



Wisconsin Department of Revenue

2015-17 Biennial Budget Request

Secretary Rick Chandler

March 4, 2015



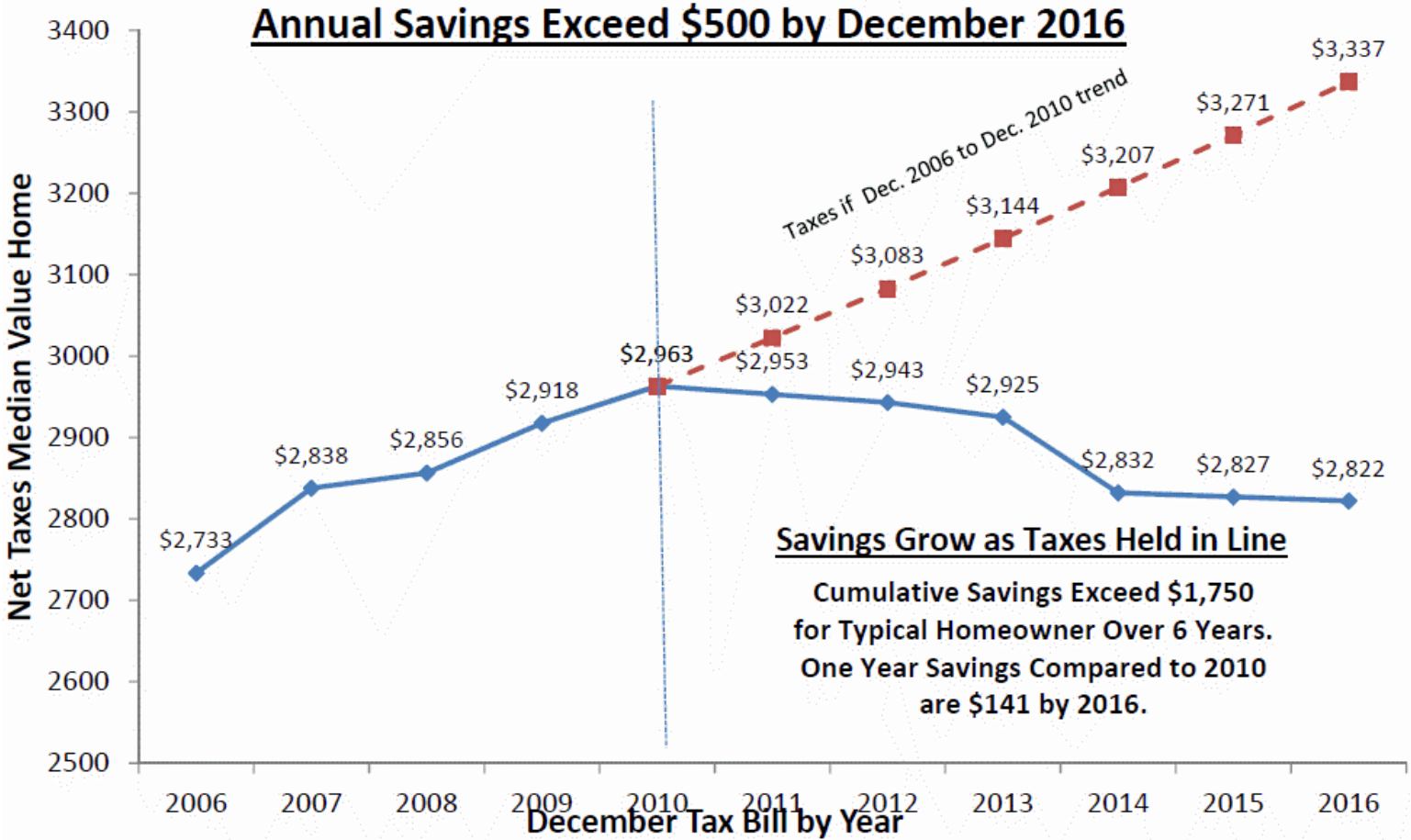
Key Issues

- Property tax relief
- Tax simplification
- Property assessment reform
- Audit initiative
- Anti-fraud efforts
- Unclaimed Property Program

Property Tax Relief

Holding the Line on Property Taxes

Property taxes on typical home drop six consecutive years



The top of the slide features a decorative blue banner with a white wavy border. In the background of the banner is the Wisconsin State Seal, which includes the text "WISCONSIN" and "1848" around a central emblem depicting a Native American with a bow and arrow, and a sailor with a ship.

