

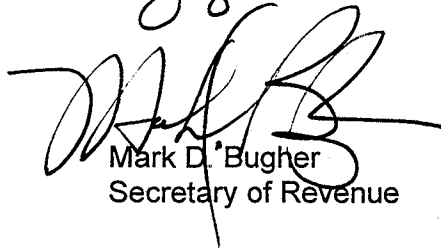
CERTIFICATE OF RULE ADOPTION

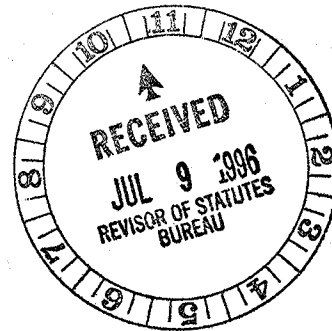
STATE OF WISCONSIN)
) SS
DEPARTMENT OF REVENUE)

I, Mark D. Bugher, Secretary of the Department of Revenue and custodian of the official records, certify that the annexed rules, relating to the assessment of agricultural property as affected by 1995 Wisconsin Act 27, were duly approved and adopted by this department on July 3, 1996.

I further certify that this copy has been compared by me with the original on file in this department and that it is a true copy of the original, and of the whole of the original.

IN TESTIMONY WHEREOF, I have hereunto set my hand at 125 South Webster Street in the city of Madison, the 8th day of July, 1996.


Mark D. Bugher
Secretary of Revenue



ORDER OF THE DEPARTMENT OF REVENUE

The Wisconsin Department of Revenue adopts an order to repeal and recreate Chapter Tax 18 implementing ss. 70.32(2) and 70.32(2r)(a), Stats., as affected by 1995 Wisconsin Act 27.

ANALYSIS PREPARED BY THE WISCONSIN DEPARTMENT OF REVENUE

Statutory Authority: ss. 70.32(2)(c)1 and 227.11(2)(a), Stats., and 1995 Wisconsin Act 27, s. 9148(1x)

Statutes Interpreted: ss. 70.05(5), 70.32(2) and 70.32(2r)(a), Stats., and 1995 Wisconsin Act 27, s. 9148(1x)

Chapter Tax 18 is repealed and recreated to guide assessors in classifying and valuing agricultural property for the assessments on January 1, 1996 and January 1, 1997.

Under prior law, agricultural land was assessed for property tax purposes at the market value of its highest and best use. 1995 Wisconsin Act 27 changes the way agricultural land is assessed for property taxes, and requires the Department of Revenue to promulgate rules and define terms necessary to implement the new assessment procedure.

This rule provides the following definitions:

- (1) "Land devoted primarily to agricultural use" means land classified agricultural in 1995 that is not in a use that is incompatible with agricultural use on the assessment date. Swamp or waste or productive forest land located in villages and cities is not devoted primarily to agricultural use, and agricultural buildings and improvements and the land necessary for their location and convenience are not devoted primarily to agricultural use.

Under prior law, swamp or waste or productive forest land located in villages and cities was classified agricultural because villages and cities were not permitted to classify land swamp or waste or productive forest land. Since 1995 Wisconsin Act 27 requires villages and cities to use the swamp or waste and productive forest land classifications, all such land located in villages or cities is to be reclassified swamp or waste or productive forest, according to the Wisconsin Property Assessment Manual.

- (2) "Other" means agricultural buildings and improvements and the land necessary for their location and convenience.
- (3) "Parcel of agricultural land" means land devoted primarily to agricultural use within a single legal description.

The definition of "parcel of agricultural land" used here implements the intent of the legislature in only freezing the assessment of agricultural land. If a "parcel of agricultural land" were defined as the complete legal description of a tract which was predominantly agricultural, the assessment of non-agricultural land within the legal description would be frozen. Similarly, the assessment of agricultural land within a legal description which was not predominantly agricultural would not be frozen.

Under 1995 Wisconsin Act 27, the assessment of each parcel of agricultural land on January 1, 1996 and on January 1, 1997 is frozen at the amount of its assessment on January 1, 1995. "Other", which consists solely of agricultural buildings and improvements and the land necessary for their location and convenience, is assessed according to s. 70.32(1), Stats., on January 1, 1996 and January 1, 1997.

SECTION 1. Chapter Tax 18 is repealed and recreated to read:

Chapter Tax 18

ASSESSMENT OF AGRICULTURAL PROPERTY IN 1996 AND IN 1997

18.01 Purpose

18.02 Definitions

18.03 Assessment of Agricultural Property in 1996 and in 1997

Tax 18.01. PURPOSE

The purpose of this chapter is to establish definitions and provide criteria that will facilitate implementation of 1995 Wisconsin Act 27 with regard to the assessment of agricultural land in 1996 and in 1997.

