wisconsin-grocers.com](mailto:msemmann@wisconsin-grocers.com)  
Vice President Government Affairs



## PROFESSIONAL INSURANCE AGENTS OF WISCONSIN, INC.

725 Heartland Trail, Ste. 108, Madison, WI 53717 • (608) 274-8188 • piaw.org

To: Members, Assembly Committee on Ways and Means

From: Peter Hanson, Executive Director, Professional Insurance Agents of Wisconsin

Date: June 8<sup>th</sup>, 2023

**RE: Support Assembly Bill 2**

---

Thank you to Chairman Macco and members of the committee for holding a hearing on Assembly Bill 2, relating to repealing the personal property tax in Wisconsin. We appreciate the opportunity to submit testimony on this priority issue.

The Professional Insurance Agents of Wisconsin is a non-profit trade organization representing thousands of independent insurance agents at agencies across the state. The vast majority of these agencies are small businesses with a handful of employees or fewer. They are a perfect example of those that this burdensome tax continues to negatively impact.

Independent agencies can be found on main streets throughout the state and are staples in their communities. Due to exemptions added to the law over the years, independent agencies contain exactly the remaining contents that continue to be affected by the personal property tax - chairs, desks, tables, couches, light fixtures, etc. Every year, these furnishings must be tallied, and the tax must be calculated. It is extremely common for these agencies to pay more in accounting fees associated with calculating the tax than they are paying in the tax itself.

Not only is it a burden on agencies to calculate this tax, but it is also disincentivizing agencies from investing in their business. Our members are hesitant to invest in their business and have indicated that they have put off remodels and renovations to their agency to avoid increasing their personal property tax burden. Repealing this tax will remove this annual burden and allow owners to invest wholeheartedly in their businesses without fear of this duplicative taxation.

Repealing the personal property tax has been a longstanding priority issue for the Professional Insurance Agents of Wisconsin. Considering the projected surplus of the state, we urge you to finally relieve Wisconsin small businesses of this outdated burden.

Thank you again for taking the time to hear this imperative legislation and please support its timely passage. If you have any questions, please do not hesitate to contact me.