



Tony Evers
Governor

Peter W. Barca
Secretary of Revenue

Information Only Testimony on Senate Bill 2
April 25, 2023
Peter Barca, Secretary of the Department of Revenue

Good morning, Chairman Hutton, ranking member Larson and members of the Senate Committee on Universities and Revenue.

I appreciate the opportunity to provide written testimony for information only on Senate Bill 2, to eliminate the personal property tax. The Department of Revenue staff is pleased to have been part of the drafting of the revised substitute amendment for Senate Bill 2.

We thank Chairman Hutton, Senator Stroebel, Assembly member John Macco, Assembly member Dan Knodl, and their staff for their partnership and hard work and cooperation in drafting this extensive bill. We also thank Senator Brad Pfaff and other co-sponsors and committee members for their active involvement in this issue.

While we want to recognize that the technical aspects of the personal property tax repeal have been addressed by the revised substitute amendment, there are three issues outstanding – the backfilling of local government, and transportation fund revenues, as well as the administrative costs to DOR.

The drafting of this bill has proven challenging, as the personal property tax runs through many chapters of Wisconsin statutes. Our goal is, and has always been, clarity. The Department of Revenue staff is aiming for clarity to minimize litigation and thereby avoid or at least minimize potential unintended revenue loss to local governments and the state.

In working with organizations focused on small businesses it has been abundantly clear that any effort to avoid litigation for small businesses would be welcomed and vital. Small businesses generally do not have attorneys on their staff and retaining one is very costly. Additionally, the uncertainty of pending litigation for small businesses is very damaging from knowing how to budget and if they lose it can be disruptive to their ongoing operations, with often penalties and interest added on to a settlement.

In 2021, when a version of the personal property repeal passed, there were several components that were missing from the bill. We expressed concern over those issues, which unfortunately didn't get addressed, and ultimately factored into the Governor's veto, along with the lack of a documented commitment to backfill future revenues for local governments.

As you are aware, the Governor has been supportive of repealing the personal property tax. In fact, the language for the repeal was put in the Governor's 2023-25 budget which ensures that local government funding is held-harmless by the repeal.



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The legislative staff and the DOR team have put in many hours to ensure that this draft includes the relevant provisions to provide local government officials the direction they need to carry out the repeal, and correctly classify property in a post-repeal world. For example, the draft ensures assessors can transfer items, such as buildings on leased land from the personal property rolls to the real property rolls. We also added a provision to assist the local real property listers with obtaining abbreviated legal descriptions so that the shift can occur promptly. The needs of local treasurers, clerks, assessors, other local stakeholder groups, and business organizations have been taken into account as we sought to draft a comprehensive bill.

Please note that we reference the "revised substitute amendment" because there was a drafting error in the bill. That error has been corrected with senate substitute amendment 1.

Again, we sincerely appreciate the consideration you and your staff have provided in getting to this point today, and we look forward to joining other states that have already repealed the personal property tax.

Thank you for the opportunity to provide this testimony. We appreciate your attention to this important matter and look forward to continued cooperation and the passage of this important bill.