Tax 18.02. DEFINITIONS In this chapter:

- (1) "Land devoted primarily to agricultural use" means land classified agricultural in 1995 that is not in a use that is incompatible with agricultural use on the assessment date. Swamp or waste or productive forest land located in villages and cities is not devoted primarily to agricultural use, and agricultural buildings and improvements and the land necessary for their location and convenience are not devoted primarily to agricultural use.

Note: Under prior law, swamp or waste or productive forest land located in villages and cities was classified agricultural because villages and cities were not permitted to classify land swamp or waste or productive forest land. Since 1995 Wisconsin Act 27 requires villages and cities to use the swamp or waste and productive forest land classifications, all such land located in villages or cities is to be reclassified swamp or waste or productive forest, according to the Wisconsin Property Assessment Manual.

Example: Twenty (20) acres of agricultural land were sold and recorded as a legal description in April 1995 and commercial construction began in October 1995. Although the land was in agricultural use in 1995, this legal description is not devoted primarily to agricultural use due to the construction on the property.

Example: Under a conditional use permit, an owner opens a 15-acre sand and gravel quarry on a 40-acre legal description in October 1996. Although the 15 acres were in agricultural use during 1996, extraction of sand and gravel is incompatible with agricultural

use. Therefore, the 15 acres are not devoted primarily to agricultural use and are not classified agricultural in 1997.

- (2) "Other" means agricultural buildings and improvements and the land necessary for their location and convenience.

Example: A legal description of 40 acres is located in a village and includes a house and other agricultural buildings and improvements on 2 acres of land, 18 acres of forest, and 20 acres in corn. Although all 40 acres were classified agricultural in 1995, only the 20 acres of cropland are devoted primarily to agricultural use and are classified agricultural in 1996 and 1997; the house, agricultural buildings and improvements and 2 acres are classified "Other", and 18 acres are classified productive forest.

- (3) "Parcel of agricultural land" means land devoted primarily to agricultural use within a single legal description.

Note: The definition of "parcel of agricultural land" used here implements the intent of the legislature in only freezing the assessment of agricultural land. If a "parcel of agricultural land" were defined as the complete legal description of a tract which was predominantly agricultural, the assessment of non-agricultural land within the legal description would be frozen. Similarly, the assessment of agricultural land within a legal description which was not predominantly agricultural would not be frozen.

Example: A farmer sells 5 acres of a 40-acre legal description in February 1996 and the 5 acres are recorded as a separate legal description. The farmer rents back the 5 acres and continues working the entire 40 acres. The 5 acres are a parcel of agricultural land. Had residential construction begun on the 5-acre legal description by January 1, 1997, it would not be a parcel of agricultural land.

Example: A residence and a 1-acre vegetable garden are located on a 2-acre legal description that was classified residential in 1995. Although the owner produces vegetables and may sell some at a farmer's market, the 2-acres do not constitute a parcel of agricultural land.

Tax 18.03. ASSESSMENT OF AGRICULTURAL PROPERTY IN 1996 AND IN 1997

- (1) For assessments as of January 1, 1996 and January 1, 1997, the assessed value of each parcel of agricultural land is the assessed value of that parcel as of January 1, 1995.
- (2) For assessments as of January 1, 1996 and January 1, 1997, property classified Other is assessed according to s. 70.32(1), Stats.

Example: Thirty-seven (37) acres of a 40-acre legal description are devoted primarily to agricultural use and are assessed as provided in sub. (1). The remaining 3 acres are needed for the location and convenience of a residence, barn, farm buildings, and well. The 3 acres, residence, buildings and facilities are assessed according to s. 70.32(1), Stats., on January 1, 1996 since they are classified "Other".

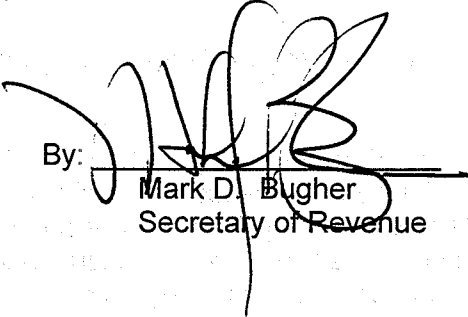
FINAL REGULATORY FLEXIBILITY ANALYSIS

This rule order is not expected to directly affect small business and, therefore, under s. 227.114(8)(b), a regulatory flexibility analysis is not required.

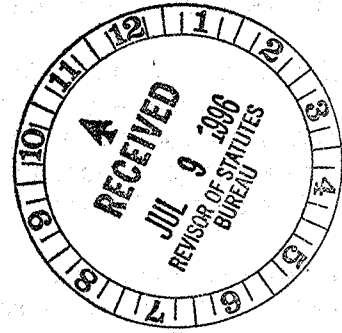
This rule shall take effect on the first day of the month following publication in the Wisconsin administrative register as provided in s. 227.22(2)(intro.), Stats.

