

August 2, 2007

Legislative Update: Important “Newark” Fix on its Way to Governor Doyle

- *SB 122 Passes Both Houses on Unanimous Votes*
- *Governor to Sign Bill on August 8th*
- *New Law Closes Major Property Tax Exemption Loophole*

The “Newark” bill, SB 122, has passed both houses unanimously and is slated for signing by Governor Doyle on Wednesday, August 8th, in Green Bay. Sponsored by a bipartisan coalition of legislators led by Senator Dave Hansen (D-Green Bay), Senator Rob Cowles (R-Green Bay), and Representative Dean Kaufert (R-Neenah), the bill closes a major property tax loophole opened by a 2004 court opinion.

Under the Newark ruling, hundreds of millions of dollars of industrial property that use recycled material to create new products might have been removed from property tax rolls. Exempting property from taxation shifts additional tax burdens to the property remaining on the roll and raises the impact of existing levies on that property.

The exception was initially granted to the Newark Group, a Milwaukee paperboard manufacturer, followed by two Green Bay businesses. A number of manufacturers then applied for the exemption. Those cases are still pending before the Department of Revenue, but will be ineligible under the new law. The pending cases sought over \$145,000,000 in exemptions and represented only a small portion of potential appeals over time. Besides major paper industry facilities, a cheese plant and chemical factory requested the exemption. Because the ruling applied to any producer using recycled materials to make a new product, numerous entire industries would conceivably have come off the tax rolls.

The relevant statute exempted: “Property purchased or constructed ... for the treatment of industrial wastes.” SB 122 clarifies that this refers only to the extent the property is used exclusively and directly to treat or abate pollution. A wastewater treatment facility at a paper mill will still qualify for an exemption, but not the entire facility.

This bill prevents a major additional shift in already skewed property tax burdens. According to the Legislative Fiscal Bureau, residential property carried 51% of the state’s total property tax burden in 1970 but 71% in 2005. In contrast, manufacturing property comprised 18% of the burden in 1970 but only 3.6% by 2005. Many of those who feel the

increasing pinch of residential property taxes underestimate or even miss the extent to which this is a function of historically large value increases and this shift.

The Wisconsin Technical College District Boards Association strongly supported SB 122 and is pleased to report its passage and next week's signing by Governor Doyle.

(end of report)