

# Too Many Loopholes

## How to Turn Property Tax Exemptions into Revenue for Local Governments

*Institute for Wisconsin's Future*

*January 2011*

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Dennis Collier

Jack Norman

Wisconsin citizens want strong communities, reasonable state and local taxes and a revenue system in which all individuals, businesses and organizations pay a fair share. IWF's Fair and Adequate series of reports examines how the current tax system works and what changes are needed to create a fair system that adequately funds the services needed for the common good.

## Executive Summary

Property tax revenue is the fuel for community operations. It generates \$9.4 billion a year to pay a major portion of the cost to run schools, public safety systems, all forms of transportation, technical colleges and the infrastructure that supports us. The property tax is Wisconsin's oldest and largest mechanism for citizens and businesses to share the expense of basic and vital public structures. The property tax is also the tax some people love to hate the most.

There are serious criticisms of the property tax structure in Wisconsin:

- Property taxes in this state are higher than in most other states;
- Middle-class families pay a higher percent of their income on property taxes for their homes than wealthy households;
- Property tax rates are not consistent, but vary widely from one community to another;
- And the amount of money generated under current state law is insufficient to maintain the quality of city, county and school operations. While local governing bodies control how the money is used, the state government controls how much can be raised. In recent years, the state has imposed caps on schools and communities that restrict local funding to a level actually below the cost to continue existing operations.

There is no one silver bullet that repairs the entire system, but one aspect of the tax system that contributes to these problems is the substantial number of properties that are taxed below their value or not taxed at all. If these properties were taxed at their market value, it would generate up to an additional \$700 million. These funds could be used to pay for police, firefighters, road work, sanitation, education and other vital systems if state spending caps were adjusted. It could also help to lower tax costs for families' homes.

What needs to be done and how can policymakers begin? The first step is to review and evaluate the 104 property tax exemptions currently in law to determine if some need to be altered or eliminated.

1. The majority of tax-exempt property is owned by nonprofit entities vaguely defined as "benevolent." Within this nonprofit category are organizations that operate in almost identical ways to their for-profit counterparts with luxurious facilities and lavishly paid executives. Hospitals and high-end housing for retired persons fall in this category. The hospital exemption shifts at least \$128 million in property taxes from the massive institutions to homeowners and small businesses every year.

Some retirement communities are sited on valuable land and charge residents very high monthly fees but pay no property taxes at all. If taxed at the same rate as the elderly living in their homes, it would generate at least \$15 million each year

One way to address these gaps is by establishing quantifiable ways of assessing "benevolence" to ensure there is sufficient community benefit to offset the loss of revenue. Alternatively, the state can require nonprofits to make payments in lieu of taxes to help cover the cost of services they rely on—transportation, road maintenance, water and sewer operations, etc.

2. Local governments lose revenue when land is assessed at below-market value. Real estate speculators do "fake farming" on commercial or residential property to obtain the lower property tax rates designed for farmers. This could be repaired by designating stricter standards for assessing property as farmland.

Billboard owners claim the value of their billboards based on the cost of its physical components rather than on the revenue they generate for owners. Clarification of the property value could add millions of dollars to local community coffers.

3. The existing property assessment process is fragmented and inconsistent. The Department of Revenue has proposed reforms that would consolidate and modernize the assessment process, including an annual assessment of all property at market value to create an accurate, up-to-date and transparent method of measuring property values. This process should also address the confusion surrounding personal property exemptions such as those for business computers and other equipment. In addition, a State Board would be established to oversee exemptions to increase consistency and evenhandedness across the state

Property owners with deep pockets are quick to file lawsuits against local governments when communities try to ensure everyone pays their fair share. These communities are already starved for revenue and need financial support for tax issue litigation with wealthy opponents. This would ensure that court decisions were based on law, not undermined by communities' financial exhaustion.

4. Finally, it is crucial that Wisconsin reform the way that tax exemptions are adopted. Like the gift that keeps on giving, the list of tax exemptions grows every year. During the 2009-2011 biennium when that state was facing a massive fiscal crisis due to the recession, ten new exemptions were passed by the Legislature.

Exemptions should be subject to ongoing review with definitive ending dates unless they are approved for renewal. New exemptions should be scrutinized for relevance and impact with a sunset date included in the legislation.

Wisconsin faces a deficit of over \$3 billion in the coming two years. This will have serious repercussions for the very systems needed for economic recovery – education, transportation, public safety and economic development. It is not a time to throw money away needlessly. Property taxes weigh heavily on the residents of this state; it is not a time to add more pressure.

Property tax revenue is a major source of local operating funds. It is a time to be careful and efficient with this resource. It is time to close loopholes, be consistent and ensure that all groups pay their fair share.

## Introduction

Wisconsin's property tax generates more than \$9 billion a year—far more revenue than income or sales tax—to fund local schools, police and fire protection, parks, local roads, street lighting and many other public services essential to the daily life of the state's citizens. It's a good tax because it allows local school districts, counties, municipalities and other jurisdictions to pay the costs of vital operations.

But the property tax is not perfect, nor is it popular. Wisconsin's property tax is higher than in most other states. It is unfair and regressive, with middle-class families spending more of their income for property tax than do wealthy homeowners. It is inadequate to support the essential functions of education and local government. Every year, local government sectors are forced to choose what programs should be reduced or cut to meet budget shortfalls.

Property tax is levied primarily on land and buildings, but considerable property is exempt—even though the owners of these exempt properties benefit from the snow removal, road maintenance, public safety systems and all of the services financed by the tax. In other instances, property is taxed but its taxable value is well below its market value. The total amount of private property that is tax exempt or valued significantly under market value could generate up to \$700 million dollars a year in new property tax revenue.

