Real Estate Tax Valuation Legislative Proposal
AB 146/SB 130 Property Tax Assessments Regarding
Leased Property and Assessments Based on Comparable
Sales and Market segments

The issue: Municipalities are again urging legislators to change Wisconsin law on how business property taxes are assessed in Wisconsin. This proposal, which failed during the last legislative session, would do nothing more than increase property taxes for small businesses. These municipalities claim there has been a “tax shift” to residential property owners and businesses should pay more. This is not the case. There has not been a shift from commercial property tax collections to residential collections. Over the last ten years, residential property tax collections, as a percentage of total tax collections, have declined 2.8% while commercial collections have increased by 2.7% statewide.

Many restaurant franchisees (those who own their own business, but pay franchisee fees to corporate entities) will be the first to be targeted by this bill. Because traditional lenders are not always eager to loan to restaurateurs, many franchisees use sale-leasebacks or financing leases to build or remodel their businesses. These sales and lease arrangements are not based on the value of the building. They are based on the sales generated by the business. Using these values will greatly drive up taxes paid by small business owners. Our industry has one of smallest average profit margins already, so adding thousands of dollars in taxes will likely drive businesses to either raise prices to the consumer, not remodel property or possibly close the location and move to a more favorable municipality. In our opinion, there are only losers in this scenario. Many independent restaurants lease their restaurant space, usually in triple net lease agreements. If this bill would be enacted, chances are these restaurateurs will also be subject to significant increase in costs, and will face the same consequences as their franchisee colleagues.

This bill would punish businesses for financing growth and hiring. The bill taxes financing agreements that are inextricably intertwined with the property. The property tax is meant to tax real property – the bricks and sticks that make up the building – not intangible assets like loans. Punishing businesses that seek financing is not good tax or economic policy and sends exactly the wrong message to entrepreneurs looking to open or expand a small business.

If municipalities are able to value a property based on the ability to generate “income” such as sale-leasebacks, many small businesses, like restaurants, will be put out of business due to a spike in their taxes or lease payments. The so-called “dark stores” legislation would close a loophole that does not exist and make it more expensive for businesses to operate.

Our ask: Oppose AB 146/SB 130 which allows municipalities to tax the ability to generate income through property taxes. Support the Legislative Study Committee on Property Tax Assessment Practices Proposals which examined this issue and proposed a series of bills (SB 95, SB 96 and SB 97) that makes Wisconsin’s property tax appeals system more efficient and fair.
Wisconsin’s Personal Property Tax

The issue: Now is the time to finish the work began in the 2017-18 budget and repeal the remainder of the Personal Property Tax. The remainder of the personal property tax still covers items such as furniture, fixtures, and other miscellaneous items found in small businesses and main street establishments. WRA members are grateful for the relief given in the last budget, but good intentions do not always go as planned. While most municipalities have used the definition of machinery correctly and given much needed tax relief to small business, some have either not followed the definition or have arbitrarily raised values of leasehold improvements to increase real property taxes “to make up the difference.”

When the 2017-18 legislature exempted machinery, there was a lack of guidance on what fell under this definition from the Department of Revenue. Now, in 2019 there is still a lack of guidance, so the businesses with locations in different municipalities are seeing a savings in one municipality, but not in others based solely on the opinion of an assessor. This unevenly enforced tax has deterred and de-incentivized the growth of business in Wisconsin especially for small “brick and mortar” businesses, which are the backbone of their communities.

Our Ask:
Fully repeal or implement a phased in repeal of the personal property tax either in the state budget or by separate bill. SUPPORT including the repeal in the state budget, and sign onto the stand alone bill being drafted by Senators Strobel and Marklein and Representatives Knodl and Kulp.

State Alcohol Laws (Statute 125)

The issue: Delivery of Alcohol

The majority of the 7,000 member locations WRA represents have Class B and C alcohol licenses. The restaurant and bar industry has razor thin profit margins. Sales of alcohol for on-premise consumption is where many restaurants make their profit, while profit from food sales remain very tight as labor costs continue to increase. Consumer dining trends are changing. The number of diners who opt to eat restaurant meals at home or on the go continues to rise and the trend extends to every type of restaurant – from quickservice to fine dining. Almost three-quarters of quickserve purchases are consumed off-premise, and nearly half of fast-casual meals and 16% of casual dining meals are eaten away from the restaurant. With the trend to dine off-premise comes a reduction in high-margin alcohol sales.