Tax Simplification

- Measures conforming Wisconsin's tax code with federal code:
 - 2011 legislative session – 63 measures adopted
 - 2013 legislative session – 19 measures adopted
- DOR recommends another 11 measures for adoption in 2015:
 - 3 measures are included in the budget bill as drafted
 - Another 8 measures will be sent to JFC and the LFB
 - These are in response to legislation passed by Congress in late 2014

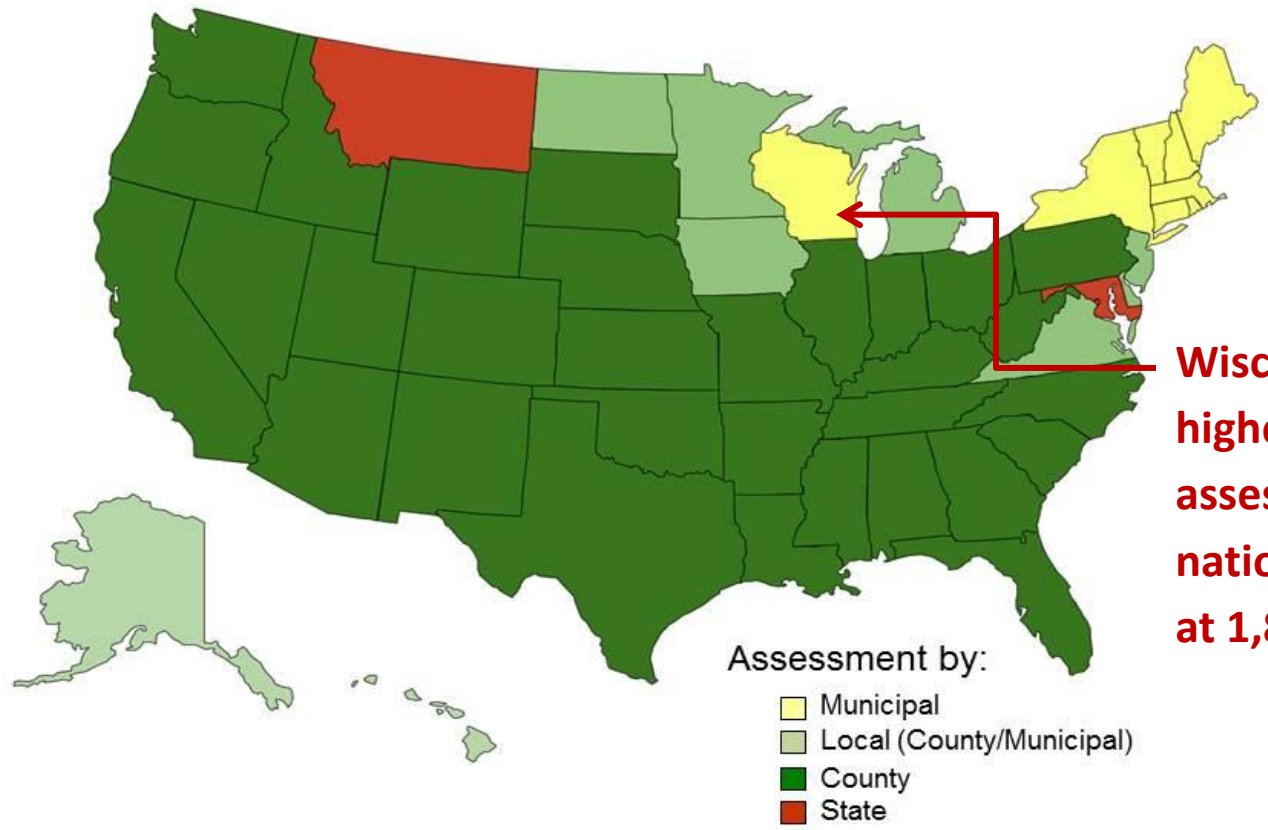


Property Assessment Reform – Benefits

- Proposal: County-based assessment system with property assessed at full value
- Better assessments for property owners
 - Avoid big swings in value due to infrequent reassessments
 - Assessments would be consistent since they would all be done at full value
- Cost savings at the state and local level
 - Local savings due to economies of scale
 - State savings through elimination of current complex equalization process
- Local government involvement maintained
- Clear and understandable process

Property Assessment Reform

Property Assessment Systems by State
Most states have county-based assessment systems



Wisconsin has the highest number of assessment jurisdictions nationwide at 1,851 municipal units

Sources: CCH Intelliconnect, State Tax Departments



Property Assessment Reform – Why Now?

- Reduce size of government and make it more efficient, effective and accountable
- Current property assessment system has many small assessment units that assess on different timetables and at different percentages of full value:
 - Difficult to monitor assessment quality with many small units
 - State needs an Equalization Bureau to make all the different assessment levels consistent before tax bills and state aids are sent out
- We asked: If we were to design a better system starting with a clean sheet of paper, what would it look like?



Property Assessment Reform – Specifics

- Move to county-based system from current municipal-based system
 - Move from 1,851 assessment units to about 90
 - 40 states have county-based systems
 - First and second class cities could opt to do assessment themselves
 - Counties could opt to form multi-county assessment units
- Maintain local review process
 - Open book meetings to review assessments in each municipality