Wisconsin's property tax base has deteriorated over time because of these exemptions and undervaluations. Exemptions that have been in place for decades have never been re-examined. New exemptions are frequently added by the Legislature and Governor. Some kinds of exempt property that were once only a sliver of Wisconsin property—such as nonprofit hospitals and nonprofit housing for more affluent seniors—have grown into major categories. Special interest legislation creates new exemptions tailored to specific pieces of property. Tax reforms with good intentions—such as the deep cut in property taxes for farmers in the 1990s—lead to unfortunate consequences, such as massive tax breaks for real estate speculators.

If many of these exemptions were lifted so that more property owners were held responsible for paying tax on the actual value of their land, buildings and equipment, overall property tax revenues would increase, more people would pay their fair share and it might be possible to lower the tax cost to everyone.

Wisconsin needs to close the gaps in its property tax base. The new property tax revenue that would come from restoring the tax base could be used in three possible ways. One: it could be used to reduce property tax rates. Two: it could supplement the tight budgets of schools, municipalities and counties. Three: it could provide a combination of the two, lowering rates while providing additional revenue for local governments.

However, increasing local revenues, with or without tax cuts, would require modifying the local levy limits – the existing state caps on property tax collections. All branches of local government in Wisconsin—schools, municipalities and counties—are limited by state law on how much revenue they can raise in property taxes. Simply adjusting the limits in proportion to increases in the tax base would allow some of the new money to be used by cash-strapped local governments.

Determining the value of property defines the property tax base. This is the job of tax assessors who work under state law and are often frustrated by the maze of exemptions – new and old. It's time for a thorough re-examination of how Wisconsin assesses property.

Modernizing the assessment system wouldn't totally solve all the complaints raised against the property tax system. But broadening the tax base could help reduce the tax bill for most property owners. It could improve the fairness of the system. And—with a little flexibility in existing limits on property taxes—it could provide some revenue to prop up troubled budgets of school districts, municipalities and counties.

The options discussed here touch on a number of issues related to assessment and tax exemption:

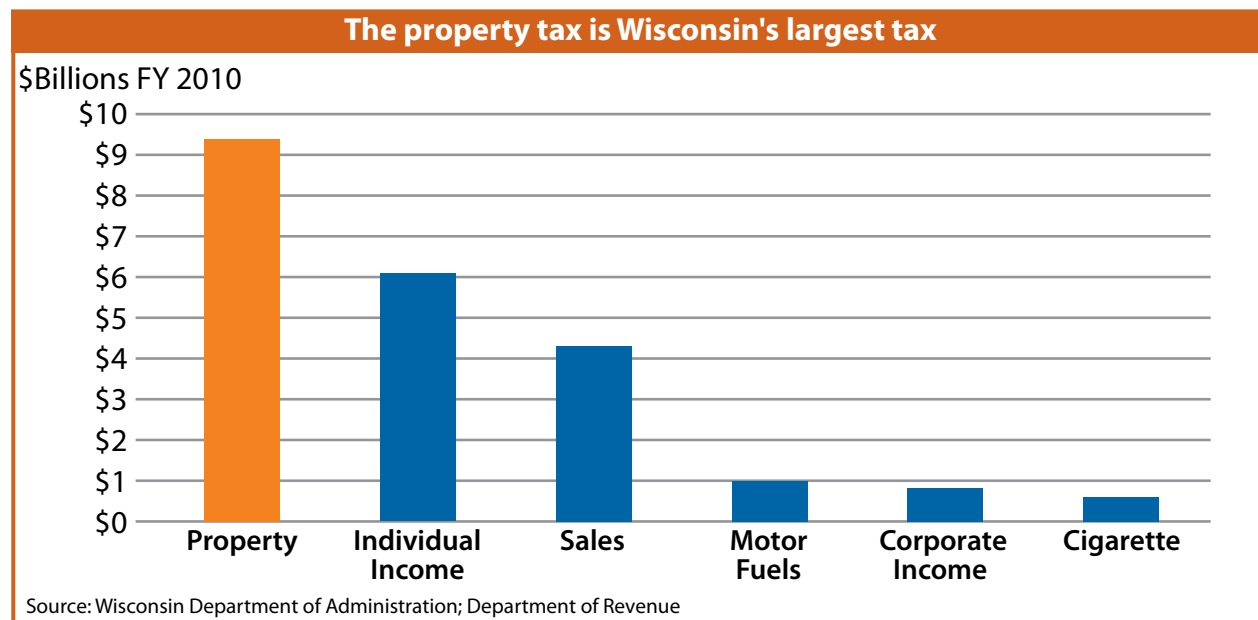
- Re-evaluating existing tax exemptions, especially for nonprofit organizations such as hospitals; and high-end senior housing facilities;
- Revaluating some forms of property that may be taxed but too lightly, including billboards and some real estate owned by speculators;
- Mandating payments in lieu of taxes in exchange for the provision of local services, so that even if properties remain exempt the owners make some contribution toward services funded by the tax;
- Improving the assessment process, so it is more consistent statewide and so that municipalities are better equipped to withstand legal challenges from property owners;
- And reforming the way tax exemptions are granted, so proposals for new exemptions are given a thorough review and existing exemptions are given periodic reviews.

## Overview of the Property Tax

The property tax is Wisconsin's oldest tax and its largest. It is probably the most unpopular tax as well—but it is also very well-suited to its task of financing the services provided by local governments.