Many Wisconsin restaurants and bars either have hired their own delivery drivers or are contracting with third party delivery companies such as EatStreet or UberEats in order to meet consumer demand for delivered meals. As more traffic moves off premise, offering alcohol delivery can give restaurants an opportunity to recapture the high-margin alcohol sales that they are losing as consumers move more to delivery of restaurant food. Current Wisconsin statute does not allow for the delivery of alcohol. Many states, including neighboring Michigan, have recently enacted laws that allow for the safe delivery of alcohol, including protocols to prevent purchase by underage persons. While other groups believe that alcohol delivery cuts into on-premise sales, WRA believes that with the increase of restaurant food being eaten away from the restaurant, owners need to have tools to recapture the alcohol revenue they are already loosing. Wisconsin’s hospitality industry needs to catch up to what consumers are demanding.

Our Ask:
Sign on and support Representative Tauchen’s upcoming bill to allow for alcohol delivery.
Transportation Funding
Tolling of interstate and/or state highways

The issue: The hottest issue in this session’s budget deliberation is how to fix Wisconsin’s roads. Having quality roads for residents, businesses and tourists alike are important to Wisconsin’s economy. As the legislature debates how to fund needed infrastructure repairs, tolling of interstate and/or state highways is being considered by some lawmakers as a way to create new revenue. The WRA adamantly opposes tolling – the bottom line is that tolling costs more than it delivers.

Tolling systems negatively impact businesses along the tolled highways. Most tolling systems deliver changes to potential exits, which has a considerable impact on business locations near our highways, which could be no longer readily accessible to tollway traffic. With federal approval of tolling, comes the potential for privatized rest areas that compete unfairly with existing businesses relying upon existing traffic patterns and exit access.

Tolling takes money, time and cannot help fund other roads. If federal approval is obtained for tolling, a large upfront investment paid by the state is necessary to start up any tolling system. It would then be an additional 3-5 years before there could be any net gains, plus any revenue generated must be used on the toll roads, which does not help to resolve funding needs for other roads in Wisconsin.

Toll revenue would be offset by the need to fund the repair of arterial roads. Travelers and truck drivers may maneuver to avoid tolls by taking other nearby roads. This will increase traffic congestion and delays on roads that were never designed to accommodate a large number of vehicles. Slow traffic flows will only deter travelers facing an already long trip to the northern half of the state by extending their travel time.

Tolling will discourage tourism, therefore reducing tax revenues collected from travelers. There will be a direct loss to state sales tax revenue from tourist expenditures. This means the state would have less GPR to use for other areas. A reduction in travelers will also negatively impact thousands of tourism businesses relying upon travelers to enter or travel around our state to purchase goods or services.

Our ask:
Oppose the pursuit of tolling in Wisconsin. WRA does support a modest gas tax increase or a modest increase in registration fees.

Tourism Promotion Funding
Increase the Department of Tourism’s marketing funding

The issue: WRA supports a $3 million annual increase ($6 million over the biennium) for the Department of Tourism’s marketing budget. The Department’s funding has remained flat for the last eight years and it is not enough to keep pace with the competitor states like Michigan ($30 million) and Illinois ($51 million); which have larger tourism budgets than Wisconsin ($15 million).

Effective tourism promotional spending results in more visitor spending, more jobs and more state and local tax revenue. A Department of Tourism study estimated that for every $1 spent on tourism advertising, $7 was returned to state and local governments. In 2017, travelers spent an estimated $12.7 billion in Wisconsin, a 3 percent increase from 2016. The overall economic impact of tourism on Wisconsin is $20.6 billion, generating 195,255 jobs and $1.5 billion in state and local taxes. An increased promotional funding commitment will continue to protect and create jobs and generate more revenue for state and local governments.

Our ask:
Support an increase in the Department of Tourism’s marketing funding.

Maintain September 1 School Start Date

The issue: The September 1 school start date is beneficial to Wisconsin’s economy and families, and there is no adverse impact on the education of our students. We oppose any attempt to change current law.

Removing the September 1 school start date would lead to less revenue for Wisconsin businesses and less tax revenue for Wisconsin state government during August, the second busiest travel month after July. Minnesota and Michigan, two major competitors to Wisconsin tourism, have state laws requiring schools to start after Labor Day. Repealing Wisconsin’s law could put the state’s tourism industry at a competitive disadvantage as there would be fewer employees available to serve our visitors.

A 2016 survey conducted by St. Norbert College Strategic Research Institute found that 68 percent of Wisconsin parents support the September 1 school start date law, many commenting the need for more family time; a preference for a post-Labor Day start; and that summers in Wisconsin are already short enough. August also has warmer temperatures than June, which is perfect for family vacations, but can create uncomfortable learning environments in schools not equipped with air conditioning.

Local school boards and districts have great flexibility in setting their school calendar; selecting holiday breaks, determining staff development days, making up snow and cold days and setting school hours. Advancement Placement course work can begin voluntarily over the summer by students interested in these courses. Since the September 1 school start date took effect, AP course participation and scores have increased significantly and are above the national average.

Our ask:
Oppose any bills that weaken or repeal the September 1 School Start date.