DEPARTMENT OF REVENUE

Dated: July 8, 1996

By: 
Mark D. Bugher
Secretary of Revenue

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LRB or Bill No./Adm. Rule No.
 TAX 18
 Amendment No. if Applicable

FISCAL ESTIMATE
 DOA-2048 N(R10/94)

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

Subject
 Assessment and Classification of Agricultural Property in 1996 and 1997

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

Increase Costs - May be Possible to Absorb Within Agency's Budget Yes No

Decrease Costs

Local: No Local Government Costs

1. Increase Costs
 Permissive Mandatory
 2. Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
 4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:

- Towns Villages Cities
 Counties Others special districts
 School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

20.835(2)(dm), (2)(q) and (3)(q)

Assumptions Used in Arriving at Fiscal Estimate

Under prior law, agricultural land was assessed at full market value. Under current law, as implemented under this administrative rule, parcels of agricultural land are assessed on both January 1, 1996 and on January 1, 1997 at their January 1, 1995 level of assessment.


Since the taxable value of agricultural land will not increase on January 1, 1996 nor on January 1, 1997, property taxes will be shifted from agricultural land to other classes of property, state equalization aids will be reallocated and state forestry taxes will be lower than under prior law. The property tax shift will also affect state costs for tax credit programs and state tax revenues. In addition, the state and municipalities will incur costs to implement the new assessment system.

Local Fiscal Effect

Property Tax Shifts. The equalized value of agricultural land was \$9.02 billion on January 1, 1995. Assuming its value grows by 5.9% in 1996 and 1997, as it did in 1995, agricultural land assessments would be \$0.53 billion (5.9% x \$9.02 billion) lower in 1996, and \$1.10 billion [(1.059 x 1.059 x \$9.02 billion) - \$9.02 billion] lower in 1997 than under prior law. Assuming a net statewide tax rate of \$23 per \$1,000 of value,

(continued on page two)

Long-Range Fiscal Implications

Agency/Prepared by: (Name & Phone No.) Wisconsin Department of Revenue Blair P. Krueger (608) 266-1310	Authorized Signature/Telephone No. Yeang-Eng Braun (608) 266-2700 	Date 3/20/96
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\$12.2 million ($\$0.53 \text{ billion} \times 0.023$) in property taxes would be shifted from agricultural land to other classes of property in 1996, and \$25.3 million ($\$1.10 \text{ billion} \times 0.023$) would be shifted in 1997.

Property taxes on agricultural land would be 5.57% less and property taxes on other classes of property would be 0.25% higher in 1996 than under prior law. In 1997, property taxes on agricultural land would be 10.89% less, and property taxes on other classes of property would be 0.48% higher than under prior law.

Administrative Costs. Under the new system for assessing agricultural land, property assessors will have to reclassify agricultural buildings and improvements into a new class of property, called "Other". In addition, some agricultural land in cities and villages must be reclassified "Productive Forest Land" or "Swamp or Waste" under the new classification system. Also, the number of objections filed with Boards of Review are likely to increase as the new system of property classification and assessment of agricultural land is implemented. The costs of reclassification and other implementation costs required under the new system cannot be reliably estimated.

State Fiscal Effect

Revenue and Expenditure Effects. The property tax shift from agricultural land to other classes of property of \$12.2 million in 1996 and \$25.3 million in 1997 would also affect state revenues and expenditures. The major effects are:

1. Farmland Preservation Credits will decline in 1996 and 1997 since claimants' property taxes will be lower and household incomes will be higher than under prior law. Credits in 1996 will be about \$1.0 million lower due to a property tax decline of about \$3.3 million and a resulting increase in household income of about \$3.3 million. Credits in 1997 will be about \$2.0 million lower due to a property tax decline of about \$6.8 million and a resulting increase in household income of about \$6.8 million.
2. The Farmland Tax Relief Credit is 10% of up to \$10,000 in property tax paid on agricultural land. Assuming \$8 million of the \$12.2 million shift of 1996 property taxes from agricultural land, and \$16 million of the \$25.3 million shift of 1997 property taxes, are attributable to Farmland Tax Relief Credit claimants, the credit will decline by about \$0.8 million ($10\% \times \8 million) in 1996 and by about \$1.6 million ($10\% \times \16 million) in 1997. The \$0.8 million and \$1.6 million decline in Farmland Tax Relief Credit will increase the amount available for the lottery credit by \$0.8 million in 1996 and by \$1.6 million in 1997.
3. The State Forestry Tax, levied at \$0.20 per \$1,000, would be about \$100,000 ($\$0.0002 \times \0.53 billion) less in 1996, and about \$220,000 ($\$0.0002 \times \1.1 billion) less in 1997 than under prior law.

