



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

April 19, 2021

TO: Members  
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: Property Tax Estimates Under the Governor's Budget Bill

This memorandum provides an estimate of the effects of Assembly Bill 68 and Senate Bill 111 (the Governor's 2021-23 biennial budget bill) on property taxes. This memorandum also updates the property tax estimates for the 2020(21) tax year based on reports filed with the Department of Revenue (DOR) by local governments.

For school districts, the Governor's budget bill (AB 68/SB 111) would make several changes that would affect the statewide school levies, including: (a) providing a revenue limit per pupil adjustment of \$200 in 2021-22 and \$204 in 2022-23; and (b) increasing the low revenue adjustment under revenue limits from \$10,000 per pupil in 2020-21 to \$10,250 per pupil in 2021-22 and \$10,500 per pupil in 2022-23. The bill would also specify that for the purpose of calculating a school district's revenue limit for the 2021-22, 2022-23, and 2023-24 school years, the number of pupils enrolled in the district in the 2020-21 school year is the sum of (a) the greater of the number of pupils enrolled in the district's September enrollment count in the 2019-20 school year or in the 2020-21 school year; and (b) the greater of 40% of the district's summer enrollment in the 2019-20 school year or in the 2020-21 school year. These changes would provide an estimated increase in statewide revenue limit authority of \$175 million in 2021-22 and \$335 million in 2022-23, which would be offset by a funding increase for general school aids of \$221 million in 2021-22 and \$391 million in 2022-23.

Technical college districts have been subject to a revenue limit since the 2014 tax levy. Under the limit, each district cannot increase revenue in any year by a percentage greater than its valuation factor, defined as the greater of 0% or the percentage change in the district's equalized value due to net new construction in the district in the prior year. For purposes of the limit, revenue is defined as the sum of the district's tax levy, its personal property aid payment, and its property tax relief aid, which is the district's share of the \$406 million aid payment to technical college districts that was created by 2013 Wisconsin Act 145. The bill would change the technical college districts revenue limits so that a district would not be allowed to exceed its revenue in the previous school year by the greater of 2% or the percentage change in its equalized value due to net new construction. This

provision would increase technical college levies by an estimated \$3.3 million in 2021(22) and \$5.5 million in 2022(23).

For municipalities and counties, AB 68/SB 111 would make several modifications to the county and municipal levy limit program. Under the current law limit, initial levy increases for each municipality and county are based on the greater of 0%, or the percentage change in each jurisdiction's tax base due to net new construction that occurred in the jurisdiction during the prior year. AB 68/SB 111 would make these primary changes to the levy limit program:

1. Change the definition of "valuation factor" so that the minimum allowable percentage change to county and municipal levies would be 2% rather than 0%. Current law prohibits counties and municipalities from increasing their levies by a percentage that exceeds their valuation factor. The "valuation factor" is currently defined as a percentage change equal to the greater of either the percentage change in a county or municipality's January 1 equalized value due to net new construction, or 0%.

2. Repeal the negative levy limit adjustment for fees for covered services. Current law requires counties and municipalities to reduce their allowable levies by an amount equal to the estimated fee revenues received in lieu of property taxes for providing a covered service that was funded with the property tax levy in 2013. A "covered service" is defined to mean garbage collection, fire protection, snow plowing, street sweeping, or storm water management, although some specific exceptions exist. Under this provision, counties and municipalities that receive new or additional annual fee revenues for covered services, which were previously funded from their levy, would no longer be required to reduce their allowable levies by the estimated annual fee revenues.

3. Repeal the negative levy limit adjustment for services transferred to another local government. Current law requires counties and municipalities to reduce their allowable levy after transferring the responsibility for providing a service to another unit of government, by an amount equal to the cost that the county or municipality would have incurred if it had continued to provide the transferred service.

AB 68/SB 111 would also create two limited exclusions to the levy limit for costs related to new or enhanced transit services across adjacent county or municipal borders, as well as for amounts levied to pay for a county or municipality's share of a regional planning commission. These exclusions are not expected to have a measurable effect on county and municipal levies.

