



To: Members of the Wisconsin Legislature
From: Tom Larson, Senior Vice President of Legal and Public Affairs
Date: March 23, 2015
Subject: Eliminating the Personal Property Tax (LRB—1183/LRB-2009)

The Wisconsin REALTORS® Association (WRA) generally supports efforts to reduce or eliminate the tax burden on Wisconsin businesses and families, but not by shifting this tax burden onto Wisconsin homeowners.

By eliminating the personal property tax without identifying an alternative source of revenue to fund local services and programs, LRB-1183/LRB-2009 will result in a \$270 million¹ tax shift onto homeowners and other owners of real property. Moreover, as currently drafted, LRB-1183/LRB-2009 would do the following:

Violate Governor Walker's property tax pledge. Governor Walker has made property tax reform one of his top priorities and, in so doing, has pledged to make property taxes lower in 2018 than they were in 2014.² By eliminating the personal property tax without identifying an alternative revenue source, LRB-1183/LRB-2009 would violate Governor Walker's pledge by increasing property taxes for homeowners and other owners of real property by \$270 million.

Increase property taxes for the average homeowner by approximately \$80/year. According to an analysis by the Wisconsin Legislative Fiscal Bureau, eliminating the personal property tax without identifying an alternative funding source will increase property taxes for the average price home by \$80 per year.³ This results in a 2.7% property tax increase for the average-priced home (\$147,989).

Worsen Wisconsin's ranking as one of the highest property taxed states in the country for homeowners. Wisconsin is consistently ranked among the worst states in the country for property taxes. For example, according to a recent article in USA Today, Wisconsin ranks #4 in

¹ See Wisconsin Legislative Fiscal Bureau's memo, "General Information on the Property Tax on Personal Property," dated June 30, 2014, page 3. (Note – The Wisconsin Department of Revenue estimates that the total amount of personal property taxes collected in 2014 was approximately \$290,000. See "Town, Village, and City Taxes – 2013, Taxes Levied 2013-Collected 2014," Table II, page T-2, Wisconsin Department of Revenue, Division of State and Local Revenue, Bureau of Local Government Services.)

² See Governor Walker's State of the State Address to the 2015 Wisconsin Legislature, January 13, 2015.

³ See Wisconsin Legislative Fiscal Bureau's memo, "General Information on the Property Tax on Personal Property," dated June 30, 2014, page 5, table 2.

the country with respect to the property taxes as a percentage of home value.⁴ By increasing taxes for homeowners and other owners of real property by \$270 million, Wisconsin's ranking among the highest property taxed states for homeowners will only get worse.

Reverse the great work by the Wisconsin Legislature in recent years to reduce property taxes for homeowners. During the 2013-14 legislative session, the Wisconsin Legislature reduced property taxes by \$506 million for homeowners and other owners of real property.⁵ As a result, the average homeowner's property taxes decreased by approximately \$131 last year.⁶ For the first time in decades, many property owners saw a significant decrease in their property taxes. By increasing property taxes for homeowners and other owners of real property by \$270 million, LRB-1183/LRB-2009 would reverse the significant property tax reforms passed by the legislature last session.

The WRA applauds the efforts by the bill authors, Representative Bob Kulp (R-Stratford) and Senator Tom Tiffany (R-Hazelhurst), to reduce the tax burden for businesses in Wisconsin. The personal property tax is an onerous tax for businesses and administrative headache for those who administer it. However, eliminating this tax by increasing taxes on homeowners and other owners of real property is not the answer.

Accordingly, until the loss of revenue from eliminating the personal property tax can be addressed without creating a shift onto homeowners and other owners of real property, the WRA respectfully requests that you (a) not co-sponsor and (b) vote against LRB-1183/LRB-2009.

If you have questions or comments, please contact Tom Larson (tlarson@wra.org) or Joe Murray (jmurray@wra.org) at (608) 241-2047.

⁴ <http://www.usatoday.com/story/money/personalfinance/2015/03/21/cheat-sheet-high-property-taxes/24990145/>

⁵ See 2013 Wis. Act 46 and 2013 Wis. Act 145.

⁶ See Wisconsin Legislative Fiscal Bureau's memo, "Property Tax Bill Estimates Under January 2014 Special Session Proposal," dated January 28, 2014, page 2.