



Legislative Fiscal Bureau

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June 2, 2008

TO: Members
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: Preliminary 2007(08) Property Information

This memorandum is in response to several requests our office has received regarding a comparison of 2006(07) and 2007(08) property taxes. It reflects data from each of the state's 1,908 taxation districts that has been reported to the Department of Revenue (DOR). The Department has completed its initial processing of these reports but may continue to make minor changes, which are not expected to materially alter the amounts included in this memorandum.

Table 1 compares statewide property tax levies by type of taxing jurisdiction between 2006(07) and 2007(08). Gross property tax levies increased by \$544.9 million (6.3%) from \$8,706.0 million in 2006(07) to \$9,250.9 million in 2007(08). Because 2007 Wisconsin Act 20 (the 2007-09 biennial budget act) increased funding for the school levy tax credit by over \$79 million, net property tax levies experienced a lesser rate of increase (6.0%). The additional school levy tax credit funding was partially offset by decreased lottery and gaming tax credit payments, and net statewide tax levies increased by \$480.4 million from \$7,970.9 million in 2006(07) to \$8,451.3 million in 2007(08). The amount of lottery and gaming tax credits fluctuates each year in response to the revenues generated by lottery and gaming enterprises.

As school taxes comprise the largest tax component, they also account for the largest amount (\$278.8 million) of the overall increase, followed by municipal (\$105.9 million) and county (\$76.9 million) taxes. School taxes also increased at a higher rate (7.4%) than either municipal (5.0%) or county (4.5%) taxes. Part of the school tax increase is attributed to the Act 20 provisions that supplanted an increase in state school aid with the school levy tax credit increase described above. If the 2007(08) school taxes are reduced by the \$79.3 million in additional school levy tax credit funding, a net school tax levy increase of \$199.5 million (5.3%) would result. The largest percentage increase in tax levies occurred for tax increment districts (17.8%). This resulted from \$2,293.0 million in additional tax base that was added to the value increment of tax increment districts between 2006 and 2007. The taxes on this value are used to pay off development costs

associated with the districts.

TABLE 1

**Statewide Property Tax Levies by Type of Taxing Jurisdiction, 2006(07) and 2007(08)
(\$ in Millions)**

<u>Taxing Jurisdiction</u>	<u>2006(07)</u>	<u>2007(08)*</u>	<u>Change</u>	<u>Percent</u>
School Districts **	\$3,787.8	\$4,066.6	\$278.8	7.4%
Municipalities	2,099.6	2,205.5	105.9	5.0
Counties	1,723.9	1,800.8	76.9	4.5
Technical College Districts	650.6	680.6	30.0	4.6
Tax Increment Districts	271.0	319.2	48.2	17.8
Special Purpose Districts	90.8	93.7	2.9	3.2
State Forestry	<u>82.3</u>	<u>84.5</u>	<u>2.2</u>	<u>2.6</u>
Gross Property Tax Levies	\$8,706.0	\$9,250.9	\$544.9	6.3%
- School Levy Tax Credits	-593.1	-672.4	79.3	13.4
- Lottery & Gaming Tax Credits	<u>-142.0</u>	<u>-127.2</u>	<u>-14.8</u>	<u>-10.4</u>
Net Tax Levies	\$7,970.9	\$8,451.3	\$480.4	6.0%

* Levies for 2007(08) are preliminary and subject to minor changes by DOR.

** If the additional \$79.3 million in school levy tax credit funding had been paid as school aids, the school tax levy increase would have been \$199.5 million (5.3%).

Table 2 translates the preceding levy amounts to tax bill equivalents for a median-valued home taxed at statewide average tax rates. The home values are based on the 2000 median home value for Wisconsin, which was determined in the 2000 decennial, U.S. census. The values for 2006 and 2007 were calculated by adjusting the 2000 value according to the change in residential property values caused by economic factors, as reported by DOR. The Department calculates that change annually as a component of equalized values, which it certifies each August 15. Between 2006 and 2007, DOR calculated the residential economic adjustment at 3.8%. As a result, a home valued at \$164,118 in 2006 would be expected to appreciate to \$170,305 in 2007.

