



## Legislative Fiscal Bureau

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April 7, 2021

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 279: Relating to Payments to Households and Property Owners

Senate Bill 279 was introduced on April 5, 2021, and referred to the Joint Committee on Finance. (The companion bill to SB 279 is Assembly Bill 232.)

### **SUMMARY OF BILL**

SB 279 would require the Department of Revenue (DOR), in conjunction with counties and municipalities, to make payments to every property taxpayer in the state to equal to 10% of the net property tax levied on real property in 2020(21) in Wisconsin, as determined by the DOR. The bill would define "net property tax" to mean an amount equal to the taxes levied on a taxpayer's real property, less the amount of the school levy tax credit attributable to that property. The bill would require DOR to distribute to each county or eligible municipality an amount sufficient to make all the payments to eligible property owners in each county or municipality, and the county or municipality would be required to make those payments directly to the taxpayer.

The bill would specify that these payments to homeowners and property owners would be funded from the federal monies the Governor accepts under s. 16.54 from the State Fiscal Recovery Fund (SFRF), under the ARPA. From the federal monies accepted from the SFRF, the bill would require the Governor to allocate \$1,067,824,830 to make payments to households and property owners, and an additional \$20,000,000 to pay DOR, the counties, and municipalities for the administration of the payments.

DOR would be required to notify each municipality of the amounts to be distributed within 45 days of the effective date of the bill. DOR would also be required to distribute those amounts to counties, and those municipalities eligible under current law to directly receive state property tax credit payments, within 60 days of the effective date of the bill. Counties and eligible municipalities would be required to distribute the payment to taxpayers within 20 days of receiving this distribution. Counties and eligible municipalities would be required to deduct any delinquent property taxes,

special assessments, special charges, or special taxes, and interest and penalties due from an eligible taxpayer from the payment that would have otherwise been received by the taxpayer. If a municipality subtracts any delinquent tax amount, including interest and penalties, from the taxpayer's payment, the municipality would be required to pay those delinquent amounts to the county treasurer, who would have to credit that amount to the taxpayer's delinquent account.

## **FEDERAL STATE FISCAL RECOVERY FUND (SFRF)**

The state of Wisconsin is expected to receive up to \$3.2 billion of the \$219.8 billion provided under ARPA to the SFRF under that Act. Although final federal guidance on related to the allowable use of these funds has not yet been issued, the Act provides the following general outline of the allowable uses of funds received from the SFRF, as well as restrictions on the use of these funds.

Allowable Use of Funds. SFRF payments may be used to cover costs incurred prior to December 31, 2024, for the following purposes:

- a. to respond to the coronavirus pandemic or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
- b. to replace revenues lost as a result of the public health emergency caused by the coronavirus pandemic, for the purposes of providing government services;
- c. to make investments in water, sewer, or broadband infrastructure;
- d. to provide premium pay of up to \$13 per hour per worker, in addition to a worker's usual wage or remuneration (up to \$25,000 in total for any single worker) for workers employed by the state who perform essential work during the pandemic, or to provide grants to eligible employers that have eligible workers who perform essential work. The term "eligible workers" is defined to mean those workers needed to maintain continuity of operations of essential critical infrastructure sectors, as well as additional sectors designated by the Governor of a state or territory as critical to protect the health and well-being of residents of the state or territory.
- e. to transfer funds to private nonprofit organizations, tribal organizations, public benefit corporations involved in the transportation of passengers or cargo, or special-purpose units of state or local governments.

Restrictions on the Use of Funds. SFRF monies may not be used for the following:

- a. to either directly or indirectly offset a reduction in net tax revenues resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax (by providing for a reduction in a rate, a rebate, a deduction, a credit, or otherwise) or delays the imposition of any tax or tax increase. The covered period begins on March 3, 2021, and ends on the last day of the fiscal year in which all funds have been either expended, or returned to or recovered by, the Department of Treasury.

- b. for deposit into any pension funds.

Final tax levies for 2020(21) have not yet been reported to DOR. In 2019(20), net statewide property tax levies after the application of the school levy tax credit were \$10,678,243,000. Accordingly, payments equal to 10% of this statewide net tax levy would require that the Governor allocate approximately \$1,067.8 million from Wisconsin's share of the federal SFRF monies received by the state to make payments to households and property owners, and a further \$20.0 million to pay DOR, counties, and municipalities for the administration of this credit. As the payment would be made to each taxable property, entities that own multiple properties in the state would receive payments on each of those properties.

It would appear that the payments could be considered assistance to households and businesses who pay property taxes on real or personal property in the state and thus be an eligible use of the federal funds. However, ARPA does restrict SFRF funds from being used to either directly or indirectly offset a reduction in net tax revenues resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax (by providing for a reduction in a rate, a rebate, a deduction, a credit, or otherwise). The Act requires the state or territory to repay to the Secretary of the U.S. Treasury an amount equal to the amount of funds used to directly or indirectly offset a reduction in net tax revenue. Absent guidance from the U.S. Department of Treasury, it is not known whether the payments authorized under the bill would be considered a tax rebate or credit and be subject to this restriction.

If these payments were determined to be property tax relief, the bill would provide uniform assistance to all property taxpayers, as required under the state constitution.

### **POTENTIAL PAYMENTS TO TAXPAYERS WITH HOMES OF CERTAIN VALUE**

The following table shows the estimated tax bill that would be levied on the homes valued at various levels, as well as the payment they would receive. These amounts may differ from actual tax bills and payment amounts, depending on local tax rates. Additionally, the tax bills shown in the table are assessed at the statewide average tax rate net of the school levy tax credit, but do not reflect the first dollar credit or the lottery and gaming credit. DOR does not collect household-specific information at the state level, and so the number of homes valued at any particular level is not known. However, in 2019(20), the estimated statewide median home value was \$188,500, which would receive estimated payment of \$347 under the bill if taxed at the statewide average tax rate.

**Estimated Payments Under SB 279 on Homes of Certain Value  
Taxed at Statewide Average Tax Rate\***

<u>Home Value</u>	<u>2019(20) Tax Bill</u>	<u>Payment Under SB 279</u>
\$75,000	\$1,379	\$138
100,000	1,838	184
125,000	2,298	230
250,000	4,595	460
500,000	9,190	919
1,000,000	18,380	1,838
5,000,000	91,900	9,190
10,000,000	183,800	18,380

\*Statewide tax rate is net of school levy tax credit.

Prepared by: Noga Ardon