**Optional 2020 Tax Settlement Extension**

A non-statutory provision in the state COVID-19 response bill (2019 Act 185 § 105(25) <https://docs.legis.wisconsin.gov/2019/related/acts/185/105> ) gives counties the option of waiving penalties for late 2020 property tax payments through October 1, 2020. If a county board adopts a resolution to do so, the August 20 tax settlement will include taxes collected through the end of July, and then a new final tax settlement will occur on September 20. Barring another change in law, this is a one-time provision in effect for calendar year 2020 only. The statutory August 20 final settlement date would resume in 2021.

Under the modified accrual basis of accounting used for governmental funds, property tax revenue is recognized in the period for which the taxes are levied and when available. Paragraph 4 of GASB Interpretation 5 and Paragraph 8 of NCGA Interpretation 3, as amended define availablefor property tax revenue to mean collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Paragraph 8 of NCGA Interpretation 3, as amended states: If, because of unusual circumstances, the facts justify a period greater than 60 days, the governmental unit should disclose the period being used and the facts that justify it.

If a district is within a county that has adopted a resolution to move the final tax settlement to September 20, 2020, the property tax revenues will be outside of the required 60 day availability period. Districts and auditors should determine if they consider the COVID-19 pandemic an unusual circumstance. School districts which have a September 20, 2020 tax settlement date are able to use a one-time availability period different than the usually required 60 days if the period used and facts that justify it are properly disclosed in the financial statements. The extension of the collection period is not considered to be a change in accounting policy and the District must resume its normal availability period in the subsequent year.

If a District within a county that has adopted a resolution delaying the final tax settlement to September 20, 2020 continues to use a 60 day availability period instead of electing an availability period greater than 60 days for unusual circumstances, the final tax collections will be considered revenue in the governmental funds on the FY21 audited financial statements.

**Due to revenue limits and state aids, the DPI is requiring September 20, 2020 tax settlements be recorded as 2019-20 property tax revenue in the PI-1505 Annual Report.** If the district does not elect a period greater than 60 days for unusual circumstances, this will cause a GAAP to regulatory difference between the PI-1505 Annual Report and audited financial statements.

The DPI strongly recommends Districts with a September 20, 2020 final settlement date elect a 90 day collection period for property tax revenues due to the unusual circumstances of COVID-19 for the following reasons:

-Provides consistent application of governmental fund revenue recognition year over year.

-Audited financial statements will better align with budget expectations as all 2019 tax levy will be recorded as revenue.

-Allows audited financial statements and PI-1505 Annual Report to match.

The DPI has communicated this information with school districts and recommended district finance staff contact auditors to discuss further.

If you would like to discuss further, please contact Jillian Raff at 608-267-7882 or jillian.raff@dpi.wi.gov.