Wisconsin has always had a property tax—even before it was organized as a territory in 1836.<sup>1</sup> By contrast, Wisconsin did not impose its state income tax until 1911 and the sales tax until 1962. Those three levies are Wisconsin's largest—but the property tax is the largest of all. As Chart 1 shows, in state Fiscal Year 2010, net property tax collections were nearly \$9.4 billion, far more than the \$6.1 billion in state individual income taxes and \$4.2 billion in state, county and stadium district sales taxes.<sup>2</sup>

Chart 1



The property tax is one of the key funding sources for the local government services that impact citizens most in their everyday lives. It gives local government officials their own independent tax source for financing these services. Almost the entire property tax levy goes to fund services such as elementary and secondary education, police and fire protection, local roads and other transportation infrastructure, storm sewers and garbage pickup. Over 99% of the property taxes collected in Wisconsin go for local services. The remainder, \$87 million, goes to the state conservation fund.

Local elementary and secondary school districts receive 45% of the taxes, and vocational, technical and adult education districts levied another 7%—so more than half the property tax goes for education, as Chart 2 (next page) shows. General purpose governments, which provide a broad range of services to their residents, received 42% of the property tax levy: 23% for cities, town and villages, and 19% for counties. Special districts, like sewerage, sanitary and lake protection districts, and the state forestry tax accounted for the remaining 5%.

Even though it's a key revenue source for essential, day-to-day services, Americans don't care much for the property tax. In a Gallup Poll conducted in 2005, 35% of respondents labeled it as the worst or least fair tax. The federal income tax was a distant second in this unpopularity contest, identified as least fair by 20% of respondents, followed by the state income tax and the sales tax (each 14%) and the federal social security tax (12%).<sup>3</sup>

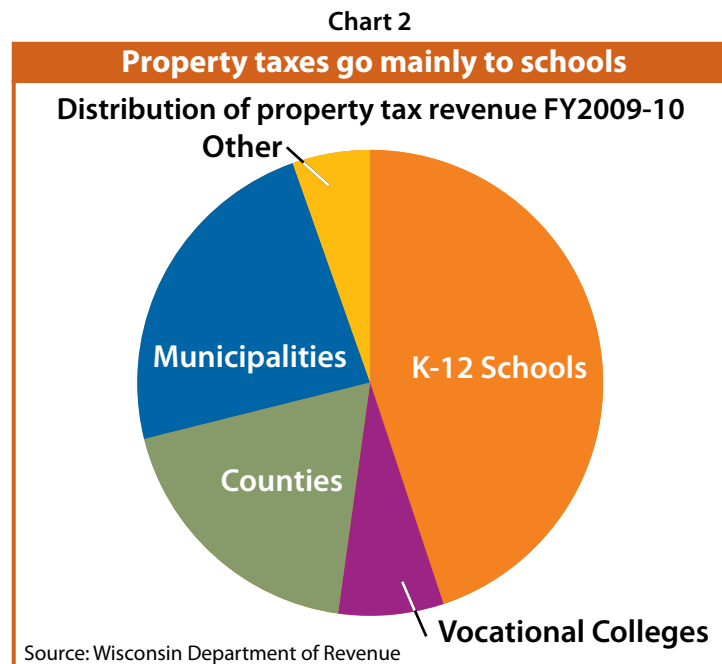
The chief complaints about the property tax are the size of the bill and the large share that is picked up by homeowners. The property tax is billed in one large, lump sum. In Wisconsin, the bill comes in December, a few weeks before Christmas. By contrast, most people pay their federal and state income taxes and their federal payroll taxes periodically through withholding from their paychecks. Sales taxes are paid in small amounts as consumers purchase taxable goods and services. Only occasionally, with large purchases like a car, or expensive furniture, appliances or electronics, do sales taxes become large and noticeable.

Property taxes are higher in Wisconsin than they are in most other states, and this undoubtedly contributes to its unpopularity here. In Fiscal Year 2008, Wisconsin's total taxes per capita were \$4,331, just below the \$4,362 average for all fifty states—but the Badger state's property taxes per capita of \$1,569 were 17% above the 50-state average of \$1,343. Wisconsin ranked eighteenth among the fifty states in total taxes per capita, but thirteenth in property taxes.<sup>4</sup>

A related concern is the burden on low-income households. The property tax is regressive: the tax as a percent of income is larger for low-income than for high-income households. In its 2004 tax incidence study, the Wisconsin Department of Revenue estimated that property taxes on the poorest 20% of households were 6.9% of household income, compared to less than 5% for the richest 20%, including 4% for the top 1% of households.<sup>5</sup>

Similar results on the regressive nature of Wisconsin's property tax were obtained by Rebecca Boldt, Bradley Caruth and Andrew Reschovsky in their 2009 study of tax payments and income from 2000 through 2005. They concluded: "We find that the property tax on Wisconsin homeowners is regressive. Net of state property tax relief efforts and federal deductibility of property taxes, we find that the lowest quintile paid 5.9% of their income in property taxes, more than double the overall average and 3.7 times more than the burden on homeowners in the top 5% of the income distribution. These homeowners paid 1.6% of their income in property taxes over the period."<sup>6</sup>

The large, annual bill makes the property tax very visible to property owners—they know exactly how much they are paying. Citizens also find out how much they pay in federal and state income taxes when they fill out their income tax returns—but they aren't writing a check for that amount and in fact may be getting a refund of some of what they paid. And very few persons keep track of the amount of sales taxes they pay each year.





The tax is especially visible to and unpopular among homeowners because they are paying a large and ever-increasing share of it. In Wisconsin, as Chart 3 shows, residential property—land and buildings—bore 70% of the property tax burden in 2009/10. This includes single-family homes, duplexes and other small multi-unit residences. Commercial land and buildings, which includes larger apartment buildings, stores and offices, accounted for 20%.

