

Six-Pack Presentation

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“HOPE” Property Tax Plan

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HOPE – Homeowners Property Tax Exemption

- HOPE plan would create an exemption to the “**uniformity clause**” which would provide a property tax exemption from school property taxes for individuals for their principal residence.
- Exempts the first \$60,000 of home value from school property taxes.
- The \$60,000 would be indexed to inflation.

State Constitutional Amendment

- The constitutional language creating the exemption would read:

“The legislature shall provide by law a property tax exemption from property taxes imposed by school districts for property that is used by the property owner as his or her principal dwelling. The property tax exemption shall apply only to the first \$60,000, as adjusted by the annual change in inflation, of the property’s fair market value.”

- Constitutional amendments require passage by the legislature in two consecutive sessions and approval by voters in statewide referendum.

SR-7/AJR-24 Does Not Specify How to Implement or Fund HOPE

- Two Ways to Fund
 - The HOPE exemption could be implemented by providing a state credit to make up for the reduced property tax revenue for schools.
 - The HOPE exemption could be implemented by allowing school taxes to be shifted to other property.
- Legislative leaders and authors of the bill have publicly stated their support for tax shift.

HOPE Plan – State Credit Approach

- The HOPE exemption could be implemented by exempting the first \$60,000 of residential property value from school taxes and funding the exemption with a credit provided by the state to make up for the reduced property tax revenue for schools.
- The estimated cost of the credit: \$740 million annually. (DOR estimate 2007)
- Under this approach, property taxes for a median-value home would decrease by an estimated \$570 (a 20% drop). Property taxes on other property would not increase.
- The median-valued home in Wisconsin had a home value of \$170,305 in 2007/08, with a property tax bill of \$2,838 (LFB estimate).

HOPE Plan – Tax Shift Approach

- The HOPE exemption could be implemented by exempting the first \$60,000 of residential property value from school taxes and allowing the school taxes to be shifted to other property.

This would have the following impacts on different classes of property (LFB estimates 2007):

Property Class	Change in property taxes
Residential	-3%
Commercial	+9%
Manufacturing	+9%
Agricultural	-9%
Undeveloped	+13%
Personal	+10%

Impact on residential property:

- Reductions in school taxes on the first \$60,000 of the value of principal residences would be offset by increased school tax rates on the value of principal residences above \$60,000, because school tax rates would have to increase to generate the same amount of revenue.
- Some lower-value residences would see big decreases in property taxes.
- Some higher-value residences would see increases in property taxes.
- For a principal residence taxed at the statewide average school tax rate, the “break-even” point separating a net decrease from a net increase would be a home value of \$333,405.
- Residential property that is not a principal residence (second homes) would see increases in property taxes.

Pros of HOPE Plan

- Provides clear, immediate and noticeable property tax relief for all homeowners if the state tax credit approach is used, or for many homeowners if the tax shift approach is used.
- Provides targeted relief to homeowners, who need relief more than other property owners. Homeowners pay a relatively greater share of property taxes in Wisconsin than other states, due to lack of targeted exemptions like the HOPE exemption.
- While it would require a uniformity clause change, other changes to the uniformity clause have been adopted to address needs (e.g., use value assessment for agriculture)

Cons of HOPE Plan

- Does not reduce property taxes on commercial property, second homes or any other property besides principal residences. Property tax relief should be broad based.
- Does not contain any provisions to restrain government spending or the growth in property taxes.
- Provides proportionally less relief for homeowners in regions where home values are higher.
- If the tax shift approach is used, taxes on many homeowners and on most other property owners would actually go up.
- If the state credit approach is used, an alternative funding source for \$740 million per year in school funding must be found.