



**H.B. 367**

123rd General Assembly  
(As Introduced)

**Reps. Jacobson, Mottley, Jordan, Callender, Clancy, Flannery, Grendell,  
Trakas, Willamowski**

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**BILL SUMMARY**

- Grants a property tax reduction for residences located in school districts where the residential share of the total school tax burden is ten percentage points higher than the state average, and where the effective school district tax rate on residential property is at least 23 mills (including income taxes).
- The tax reduction is proportionate to the degree to which the residential school tax burden exceeds the state average plus ten percentage points--specifically, the reduction equals the tax yield from up to two mills, multiplied by this excess residential tax burden.
- The state reimburses taxing districts for the tax reduction.
- Affects property taxes charged for 2000 and thereafter (payable in 2001 and thereafter).

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**CONTENT AND OPERATION**

**Property tax reduction for "excess" residential taxes**

(sec. 319.303; cross references in secs. 319.30, 319.302, and 5715.30)

The bill grants property tax reductions for residential property located in school districts where residences bear a relatively large share of the overall school tax burden (measured by both property taxes and income taxes), and where the effective school district tax rate on residential property is at least 23 mills.

### **Measuring residential share of school tax burden**

The bill's measure of a school district's residential tax burden is the "residential tax quotient." It is the share of total school district taxes that consists of property taxes on residential property and school district income taxes. For this purpose, residential property includes real property classified as being used for residential purposes under existing law. The property must be included in the residential/agricultural property classification ("Class I"), so it must be a single-family residence or a two-, three-, or four-unit residence; buildings consisting of more than four residential units, such as apartment complexes, are not considered to be residential property, so the taxes charged against such buildings are not included in the measure of the residential tax burden. But, a residence does not necessarily have to be owner-occupied in order to be considered residential property.

Each school district's residential tax quotient is computed and compared to the statewide average residential tax quotient. For the tax reduction to apply in a school district, the district's residential tax quotient must exceed the statewide average by more than ten percentage points (two other criteria must be satisfied as well, as explained below). The degree to which a school district's residential tax quotient exceeds ten percentage points above the statewide average quotient is the district's "excess residential tax quotient." For example, if the statewide average residential tax quotient is 53%, then residences in any school district where the residential tax quotient is more than 63% are entitled to the tax reduction (as long as two other criteria are satisfied).

The Tax Commissioner must compute each school district's excess residential tax quotient annually.

### **Measuring the effective school tax rate**

The second criterion to determine if the bill's tax reduction applies in a school district is whether the effective tax rate on residential property for school district purposes is at least 23 mills. The effective residential tax rate is measured by dividing the total school district taxes--property taxes on residential property plus total school district income taxes (if one is imposed)--by the taxable value of residential property.

The Tax Commissioner must compute a school district's effective residential tax rate each year if the school district's excess residential tax quotient is greater than zero.

### **Computing a school district's total tax reduction**

If the effective residential tax rate exceeds 23 mills, the Tax Commissioner must compute the (potential) total tax reduction for the school district. This computation represents the portion of the "excess" residential tax burden (as measured by the excess residential tax quotient) paid on up to two mills worth of property taxes. Specifically, the total reduction equals the amount that would be raised from a two-mill (.002) property tax multiplied by the excess residential tax quotient. But, if a school district's effective residential tax rate is less than 25 mills, then the total tax reduction is computed on the basis of the difference between the school district's effective residential tax rate and 23 mills (.023), in lieu of two mills.

The Tax Commissioner computes total tax reduction, and then computes the percentage that the total reduction is of the district's total residential property tax. If this percentage exceeds a 1/2% threshold, the bills' third criterion for applying the tax reduction is satisfied, and the Tax Commissioner must certify the tax reduction percentage to the proper county auditor by September 15.

### **Computing the tax reduction for each residential parcel**

Once the Tax Commissioner certifies the tax reduction percentage to the county auditor, the county auditor must reduce the taxes charged against each parcel of residential property in the school district by that percentage. The reduction is computed after the existing 10% rollback and the 2-1/2% rollback and the homestead exemption (if applicable to the parcel).

### **State reimbursement**

(sec. 321.24(F))

The tax reduction reduces the total taxes charged against residential property by all taxing districts. But the state must reimburse these taxing districts from the General Revenue Fund for the amount of the reduction, in generally the same manner as the state reimburses taxing districts for the 10% rollback.

The bill states that the reduction shall not affect the amount of debt a taxing district may incur (which, generally, is a function of the district's taxable property value); but, the reduction must be scaled back if a taxing district should ever fall short of satisfying its current debt charges out of property taxes. (This safeguard is similar to the one for the existing 10% rollback.)

**Example 1**

A school district has a residential tax quotient of 79.59% (.7959); an effective residential tax rate of 24.5 mills (.0245); and a total taxable property value of \$900 million. The total residential property taxes charged and payable for the district therefore are about \$22 million (24.5 mills x \$900 million). The state average residential tax quotient is 53.61% (this is stipulated for the purpose of illustration, and is not necessarily the true state average); thus, the threshold residential tax quotient for every school district is 63.61% when ten percentage points are added to the state average.

The total tax reduction is computed as follows:

$$(.0245 - .0230) \times (\$900 \text{ million}) \times (.7959 - .6361) = \$215,730$$

The total tax reduction (\$215,730) is 0.981% of the total residential property taxes (\$22 million), which exceeds 1/2%, so all residences in the school district are entitled to the tax reduction. For example, a parcel in this school district with a market value of \$150,000 (taxable value of \$52,500) would have a tax bill of about \$1,120; applying the tax reduction percentage (.981%) to this tax bill yields a tax reduction of about \$11. The net tax bill for this parcel, then, would be about \$1,109.

**Example 2**

All of the assumptions are the same as in the first example, but the effective residential tax rate is higher--27 mills. The total residential property taxes charged and payable for the district therefore would be about \$24.3 million. Since the effective residential tax rate exceeds 25 mills, the total tax reduction is computed on the basis of two mills, the maximum allowed by the bill.

Therefore, the total tax reduction is computed as follows:

$$(.002) \times (\$900 \text{ million}) \times (.7959 - .6361) = \$287,640$$

This represents about 1.184% of the total residential property tax. Again, this percentage exceeds 1/2%, so each residential parcel is entitled to a 1.184% tax reduction. The same parcel described in the first example would here have a tax bill of about \$1,240; the reduction would amount to about \$15, resulting in a net tax bill of about \$1,225.

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**HISTORY**

ACTION	DATE	JOURNAL ENTRY
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