All other classes of property contributed only 10% of the total tax bill: 4.3% for forest land, undeveloped land, and farm homesteads and buildings and the land on which they are located, 2.7% for manufacturing real property, 0.4% for agricultural land, and 2.6% for personal property, which includes business furniture, fixtures and equipment, machinery, tools and patterns, and boats and other watercraft.

Residential property's share of the tax has been rising for many years—from 51% in 1970-71 to 71% in 2008-09, as Chart 4 shows. The rate of increase has slowed in recent years with the decline in home values due to the economic recession (see *Appendix I: Why Homeowners Are Paying More*).

The key for financing public services in Wisconsin for 175 years, the property tax is here to stay. It raises more revenue than any other state or local tax. It funds services essential to the daily lives of the state's citizens—and it's a good source for that funding because of its connection with the beneficiaries of those services.

Chart 3

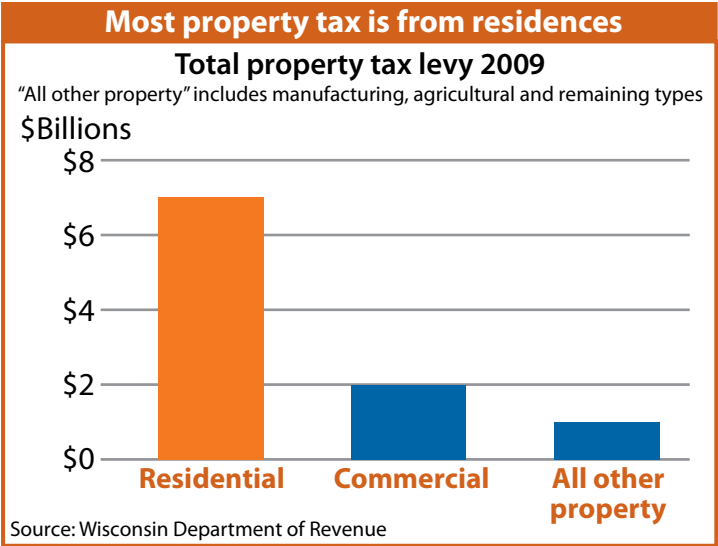
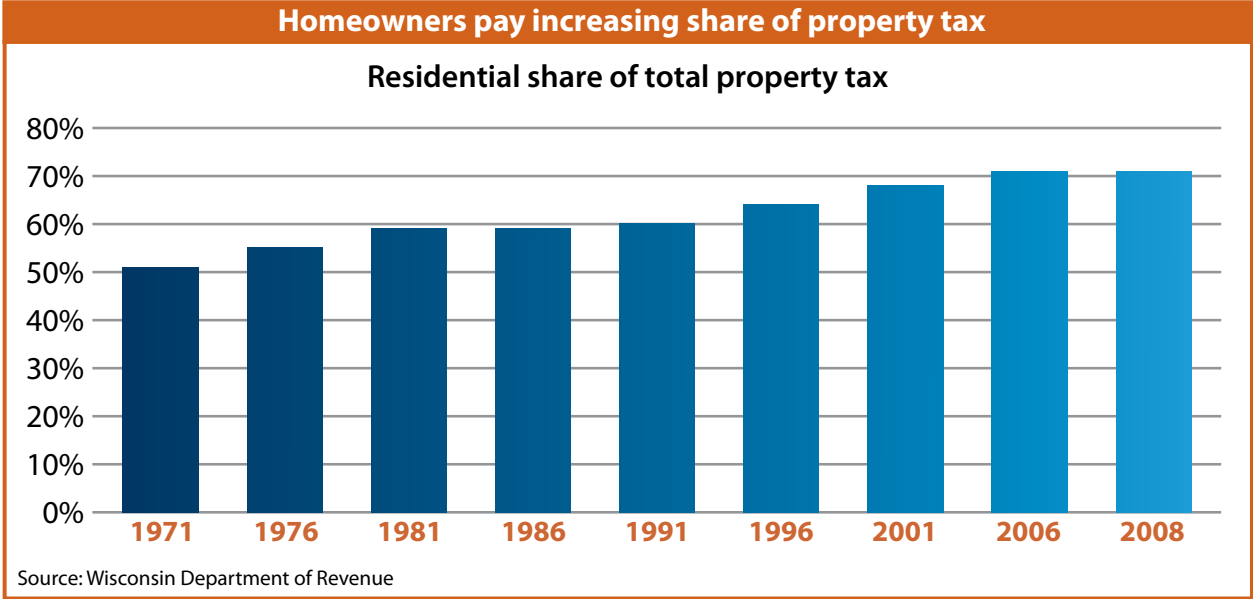


Chart 4



Given its importance, local and state policy makers—especially the latter, who exercise substantial control over the tax—should be interested in strengthening public support for using it as a revenue source. This includes addressing the flaws that contribute to its unpopularity: the overall size of the property tax burden, considerably higher than the national average; its impact on low-income families; and the large share falling on homeowners and other residential property owners.

Broadening the tax base could help reduce the tax bill for others. It could improve the fairness of the system. And—with a little flexibility in existing limits on property taxes—it could provide some revenue to prop up troubled budgets of school districts, municipalities and counties.

Broadening the tax base requires a re-examination of the rules and processes governing property assessment. The remaining sections offer a variety of options for doing just that.

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## Property Tax Assessment

Originally imposed on most forms of wealth, the property tax has evolved primarily into a tax on real property—“real” meaning land itself and the ‘permanent’ structures built on it. In addition, the property tax applies to limited kinds of personal property, “personal” generally meaning items that can be moved independent of land.

