

Wisconsin Personal Property Tax Repealed: What it Means for Business Owners

Corporate News: A Legal Update

By John D'Jock on September 27, 2023

On June 20, 2023, Governor Tony Evers signed 2023 Act 12 ("Act 12") into law. Notably, Act 12 repeals Wisconsin's personal property tax. The repeal takes effect on January 1, 2024 and eliminates the time-consuming and costly process for business owners trying to ensure compliance with personal property tax laws. Business owners may also need to review assets previously classified as personal property to determine whether they are now classified as real property.

What is changing under Act 12?

- Wisconsin's personal property tax is being repealed. Business owners will no longer need to pay this tax or other compliance related costs. However, some property previously taxed as personal property may now be taxed as real property, as discussed below.
- Buildings, improvements, and fixtures on (A) leased lands; (B) exempt lands; (C) forest croplands; and (D) managed forest lands will be assessed as real property. Wis. Stat. § 70.17(3).
 - Previously, improvements on leased lands could be assessed as either real property or personal property.
- Assessors may create separate tax parcels for any buildings, improvements, and fixtures located on leased lands, where the buildings, improvements, and fixtures are owned by someone other than the landowner, for assessment to the owner of the buildings, improvements, and fixtures. Wis. Stat. § 70.17(3).
- Assessors may create separate tax parcels for any buildings, improvements, and fixtures located on exempt lands, forest croplands, and managed forest lands, for assessment to the owner of the buildings, improvements, and fixtures. Wis. Stat. § 70.17(3).
- The Department of Revenue will continue to assess property of manufacturing establishments, except for "property not contiguous with or located within 1,000 feet of the parcel on which the production process . . . occurs." Wis. Stat. § 70.995(5).
- Business owners now have until July 1 of the year in which they are seeking manufacturing status to apply for that status. Manufacturing status is a requirement to receive the manufacturing tax credit. Any business classified

as a manufacturing establishment as of January 1, 2024 is presumed to be engaged in manufacturing and does not need to reapply. Wis. Stat. § 70.995 (5n)(a).

- Previously, businesses had to apply for manufacturing status by March 1.
- Applications for manufacturing status received after July 1 are not guaranteed to receive a determination by the end of the year in which the status is sought.

What else should I know about Act 12?

Wisconsin law previously required personal property tax be paid on certain furniture, fixtures, and equipment—among other types of personal property. However, with the enactment of numerous exemptions over the years, few items traditionally considered to be personal property were still taxed. The personal property tax became a patchwork system with the state collecting fewer dollars year over year, when adjusted for inflation.

Act 12 eliminates this patchwork system. In addition to any savings from the tax repeal itself, Wisconsin businesses will no longer be burdened with ensuring compliance with Wisconsin's personal property tax laws.

Act 12 also impacts municipalities, as they will no longer receive personal property tax revenue. However, Act 12 creates a fund for municipalities that would otherwise lose out on revenue from the repeal.

What are my next steps?

Although the personal property tax is being repealed, business owners should review any buildings, improvements, and fixtures previously assessed as personal property, as they will now be assessed as real property. Furthermore, commercial landlords and tenants should review their leases to determine if Act 12 impacts any tax matters. Finally, all business owners should ensure they review and pay their 2023 personal property taxes as the repeal does not impact current taxes.

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