Increasing the minimum allowable levy increase to 2% would increase municipal levies by an estimated \$20.8 million in 2021(22) and \$22.2 million in 2022(23). This provision would also increase estimated county levies by \$12.5 million in 2021(22) and \$12.8 million in 2022(23). Repealing the negative adjustment for fees for covered services would increase municipal levies by an estimated \$0.7 million in each year, but would have no effect on county levies. Finally, repealing the negative adjustment for services transferred to another unit of local government would increase municipal levies by an estimated \$0.1 million in each year, but would have no estimated effect on county levies in the biennium. These estimates are based on adjustments made since 2014.

AB 68/SB 111 would make several changes to funding for school district categorical aid, county and municipal aid (shared revenue), general transportation aid for counties and municipalities, and state general aid for technical college districts. However, due to the way the local fiscal controls are structured, these funding changes are not estimated to have a measurable effect on the tax levies of school districts, counties, municipalities, or technical college districts.

Based on reports filed with DOR, gross property tax levies are estimated to total \$11,968.5 million on a statewide basis for 2020(21). This represents a 3.0% increase relative to the 2019(20) statewide total of \$11,618.2 million. After applying state property tax credits, net property tax levies in 2020(21) are estimated to be \$10,647.4 million, an increase of 3.8% compared to the 2019(20) total of \$10,262.1 million. Under AB 68/SB 111, gross property tax levies would increase on a statewide basis by an estimated 2.1% in 2021(22) and by an estimated 2.2% in 2022(23), while net property tax levies would increase on a statewide basis by an estimated 2.1% in 2021(22) and by an estimated 2.6% in 2022(23). The following table reports these amounts by type of taxing jurisdiction.

Under current law, for 2021(22) and 2022(23), gross levies are estimated to increase by 1.0% and 1.7% for school districts, by 3.0% and 3.2% for technical college districts, by 3.1% in each year for municipalities, and by 2.2% in each year for counties. Statewide 2021(22) levies under AB 68/SB 111 are estimated to increase by 0.2% and 1.5% for school districts, by 3.7% and 3.6% for technical college districts, by 3.8% and 3.1% for municipalities, and by 2.8% and 2.2% for counties.

The table also shows estimates of the impact of various tax amounts on the median-valued home taxed at the statewide average tax rate. Home value estimates are based on the values reported by the American Community Survey (ACS), which is an annual survey carried out by the US Census Bureau. The median home value is projected to increase by 4.3% in 2021 and 3.0% in 2022. Comparatively, total statewide equalized values are projected to increase by 5.4% in 2021 and 4.0% in 2022.

Since total equalized values are expected to increase faster than the median home value, the estimated property tax change on a median-valued home is less than the estimated rate of change of statewide tax levies. Under the bill, statewide net levies are estimated to increase by 2.1% in 2021(22) and by 2.6% in 2022(23). In comparison, the estimated net tax bill on a median-valued home is estimated to increase by 0.7% in 2021(22) and by 1.9% in 2022(23). Net tax bills are estimated at \$3,337 for 2021(22) and \$3,400 for 2022(23) under AB 68/SB 111, compared to \$3,341 for 2021(22) and \$3,408 for 2022(23) under current law.