But many forms of real property are exempt from taxation. Has the property tax base in Wisconsin become too narrow? To put it another way, are there too many exemptions from property tax?

When the Legislature creates an income tax or sales tax exemption, the state loses revenue it would otherwise collect. That’s because the rates for these taxes are set in state statute. So, with a new exemption, everyone else continues paying income or sales tax at the same rate as before.

It’s different with the property tax. Rates are not set in law, but are calculated once the local government has decided how much money it will collect with the tax. The tax rate equals the total property taxes levied divided by the total amount of taxable property.

When an exemption is created, the levy—that is, the total property tax collected—doesn’t change even though the tax base becomes smaller. That’s because the tax rate goes up on the property that remains taxable. This especially hurts owners of single-family homes and other residential property, which account for more than 70% of Wisconsin’s property tax base.

In 2008, real private property valued at \$21.1 billion was exempt from property tax in Wisconsin, according to the state’s Department of Revenue. This does not include property owned by federal, state and local governments, along with cemeteries and archaeological sites, none of which are required to report the value of their exempt property to local government officials. An estimated \$12.4 billion worth of manufacturing machinery and equipment and \$1.9 billion worth of waste treatment facilities were also exempt.

If all these properties had been taxed at the statewide average rate—1.97% in 2009—their property tax would be about \$700 million a year. If this all went to reduce tax rates for other property owners, it would mean an average cut of 6.6% for other property owners in 2008, the Revenue Department estimates.<sup>7</sup> The reduction would vary by municipality, averaging 9.7% lower in cities, 6.4% lower in villages and 2.8% lower in towns. For example, the owner of a \$150,000 house in a city would save about \$320 per year.

About ten pages, or one-fifth, of Chapter 70, the section of the Wisconsin Statutes pertaining to the property tax, are devoted to exemptions.<sup>8</sup> They are justified by a variety of arguments. Some argue that nonprofit organizations should be exempt because they provide services that government would otherwise provide or that government wants to encourage. Some argue that property tax exemptions are an effective way to stimulate investment and jobs. And governments have long claimed tax exemptions from property they own.

Can all current exemptions—and the shift in taxes from exempt property to homeowners and other owners of taxable property—be justified by these or other rationales? That is a question that is rarely raised, because once an exemption is created, it is seldom, generally never, reviewed again. No one asks whether the policy goal justifying the exemption continues to be relevant, whether the exemption is effective in achieving that goal, or whether the exemption's impact on taxable property owners and local governments can be justified.

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What follows are a variety of ways to reform the rules for property tax exemptions and for calculating the value of properties that are not exempt.

### Option 1: Re-evaluate all existing property tax exemptions

The Legislature should mandate a thorough evaluation of all current property tax exemptions. This could be done, for instance, by a Legislative Council committee or a task force appointed by the Governor. For each exemption, the review should:

- Identify the rationale or policy goal supporting it;
- Determine the extent to which the exemption achieves this policy goal;
- Estimate the exemption's cost, in terms of taxes shifted to other property owners;
- And determine whether the exemption is justified in terms of its effectiveness in achieving its stated policy goal and the shift in taxes to other property owners.

Based on this evaluation, the review panel should recommend one of the following:

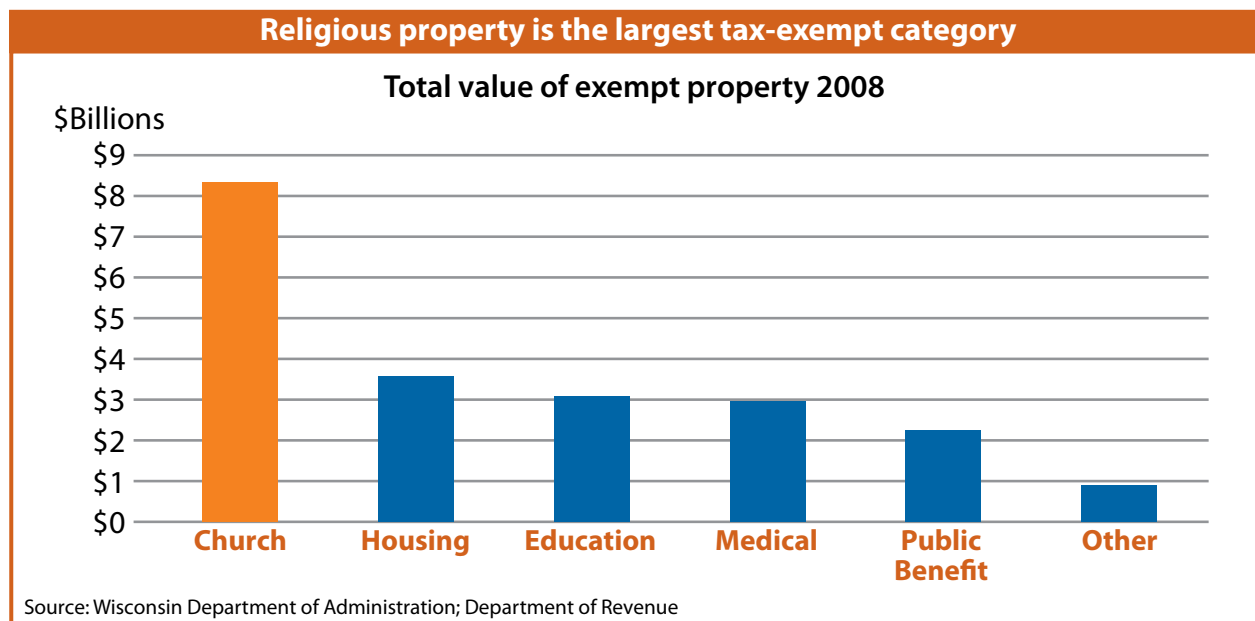
- Continue the exemption on an indefinite basis;
- Continue the exemption, but set a date at which it will expire, requiring re-evaluation of the exemption before it is reauthorized (the Department of Revenue could be given responsibility and resources for determining the effectiveness and cost of each exemption);
- Or repeal the exemption.

