



## Legislative Fiscal Bureau

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October 26, 2004

TO: Members  
Special Committee on Tax Exemptions for Residential Property

FROM: Rick Olin, Fiscal Analyst

SUBJECT: Property Tax Distribution

At the request of Legislative Council staff, I have prepared the attached table reporting the distribution of statewide property taxes in 1970(71) and 2003(04) by type of taxpayer.

The amounts in the table are based on data published by the Department of Revenue (DOR) relating to property tax levies by type of property. Three adjustments have been made to the Department's figures. First, taxes on personal property have been allocated by type of taxpayer. Second, state property tax credits have been apportioned to distinguish between the gross and net tax burdens. Third, the table combines several classes of property into single categories. For example, agricultural land and improvements were included as a single class of property in 1970(71), but were separated into two classes, "agricultural land" and "other," in 1996(97). For 2003(04), the table combines them.

In reviewing the table, a number of factors explain the shift in tax burdens over the years. First, state law changes are responsible for some of the shift. For example, some types of property that were taxable in 1970(71) have since been exempted. Manufacturers' machinery and equipment became exempt in 1974, and farmers' livestock and commercial and manufacturing inventories became exempt in 1981 after their taxation was phased-out between 1977 and 1980. A 1995 law change phased-in use value assessment of agricultural land beginning in 1996, and the percentage of net statewide property taxes borne by agricultural land decreased from 4.2% in 1995(96) to 0.6% in 2003(04).

Second, property has been added or removed since 1970(71). Since 1990, the statewide property tax base increased by 38.7% due to new construction. Much of the new construction that has occurred since 1970(71) has been for residential and commercial uses. As that tax base has been added, residential and commercial properties have borne an increasing share of total taxes. Other properties have been demolished or converted to other uses.

Finally, economic conditions explain some of the shift. For example, national economic conditions associated with recessionary periods caused some reductions in manufacturing, commercial, and agricultural tax base during the 1980s. In 1970, there were 110,000 farms in Wisconsin encompassing 20.1 million acres. By 2003, there were only 77,000 farms covering 15.9 million acres.

RO/bh  
Attachment

## ATTACHMENT

### Property Tax by Type of Taxpayer, 1970(71) and 2003(04)

Type of Taxpayer	<u>1970(71)</u>		<u>2003(04)</u>	
	Amount (In Millions)	Percent of Total	Amount (In Millions)	Percent of Total
Residential	\$526.1	50.6%	\$4,917.0	69.2%
Commercial	202.0	19.5	1,520.2	21.4
Real Estate	169.0	16.3	1,364.5	19.2
Personal Property	33.0	3.2	155.7	2.2
Manufacturing	184.1	17.7	292.7	4.1
Real Estate	115.0	11.1	243.7	3.4
Personal Property	69.1	6.6	49.0	0.7
Other	127.2	12.2	372.9	5.3
Agricultural and Other	108.6	10.4	204.9	2.9
Swamp, Waste, and Forest	5.9	0.6	164.0	2.3
Other Personal Property	<u>12.7</u>	<u>1.2</u>	<u>4.0</u>	<u>0.1</u>
Total	\$1,039.4	100.0%	\$7,102.8	100.0%