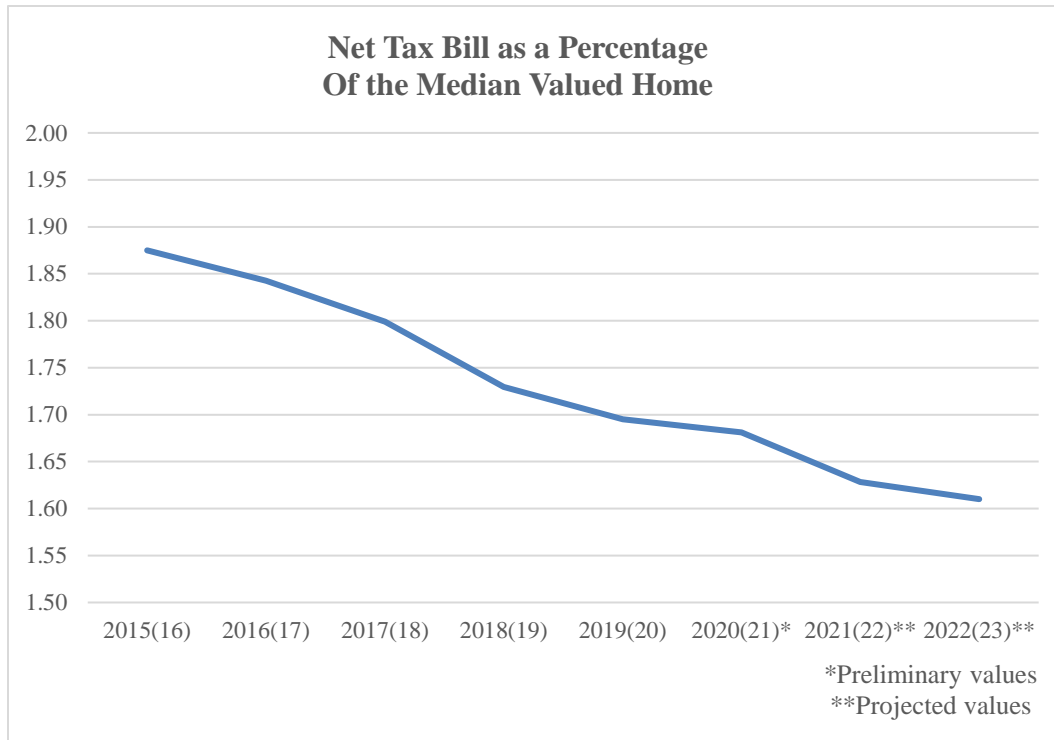
The Governor's proposals related to school levies would have the greatest effect on the tax bill in the biennium. These provisions would result in estimated reductions to the gross school tax on the median-valued home of \$15 in 2020(21) and \$18 in 2021(22), before applying property tax credits in those years.

## Property Tax Estimates Under AB 68/SB 111

	Final	Preliminary	Estimates Based on Provisions	
	<u>2019(20)</u>	<u>2020(21)</u>	<u>in the Governor's Budget</u>	
			<u>2021(22)</u>	<u>2022(23)</u>
<b>Tax Levies (In Millions)</b>				
Municipalities	\$3,020.0	\$3,109.2	\$3,227.4	\$3,328.4
Counties	2,280.8	2,327.8	2,391.8	2,444.8
School Districts	5,209.4	5,379.8	5,390.0	5,470.0
Technical College Districts	471.2	486.5	504.3	522.5
Tax Increment Districts	519.3	545.5	590.0	604.7
Special Purpose Districts	117.5	119.6	121.7	123.9
Gross Property Tax Levies	\$11,618.2	\$11,968.5	\$12,225.3	\$12,494.3
Change to Prior Year		350.2	256.8	269.0
Net Property Tax Levies	10,262.1	10,647.4	10,874.1	11,159.8
Change to Prior Year		385.3	226.6	285.7
<b>Percent Change</b>				
Municipalities		3.0%	3.8%	3.1%
Counties		2.1	2.8	2.2
School Districts		3.3	0.2	1.5
Technical College Districts		3.3	3.7	3.6
Tax Increment Districts		5.1	8.2	2.5
Special Purpose Districts		1.8	1.8	1.8
Gross Property Tax Levies		3.0%	2.1%	2.2%
Net Property Tax Levies		3.8	2.1	2.6
<b>Tax Bill Estimate -- Current Law</b>				
Median-Valued Home	\$188,500	\$197,200	\$205,600	\$211,800
Tax Bill Estimate	3,195	3,315	3,341	3,408
Change Over Prior Year				
-Amount		\$120	\$26	\$67
-Percent		3.8%	0.8%	2.0%
<b>Tax Bill Estimate -- AB 68/SB 111</b>				
Median-Valued Home	\$188,500	\$197,200	\$205,600	\$211,800
Tax Bill Estimate	3,195	3,315	3,337	3,400
Change Over Prior Year				
-Amount		\$120	\$22	\$63
-Percent		3.8%	0.7%	1.9%
Change Over Current Law				
-Amount			-\$4	-\$8
-Percent			-0.1%	-0.2%

The figures in the table are estimates for the state as a whole. The tax impacts on individual municipalities would vary considerably from these figures.

While the total net tax bill on a median-valued home is expected to increase in each year, the net tax bill as a percentage of the value of the home will decrease. In 2020(21), the net tax bill is estimated to be 1.7% of the home value. In both 2021(22) and 2022(23), the net tax bill is estimated to be 1.6% of the home value, both under the bill and under current law. The figure below reports the net tax bill as a percentage of the median home value since 2015(16).



BL/NA/lb