As noted earlier, the potential property tax on all exempt property is about \$700 million a year.

## Option 2: Clarify or revise the exemptions for nonprofit entities

Property owned by nonprofit or benevolent organizations accounts for the largest share of tax-exempt private property. Places of worship and other church-owned property, including schools, are the largest category of exempt private property, as Chart 5 shows. The other major categories are housing including nursing and retirement homes; educational institutions; and hospitals and other medical property, other than government property.

Chart 5



The word “benevolent” is central in the statute’s discussions of tax exemptions, but the meaning of the word is left unclear by the laws. It is left to courts to determine its meaning in specific cases. Wisconsin courts have taken a variety of factors into consideration, including how an organization is structured and operates, what services it provides, and what happens to any ‘profit’ (income above expenses) the organization earns.<sup>9</sup>

Generally, property must be owned and used exclusively for a tax-exempt purpose. A nonprofit organization renting space from a for-profit landlord does not benefit from the exemption, and property owned by a nonprofit group that has some use other than its tax-exempt purpose is also taxable. Also, acreage limitations apply for several exemptions.

Several arguments support exemption of property owned by nonprofit groups.<sup>10</sup> The rationale used most often to justify tax exemptions for nonprofits is that they provide services that government would otherwise provide or perform activities that government wants to encourage. Whether an exemption is an effective subsidy for getting these activities provided is an issue. For example, exemptions are not clearly linked to the services provided in return, and the tax saving from exemption may not be similar to the value of the services provided. And only property-owning nonprofits benefit; groups that rent are not subsidized.

Further, the nonprofit frequently serves a community extending beyond the taxing jurisdiction that bears the cost of the exemption. For example, nonprofit hospitals and colleges and universities are frequently located in urban areas, but they serve clients in suburban and rural areas as well. The Revenue Department’s study of the effect of exemptions on tax rates, mentioned earlier, bears this out: the rate increases resulting from exemptions are higher in cities than in villages and towns.

There is also concern about exemptions for nonprofits that are essentially in competition with for-profit businesses and act no differently from them, with hospitals and nonprofit housing as clear examples. Shouldn't commercial nonprofits, financed largely by fees for services, pay taxes like their for-profit competitors, especially when they can pass the tax along in fees to their customers and third-party payers like insurance companies?<sup>11</sup>

Properties that are exempt do benefit from the services that local governments provide, so why shouldn't they pay for them? Charitable organizations pay for some public services, like water or electricity. Why shouldn't they pay for services like police and fire protection and local transportation infrastructure?

Finally, individuals and for-profit businesses can get reductions in their income taxes for their charitable donations. But they do not get a break on their property taxes. So why should nonprofits, which are exempt from income and sales taxes, also be exempt from property taxes?

What follows are a number of specific options regarding particular kinds of nonprofit property.

### **Option 2a: Define clear standards for “benevolent” or “nonprofit” organizations**

Wisconsin Statutes do not define what it means to be “benevolent,” though they require benevolent organizations to be nonprofit—any surplus of income over expenses cannot benefit private interests. Though several state-level committees have had little success in developing clearer standards for “benevolence,” particularly for retirement and low-income housing, such standards would help assessors and the courts determine whether or not properties should qualify for exemption.

Two standards that other states consider, either by law or in court rulings, are (1) serving a public purpose, in particular, relieving government of a burden that it would have to address, and (2) being “charitable.” Indicators of the latter include receiving a significant share of support from charitable contributions and helping a particularly charitable class, such as low-income persons, or providing services to needy recipients for free or below cost.

One factor frequently considered is the extent to which an organization receives substantial revenues from charges for service. Obviously, this impacts the extent to which the organization is supported by charitable giving. But it can also affect the extent to which it is serving a public purpose. Does government provide a significant portion of the funding—such as it does for nonprofit hospitals—in which case it may not be relieving government of a burden?

In addition to general standards defining “benevolent,” industry-specific standards could offer explicit tests, such as the percentage of services provided to needy clients, the existence of sliding-scale charges based on income, and profits relative to total revenues.

### **Option 2b: Define community benefit standards for exempt hospitals**

More than 90% of Wisconsin's hospitals are nonprofit institutions, and they accounted for 89% of the \$14.9 billion in hospital revenue in FY 2008. Government-run hospitals generated 8% and for-profit hospitals 3%.<sup>12</sup> Because they are exempt from the property tax, nonprofit hospitals contribute little if anything to the costs of local public services benefitting them, whereas their contribution would be substantial if their property were taxable. An analysis by the Institute for Wisconsin's Future estimated that the exemption shifted at least \$128 million in property taxes from hospitals to other property owners in 2008.<sup>13</sup>

Wisconsin needs well-defined standards for the community benefit that can be used to determine eligibility criteria for the exemption. Currently, a hospital is exempt from the property tax if:

- It has at least ten beds;
- Its primary purpose is the diagnosis, treatment and care of sick, injured and disabled persons;
- None of its profits benefit a shareholder, member, director or officer;
- And it is not operated for the benefit of the private practice of a doctor or group of doctors.

In addition, property used as a doctor's office, health and fitness center or other commercial purpose is not exempt. Housing of 12 or more units for student nurses is exempt.