 - Board of Review meetings at several locations in each county
- Counties would bill municipalities to cover costs
 - Bills capped at 95% of municipal base level spending

The top of the slide features a decorative blue banner with a white wavy border. In the background, the Wisconsin State Seal is visible, showing a Native American figure holding a bow and arrow, with a plow and a sheaf of wheat, and the text "WISCONSIN" and "1848".

Audit Initiative

- Add 102 new positions
- Good return on investment:
 - Invest \$25 million; gross revenue \$113 million; net revenue \$88 million
- Wisconsin has roughly half as many audit positions as Minnesota
- New positions would focus on out-of-state entities
 - Review issues related to nexus, sales tax, apportionment of income



Anti-Fraud Initiatives

- Tax fraud and identity theft are growing problems nationwide
- Legislature authorized 13 additional positions for DOR to combat fraud in the 2013 budget bill
- In FY14, DOR's anti-fraud efforts blocked \$49.7 million in fraudulent or inappropriately filed claims - an increase of \$19 million from the prior year
- The additional positions helped generate net savings of \$15.2 million in FY14, compared with a goal of \$12.7 million
- ID Verification program started with tax year 2013 returns (filed in 2014):
 - Selected tax filers asked to take a short quiz to verify their identity
 - Program was enhanced recently after reports of increased fraudulent returns using TurboTax in other states

Unclaimed Property Program

- The unclaimed property program was transferred to DOR in 2013
- Performance has improved since the transfer

	September 2013	February 2015
Claims backlog	3,843 claims	977 claims
Oldest claim	82 days	47 days
Average claim	46 days	20 days

- In the coming months, DOR will be able to match records and locate taxpayers and let them know if they have unclaimed property
- DOR will soon be offsetting back taxes and other debts owed to government agencies against claim payments

The logo of the Wisconsin Department of Revenue is located in the top right corner. It features a circular seal with a central figure holding a scale and a sword, surrounded by the text "WISCONSIN DEPARTMENT OF REVENUE".

Thank you!

For more information about the
Wisconsin Department of Revenue,
go to www.revenue.wi.gov