The state's total taxable value increased 6.2% between 2007 and 2008. Different types of property appreciate at varying rates and tax base is added each year due to new construction. Because the overall increase in taxable value exceeds the estimated home value increase, the percentage increases in statewide tax levies (Table 1) are higher than the percentage increases on the tax bill (Table 2). Relative to the gross tax bill increase of \$116, school district taxes comprise

62% of the increase (\$72), followed by municipal taxes at 20% (\$23), county taxes at 13% (\$15), and technical college district taxes at 5% (\$6). The combined amounts of special purpose district and state forestry taxes were unchanged between the two years. The additional school levy tax credit funding resulted in the credit increasing by \$22 for the median-valued home, but the reduction in lottery and gaming proceeds caused the lottery and gaming credit to decrease by \$11. The net tax bill increased by \$105 (3.8%) from \$2,733 in 2006(07) to \$2,838 in 2007(08).

TABLE 2

**Estimated Property Tax Bills for a Median-Valued Home
Based on Statewide Average Tax Rates, 2006(07) and 2007(08)**

<u>Taxing Jurisdiction</u>	<u>2006(07)</u>	<u>2007(08)</u>	<u>Change</u>	<u>Percent</u>
Home Value	\$164,118	\$170,305	\$6,187	3.8%
Type of Tax				
School	\$1,364	\$1,436	\$72	5.3%
Municipal	756	779	23	3.0
County	621	636	15	2.4
Technical College	234	240	6	2.6
Other	<u>62</u>	<u>62</u>	<u>0</u>	<u>0.0</u>
Gross Tax	\$3,037	\$3,153	\$116	3.8%
Tax Credits				
School Levy	-208	-230	22	10.6
Lottery & Gaming	<u>-96</u>	<u>-85</u>	<u>-11</u>	<u>-11.5</u>
Net Tax	\$2,733	\$2,838	\$105	3.8%

Finally, Table 3 reports estimates of the total taxes, net of state tax credits, borne by different types of property. Because residential property comprised the largest share (72.5%) of the state's tax base in both 2007 and 2008, it also bears the largest share of tax. That percentage remained unchanged (71.0%) between the two years. The estimated share of taxes borne by commercial property increased from 21.0% to 21.2%. Between the years, the value of commercial property increased by a higher percentage (7.3%), than the value of all types of property (6.2%). As commercial property's share of tax base increased, so did its share of taxes borne. Legislative Fiscal Bureau Informational Paper #13 (January, 2007) presents comparable data from 1970(71) through 2005(06).

TABLE 3

**Estimated Net Property Taxes by Type of Taxpayer
2006(07) and 2007(08)
(\$ in Millions)**

	<u>2006(07) Net Taxes</u>		<u>2007(08) Net Taxes</u>	
	<u>Amount in Millions</u>	<u>Percent of Total</u>	<u>Amount in Millions</u>	<u>Percent of Total</u>
Residential	\$5,655.6	71.0%	\$5,997.1	71.0%
Commercial	1,675.8	21.0	1,788.0	21.2
- Real Estate	1,524.1	19.1	1,627.7	19.3
- Personal Property	151.7	1.9	160.3	1.9
Manufacturing	271.1	3.4	278.7	3.3
- Real Estate	225.8	2.8	232.8	2.8
- Personal Property	45.3	0.6	45.9	0.5
Other	368.4	4.6	387.5	4.5
- Agricultural/Other	206.2	2.6	214.3	2.5
- Undeveloped/Forest/Ag Forest	158.3	2.0	169.1	2.0
- Other Personal Property	<u>3.9</u>	<u>< 0.1</u>	<u>4.1</u>	<u>< 0.1</u>
Total	\$7,970.9	100.0%	\$8,451.3	100.0%

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