National health reform enacted in 2010 may be helpful in determining whether a hospital provided community benefits that make it eligible for tax exemption. The Patient Protection and Affordable Care Act of 2010 requires hospitals to assess community needs and adopt a financial assistance policy in order to qualify for federal tax-exempt status. It also limits charges on patients eligible for financial assistance and imposes restrictions on billing and collection. Specifically, health reform requires a tax-exempt hospital to:

- Conduct a periodic community needs assessment and implement a strategy to meet identified needs;
- Adopt a written financial assistance policy that includes eligibility criteria for free or discounted care, the basis for calculating charges to patients, and the process for applying for assistance. The hospital must also provide emergency care without regard to the patient's eligibility for financial assistance;
- And not charge persons eligible for financial assistance more than the lowest amounts charged to insured patients, and not engage in extraordinary collection actions until reasonable efforts have been made to determine a patient's eligibility for financial assistance.

Wisconsin could limit its property tax exemption to hospitals that are tax-exempt under federal law. Or, it could set similar standards for assessing community needs and assisting financially strapped patients.

The Institute for Wisconsin's Future recommended establishing eligibility for the exemption in a 2008 report on nonprofit hospitals and the property tax exemption.<sup>14</sup> That report also recommended that communities collect up-to-date information on the value of exempt hospital land and facilities. This would help local government officials understand the impact of the exemption on their community's tax base and determine whether and how much hospitals should contribute to the cost of public services.

Other statutory changes could ensure that the exemption is narrowly construed and not allowed for facilities used for commercial purposes—for example, outpatient clinics in direct competition with for-profit doctor's offices and clinics.

### Option 2c: Further restrict or eliminate the exemption for benevolent retirement homes

The state budget for 2009-2011 added a restriction to the exemption of benevolent retirement homes for the aged: a unit in such a home is exempt only if its fair market value is less than 130% of the average equalized value of improved residential properties in the county in the previous year. The law also provided that common areas in a home are exempt if 50% or more of its units are exempt; otherwise, common areas are taxable.

The new provision eliminates the exemption for much high-end retirement housing. Previously, retirement homes with high-priced residential units and large entrance and monthly fees qualified for the exemption. Nonetheless, questions remain. One is whether the new standard truly demarcates a population in need. Does a person need property tax relief if he or she can afford a housing unit that exceeds by as much as 30% the average value of a residential property in the area? Taking this question a step further, why should a person living in a retirement home not have to pay property taxes when others do, for instance, retired persons who choose to remain in their homes?

The property tax treatment of retirement homes has been a thorny issue for at least fifteen years—in 1995, the Department of Revenue recommended limiting the exemption to nonprofit homes with at least half the residents having income less than the maximum income for purposes of the Homestead Credit. Certainly, some residents of some retirement homes would have difficulty paying property taxes if the current exemption was eliminated, but it is not clear that a blanket exemption for all retirement home units satisfying the 130% standard is the best way to provide them with tax relief.

There are at least 100 nonprofit housing complexes in Wisconsin, containing at least 7,600 units. If an average unit were valued at \$100,000 and taxed at the state average rate, it would generate over \$15 million a year. The most valuable, St. John's Communities in Milwaukee, recently completed a \$47 million expansion with 88 units, which average \$3,440 in monthly fees plus \$417,500 entrance fees.<sup>15</sup> Taxes on the addition alone would be over \$1 million.

### Option 2d: Re-evaluate the exemption for benevolent low-income housing

Low-income housing owned by a nonprofit benevolent association is exempt if statutorily specified percentages of its units are occupied by low- or very-low income tenants. The income limits are set by the U.S. Department of Housing and Urban Development. Also exempt are any low-income housing financed by the Wisconsin Housing and Economic Development Authority (WHEDA) and any housing project owned by a nonprofit charitable organization in existence on January 1, 2008, and on which WHEDA holds a first-lien mortgage.

Tenants of low-income housing do not enjoy any direct benefit from these exemptions when their rent is subsidized. They pay in rent only up to a certain percentage of income. Rents exceeding that are paid by government sources.

If the intent of the exemption is to provide assistance to these low-income residents, a better approach would be to tax the property so that they could qualify for the Homestead Credit. But if the purpose of the exemption is to encourage provision of low-income housing, it may be an effective way to do so, since it lowers costs to the landlords.

Re-evaluating the exemption could clarify its policy intent and indicate whether the exemption is the best means of achieving it.

### Option 2e: Repeal the exemption for benevolent student housing

The 2009-2011 state budget created a tax exemption for student housing owned by a nonprofit organization that houses up to 300 students, with at least 90% of its residents enrolled at the University of Wisconsin-Madison. In addition, the property owner is required to provide support services and outreach programs to its residents, the university and the general public. The exemption was written to benefit solely Pres House on the UW-Madison campus, which would pay about \$250,000 in taxes without it.

Given that other student housing owned by for-profit and nonprofit landlords is subject to tax, the justification for this exemption is not clear. If left to stand, it is likely to act as a precedent for further exemptions at UW-Madison and other college campuses in the state.

### Option 2f: Clarify the treatment of property owned by theater groups

The Statutes provide four different exemptions for theater and arts groups:

- Property of a federally tax-exempt organization that includes buildings on the National Register of Historic Places and a theater seating 800 or more persons [sec. 70.11 (29m)];
- Property of an organization notified of its federal tax-exempt status no later than July 31, 1969, which includes outdoor theaters with seating capacity of 400 or more [sec. 70.11 (29p)];
- Property of a federally tax-exempt organization that includes buildings within a municipal park, including theaters that seat 600 or more and facilities for arts education [sec. 70.11 (43), created for the Sharon Lynn Wilson Center for the Arts in Brookfield];
- And property of a federally tax-exempt organization that includes theaters with seating capacity of 450 or more and is located on land that either the owner owned prior to March 25, 2010, or that was donated by a local business owner or municipality, that is within 20 miles of the Mississippi River, and that is at least one-quarter acre but no larger than 2 acres [sec. 70.11 (45), created for the La Crosse Community Theatre].

