

State-Mandated Levy Limits and Payments in Lieu of Taxes (PILOT) Payments

- State law limits growth in municipal property tax levies (excluding levies for most general obligation debt service) to the percentage of the overall equalized value associated with net new construction, with some exceptions.
- One of those exceptions is for fees or PILOT payments related to “covered services” provided after 2013 that had been previously funded from the property tax levy.
- If a new fee or PILOT payment is enacted, or if an existing fee or PILOT payment is increased and designated to fund “covered services” previously funded from the property tax levy, the levy limit must be reduced by an amount equal to the new/increased revenue.
- “Covered Services” include:
 - Garbage collection
 - Fire protection
 - Snow plowing
 - Street Sweeping
 - Storm Water Management
- Madison has fees related to storm water management. Some of those fees are used a portion of the cost of leaf collection (not necessarily street sweeping).
- Madison’s PILOT payments are generally calculated on a broad base of costs (i.e., police, fire, parks, snow plowing, paratransit, traffic signaling, debt service and library), and are not specifically “designated” to fund any of those costs.

Levy Limit Fact Sheet

(sec. 66.0602(2m)(b) Wis. Stats.)

Created in 2013 Wisconsin Act 20

Within the 2013-2015 budget (2013 Wisconsin Act 20), the state created Wis. Stats. sec. 66.0602(2m)(b).

Statute Summary

On or after July 2, 2013, if a municipality adopts a new fee or a fee increase for covered services (which were partly or wholly funded in 2013 by property tax levy), that municipality must reduce its levy limit in the current year by the amount of the new fee or fee increase, less any previous reductions. This also applies to payments in lieu of taxes.

The covered services include:

- Garbage collection
- Fire protection
- Snow plowing
- Street sweeping
- Storm water management

Definitions

The items listed are not all-inclusive.

Garbage Collection

The collection and disposal of garbage includes:

- Collection of garbage, rubbish and discarded items from properties within the jurisdiction
- Operation of a landfill site, including: incinerators, refuse pulverizer systems, site covering, gate attendants, central collection transfer points, solid waste drop off sites and site monitoring
- **Note:** this does not include recycling

Fire Protection

Includes all fire protection activities, such as fire fighting training, fire inspection, investigation of fire losses, fire prevention education, fire signs and fire fighting.

Examples

Example 1

A municipality funded its fire protection services of \$100,000 by tax levy in 2013. The municipality adopts a new fee of \$25,000 on July 15, 2013 for its 2014 budget.

Result – the municipality must reduce its 2013 levy limit by \$25,000

Example 2

In 2013, a municipality funds its storm water management of \$400,000 partly by tax levy of \$300,000 and partly by fee of \$100,000. On July 8, 2013, the municipality adopts a fee increase of \$50,000 for its 2014 budget.

Result – the municipality must reduce its 2013 levy limit by \$50,000

Example 3

A municipality funds its garbage collection of \$200,000 solely by fee in 2013. On July 20, 2013, the municipality adopts a fee increase of \$30,000.

Result – the municipality is not required to adjust (reduce) its levy limit due to this fee increase since the service was not funded partly or wholly by tax levy in 2013

Common Questions

1. Does the provision affect other services?

Only the five services listed are affected. Fees for services not listed are not subject to this provision (levy adjustment).

2. Does the provision apply to a municipality that begins paying for a covered service by a fee instead of tax levy?

Yes, if a covered service was funded partly or wholly by tax levy in 2013 and a municipality adopts a fee on or after July 2, 2013, the municipality is required to reduce its levy limit.

3. Does the provision apply to a municipality that pays for a covered service partly by a fee and partly by tax levy in 2013?

Yes. The statute applies to covered services that were funded partly or wholly by tax levy in 2013. A municipality that funds a covered service partly by fee and partly by tax levy is required to reduce its levy limit, if it adopts a fee increase on or after July 2, 2013.

4. Does the provision apply when a municipality that had a covered service for several years which was paid for by a fee, such as a storm water utility, adopts a fee increase?

- If the covered service was not funded partly or wholly by tax levy in 2013 (i.e., funded 100% by fee), the statute does not apply.
- If the covered service was funded partly by tax levy and partly by fee in 2013, the statute applies to any fee increase adopted on or after July 2, 2013.

5. Does the provision apply when a municipality begins to provide a covered service for the first time and chooses to fund the service 100% through a fee?

No. The statute applies to covered services that were provided by a municipality and funded partly or wholly by tax levy in 2013.

6. Can a municipality create a new fee, such as a fire inspection fee, without being required to adjust its property tax levy limit?

Fire protection, which includes fire inspection, is a covered service. If a municipality funded its fire protection service partly or wholly by tax levy in 2013 and adopts a new fee or fee increase on or after July 2, 2013, the municipality is required to reduce its levy limit.

7. A municipality provided a covered service funded partly by levy and partly by fee in 2013. In 2014, it is expecting more fee revenue, not due to an adopted fee increase but from population growth and the increased use of services. Does the municipality need to adjust the levy limit in this situation?

No. Since the expected fee revenue in 2014 is from population growth and increased service use, it does not need to adjust the levy limit. It only needs to adjust the levy limit if the municipality adopts a new fee or a fee increase on or after July 2, 2013 for covered services (funded partly or wholly by tax levy in 2013).

8. What can a municipality do if this provision applies and it does not wish to adjust its property tax levy limit?

The statute states a municipality's governing body can adopt a resolution stating that the levy limit should not be reduced. The resolution must then be approved in a referendum.

If you have questions, contact us at (608) 266-8618 or lgs@revenue.wi.gov.

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