

LEGISLATIVE REFERENCE BUREAU FISCAL ANALYSIS

FILE NO. 051509

**JUDICIARY & LEGISLATION COMMITTEE
FINANCE & PERSONNEL COMMITTEE**

**Agenda Item #7, March 20, 2006
Agenda Item #14, March 20, 2006**

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File Number 051509 is a resolution appropriating up to \$700,000 from the 2006 Common Council Contingent Fund for the Remission of Taxes Fund SPA to provide funding for remitted taxes.

Background

1. The Remission of Taxes Fund special purpose account provides the money needed to refund property taxes and applicable interest to property owners who have had their tax liability cancelled or reduced as a result of Board of Review or State Tax Appeals Commission actions. Actual disbursements from the Fund are made pursuant to Common Council resolutions.
2. Expenditures from the Remission of Taxes Fund vary considerably from year to year as a result of successful appeals for large assessment reductions, typically for commercial or manufacturing properties. Refunds for successful appeals of residential assessments tend to be quite small and have little impact on the balance of the Fund.
3. The 2004, 2005 and 2006 Budgets each appropriated \$500,000 for the Remission of Taxes Fund. The Remission of Taxes Fund also receives funding from reimbursements from other taxing jurisdictions for which the City collects property taxes.
4. Appropriations from the Common Council Contingent Fund have been used to make up shortfalls in this Fund in the past. In 2004, expenditures from the Remission of Taxes Fund totaled \$1,863,039, far in excess of the \$500,000 budget. Depletion of the Remission of Taxes Fund necessitated two appropriations from the 2004 Common Council Contingent Fund, one in the amount of \$475,482 and the other in the amount of \$808,100. More recently, the Common Council appropriated \$500,000 from the 2005 Common Council Contingent Fund to cover a shortfall in the Remission of Taxes Fund (File Number 050596, passed September 27, 2005).

Discussion

1. The \$700,000 figure in this resolution is the amount needed to remit tax overpayments to two large manufacturing taxpayers, Newark and Gagliano, which were successful in their appeals at the state level to have certain land, buildings and equipment declared eligible for tax exemption under state statutes. Common Council resolution files 051446 and 051447, which are on the March 20 Judiciary and Legislation Committee agenda, approve the remission of \$327,695 (plus interest) to one of these property owners (Newark, a/k/a Wisconsin Paperboard). Approval of remission of taxes to Gagliano will be by a future resolution.
2. The current balance in the Remission of Taxes Fund SPA is \$311,901 (3/15/06). Thus, the SPA lacks sufficient funds to remit the \$700,000 to the two property owners in question.
3. Since there have not yet been any appropriations from the 2006 Common Council Contingent Fund, the current balance in the account is the amount budgeted -- \$5.5 million.

Fiscal Impact

Adoption of this resolution will reduce the balance in the 2006 Common Council Contingent Fund to \$4,800,000.

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