

MEMORANDUM

TO: Alder Mark Clear
Alder Shiva Bidar-Sielaff, Council President
Alder Chris Schmidt, President Pro Tem
Michael P. May, City Attorney

FROM: Heather Allen, Common Council Legislative Analyst

DATE: March 13, 2013

RE: **Assembly Bill 5 and Senate Bill 34: sales and property tax exemptions for property used by commercial radio and television stations.**

Overview

On February 1, 2013, a bipartisan group of Wisconsin Legislators introduced Assembly Bill 5 (AB 5) to exempt commercial radio and television stations from sales and property taxes. The bill would cost cities such as Madison, Milwaukee and Green Bay millions of dollars of losses in assessed value. The City of Madison estimates the loss in assessed value at \$9.1 million. The companion bill in the Senate is Senate Bill 34 (SB 34).

The Wisconsin Broadcasters Association supports the bill and has actively lobbied for its passage.¹ If passed the bill would advance one of Wisconsin Manufacturers & Commerce (WMC) stated goals for 2013 – phase out all personal property tax.² The Wisconsin Association of Assessing Officers (WAAO) registered against the bill, in part, because property tax exemptions are usually reserved to promote a social good, while this exemption will benefit commercial broadcasters, without a clear social benefit. The exemptions for machinery and equipment of manufacturers are focused on growing and preserving jobs in Wisconsin; an exemption for commercial television and radio broadcasters would have no similar effect.

Impact on Madison Residents

The proposed legislation will shift a portion of the tax burden away from commercial broadcasters and onto other taxpayers including Madison homeowners. The City of Madison, Dane County, the Madison Metropolitan School District and Madison College (MATC) will still collect the same amount of taxes regardless of the loss to the tax base. The tax rate will just be that much higher and other taxpayers will have to pay for the difference.

Utilizing the most recent tax rate of 2.42006%, the amount of tax to shift would be \$220,225. The City of Madison's share of that is 0.9308% or \$84,703. This calculation is based on the 2012 rate, which is the most current rate we have. The actual taxes will be different based on how much the 2013 tax rates change.

¹ Government Accountability Board: Eye on Lobbying. AB 5. Retrieved from <https://lobbying.wi.gov/What/BillInformation/2013REG/Information/9650>

² Wisconsin Manufacturers and Commerce. Improving our Business Climate: A Policy Agenda for the Top 10, 2013-2014 Legislative Session. Retrieved from <http://www.wmc.org/cms/wp-content/uploads/2013/02/WMC-Legislative-Agenda-2013-14.pdf>

The Wisconsin Department of Administration issued a fiscal estimate finding that the legislation would increase costs for the State and reduce revenue for local governments. The State estimates that the legislation could exempt between \$50 million to \$100 million in property from property taxes, resulting in a shift of approximately \$1 million to \$2.1 million in property taxes.³ However, assessors remain concerned that this estimate may be low, because it is difficult to identify the personal property amount. In addition, the estimate utilizes the statewide tax rate rather than the municipal tax rates where the property is located.⁴

Background

Currently, under Statute 70.11 (29), non-profit radio stations that are exempt under Internal Revenue Code 501, are exempt from real estate taxes. Under 70.111 (25), digital broadcasting equipment owned and used by a radio station, television station, or video service network is exempt. Newspaper publishers are not exempt. AB 5 would extend the exemption to basically all other personal property that is not already exempted, including transmission towers. For the City of Madison the assessed value is about \$9.1 million based on reports from radio and TV stations. The City of Milwaukee estimates the assessed value loss at just under \$12 million.

The Wisconsin Assessors Association Organization (WAAO) is registered against AB 5 because property tax exemptions are usually reserved for benevolent institutions that benefit the welfare of the community while not making a profit on their services. For-profit entities would benefit from this exemption.

While newspaper publishers do not have a specific exemption in the statutes, they could receive an exemption on their printing equipment if they do their own printing. If that's the case, The City of Madison does not assess them, the State does. Madison Newspapers is an example. The State assesses all property classified as Manufacturing and the printing equipment would fall under the manufacturing machinery and equipment exemption, 70.11 (27). Their real estate and other personal property are still assessable.⁵

Other considerations include the State of Wisconsin provides reimbursement to local governments for exempt computer property and could offset the tax shift by reimbursing local governments for any further property tax exemptions. Property owned by commercial television and radio broadcasters is served by local government programs, including City of Madison first responders, and will continue to be served, though the tax burden of those services will be paid by other residents and taxpayers.

Support from Lawmakers

AB 5 was introduced by Representatives Kleefisch, Jacque, Strachota, Tittl, Petryk, Jorgensen, Doyle, Ott, Nerison, Bies, Brooks, Nass, Thiesfeldt, Suder, Jagler, Weatherston, Wright, Zepnick, Murphy, Stone, LeMahieu, Mason, Hulsey, Tranel, Sinicki, Endsley, Pridemore and Kessler with cosponsors Senators Grothman, Lasee, Hansen, Kedzie, Petrowski, Cullen, Schultz, Leibham,

³ Wisconsin Department of Administration. Fiscal Estimate 2013 Session. LRB Number 13-0146/1. Retrieved from https://docs.legis.wisconsin.gov/2013/related/fe/ab5/ab5_DOR.pdf

⁴ Personal communications with Mary Reavy Assessment Commissioner City of Milwaukee March 8, 2013 and with Mark Hanson Assessor, City of Madison March 4, 2013.

⁵ Background provided by Mark Hanson, City Assessor, Madison. *Personal Communication*. February 6, 2013 and Mary Reavy, Assistant Commissioner, City of Milwaukee. *Personal Communication*. February 7, 2013.

Vukmir, Gudex and Olsen on February 1, 2013. Senator Jennifer Shilling and Representative Cory Mason have signed onto the proposed legislation.

Lobbying

↓ **Against AB 5**

City of Madison, City of Milwaukee, and the Wisconsin Association of Assessing Officers

↑ **For AB 5**

Wisconsin Broadcasters Association

→ **Other**

League of Wisconsin Municipalities is concerned about the impact of property tax exemptions on residential and other property taxpayers.

The Wisconsin Counties Association is also opposed to AB 5.⁶

Analysis by the Legislative Reference Bureau

Under current law, digital broadcasting equipment owned and used by a radio or television station is exempt from personal property taxes. In addition, the sale of radio and television programs, including related advertising, is exempt from the sales and use tax.

This bill provides a property tax exemption for the personal property of a commercial radio or television station that is used in the origination or integration of various sources of program material for commercial radio or television transmissions that are, generally, available to the public free of charge. The bill also creates a sales and use tax exemption for the equipment that is sold to a person who is licensed to operate a commercial radio or television station in this state, if the equipment is used in the origination or integration of various sources of program material for commercial radio or television transmissions that are, generally, available to the public free of charge.⁷

⁶ Wisconsin Counties Association. Legislative Bills. Retrieved from <http://www.wicounties.org/legislative.ims#legislative-bills>

⁷ 2013 Assembly Bill 5. Retrieved from <https://docs.legis.wisconsin.gov/2013/related/proposals/ab5>