Administrative Costs. The Department of Revenue will have to reprogram computer systems to include "Other" property and update equalization databases for property reclassifications and for changes in acreages. The Department will also have to change a number of property tax reporting forms and systems. In addition, the *Wisconsin Property Assessment Manual* will require revision to incorporate the substance of this rule.

FISCAL ESTIMATE WORKSHEET
Detailed Estimate of Annual Fiscal Effect
DOA-2047(R10/94)

ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB or Bill No /Adm Rule No	Amendment No.
TAX 18	

Subject

Assessment and Classification of Agricultural Property in 1996 and 1997

I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:	Annualized Fiscal Impact on State Funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringe	\$	\$ -
(FTE Position Changes)	(FTE)	(- FTE)
State Operations-Other Costs	see text	-
Local Assistance		-
Aids to Individuals or Organizations Farmland Preservation Farmland Tax Relief		- see text
TOTAL State Costs by Category	\$ see text	\$ - see text
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$ see text	\$ - see text
FED		-
PRO/PRS		-
SEG/SEG-S		- see text
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)	Increased Rev.	Decreased Rev.
GPR Taxes	\$ see text	\$ -
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S State Forestry Tax		- see text
TOTAL State Revenues	\$ see text	\$ - see text

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ see text of fiscal note	\$ see text of fiscal note
NET CHANGE IN REVENUES	\$ see text of fiscal note	\$ see text of fiscal note

Agency/Prepared by: (Name & Phone No.)
Wisconsin Department of Revenue
Blair D. Koppert (608) 262-1010

Authorized Signature/Telephone No.

Yeang-Eng Braun
(608) 262-3700

Yeang-Eng Braun

Date

3/20/96



State of Wisconsin • DEPARTMENT OF REVENUE

125 SOUTH WEBSTER STREET • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933 • 608-266-6466 • FAX (608) 266-5718

Tommy G. Thompson
Governor

Mark D. Bugher
Secretary of Revenue

July 3, 1996

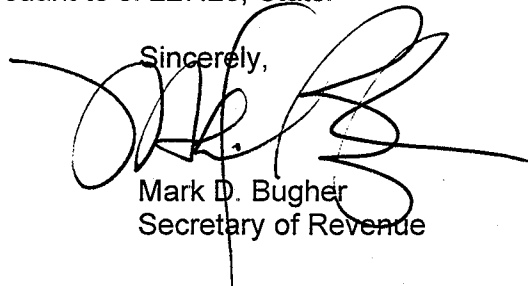
The Honorable Douglas LaFollette
Secretary of State
30 West Mifflin Street
Madison, WI 53702

Dear Secretary LaFollette:

Enclosed are a Certificate of Rule Adoption and an Order of the Department of Revenue adopting Clearinghouse Rule 96-058, relating to assessment of agricultural property as affected by 1995 Wisconsin Act 27.

These materials are filed with you pursuant to s. 227.20, Stats.

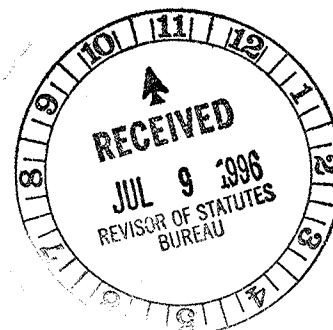
Sincerely,



Mark D. Bugher
Secretary of Revenue

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Enclosure





State of Wisconsin • DEPARTMENT OF REVENUE

125 SOUTH WEBSTER STREET • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933 • 608-266-6466 • FAX (608) 266-5718

Tommy G. Thompson
Governor

Mark D. Bugher
Secretary of Revenue

July 3, 1996

Mr. Gary L. Poulson
Deputy Revisor of Statutes
131 West Wilson Street, Suite 800
Madison, Wisconsin 53702

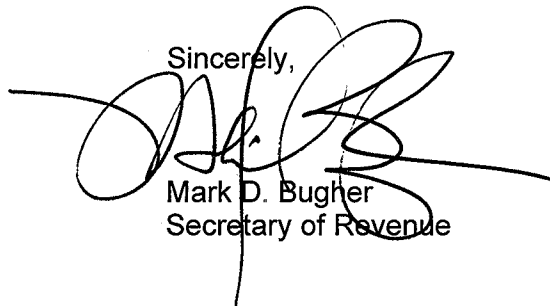
Dear Mr. Poulson:

Enclosed are a Certificate of Rule Adoption and an Order of the Department of Revenue adopting Clearinghouse Rule 96-058, relating to assessment of agricultural property as affected by 1995 Wisconsin Act 27.

These materials are filed with you pursuant to s. 227.20(1), Stats.

Also enclosed are an uncertified paper copy of the Order and a copy on computer disk (WordPerfect) of the Order.

Sincerely,



Mark D. Bugher
Secretary of Revenue

MDB:BK:ds
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Enclosures