Generally, it is not good public policy to tailor property tax exemptions for particular properties, though there may be special circumstances that warrant exemption. It would be better to review the tax treatment and activities of nonprofit theater groups, like those currently exempt, and determine whether a general policy should be established that treats them all the same.

### Option 3: Mandate a payment in lieu of taxes for services to property owned by nonprofits

Payments in lieu of taxes (PILOTs) are payments by owners of tax-exempt property to local governments for certain local services. Typically, these PILOTs are for municipal services but not for county programs and local schools. Also, PILOTs are usually voluntary rather than mandatory; in some states, nonprofits may provide services in lieu of taxes (SILOTs) rather than cash.

Voluntary PILOTs simply do not work well, precisely because they are voluntary. In a few cases, nonprofit hospitals in Wisconsin have chosen to pay something as a token toward the local property tax. Usually, this has happened in exchange for a favorable local ruling on zoning requirements, rulings the hospitals needed before proceeding on a construction project. For example, Columbia St. Mary's will pay Mequon \$2.5 million over 30 years in place of taxes on its new \$85 million structure.<sup>16</sup> The regular Mequon property tax



*Voluntary PILOTs simply do not work well, precisely because they are voluntary.*

on a property with that value would be about \$1.3 million each year, which would total nearly \$40 million over the same period. The PILOT provides considerably less revenue than the equivalent of local taxes.

The City of Milwaukee launched a PILOT program in 2004. However, only a handful of organizations actually gave money to the city and the PILOT program has been largely ineffective. The City Assessor's proposed 2007 budget noted: "The properties for which PILOTs are being paid are primarily churches and low-income housing developments; the city's major tax-exempt property owners (namely, health care systems and colleges/universities) continue to be reluctant to make PILOTs."<sup>17</sup>

The problem with PILOTs is the voluntary nature of the program. Unless the municipality has something the organization wants, such as zoning rights, the nonprofit has almost complete control over the negotiation of payments and can reduce or end its voluntary payment. This makes it difficult for a community to budget for the future.

Federal and some state governments also make some payments to local governments for services to their properties. Wisconsin makes annual payments to municipalities for police and fire protection, and for solid waste collection and disposal services provided to state-owned facilities under the Payment for Municipal Services Program. Municipalities receiving the largest payments are those with concentrations of state office buildings or other facilities and University of Wisconsin System campuses—Madison will receive the largest payment in 2010, totaling \$8.8 million, while Milwaukee will receive \$1.9 million, Oshkosh \$1.2 million, La Crosse nearly \$1.0 million and Eau Claire \$0.8 million.<sup>18</sup>

Each municipality's entitlement under the program is calculated by a formula that considers the net cost of services eligible for payment, the amount of this cost financed by the property tax (the municipality's tax levy as a share of its total general revenue) and the value of state-owned buildings relative to total improvements in the municipality. Entitlements are prorated so that the payments do not exceed the amount appropriated for the program.

Payments in calendar year 2010 will be \$20.6 million, only two-thirds of the \$30.8 million to which municipalities are entitled. That is a sharp drop in the rate of reimbursement, from 81% in FY 2009, due to a 5.1% cut in the appropriation from \$22.0 million to \$20.6 million per year in the state's 2009-2011 budget. The payment as a percent of the entitlement for 2009 is the lowest ever. The state paid the full entitlement only for four years, 1978-1981.

Specific PILOT options include the following:

### **Option 3a: Require full payment of the Payment for Municipal Services Entitlement**

The state's existing Payment for Municipal Services Program—which pays local governments for some services to state properties—should be fully funded so that municipalities receive the amount to which they are entitled. When municipalities are not fully compensated for the services provided to state-owned property, local property taxpayers pick up the difference. That unfairly shifts the burden of providing local services to state buildings from all taxpayers statewide to those in the community where the buildings are located. The cost to the state would be about \$10 million annually, based on FY 2010 payments.

### Option 3b: Require a payment for municipal services by nonprofit entities

Property owned by nonprofit organizations benefit from the services that municipalities provide. Arguably the nonprofits should pay for these services, or the municipality should be reimbursed in some other way for its costs.

One approach is to require tax-exempt property owners to make payments calculated in the same manner as those for the state Payment for Municipal Services. The municipality determines the net cost of police and fire protection, and solid waste collection and disposal services, and the share of that cost funded by the property tax. A nonprofit pays a portion of the tax-funded cost equal to the ratio of the value of its exempt property to the municipality's total tax base. The payment would be mandatory for the simple reason, as noted above, that few nonprofit organizations are likely to make the payment voluntarily. Currently, only a few nonprofits in a few Wisconsin municipalities pay voluntary PILOTs.

### Option 3c: Require a Payment for Municipal Services by the State

An alternative is to require the state to pay for municipal services provided to an exempt nonprofit. Since nonprofits are likely to oppose vehemently and even challenge in court any effort to require them to contribute to municipal services, the state could make the payment instead.

There are at least two good reasons it should do so. One is that the state granted the exemption, so it, and not the local jurisdictions in which the exempt property is located, should bear its cost. The other is a matter of fairness: the benefits provided by nonprofits like hospitals and educational institutions typically extend beyond the borders of the jurisdiction in which they are located, so it's not fair to require the taxpayers of that jurisdiction to bear the full cost of municipal services that ultimately benefit residents in other places.

In recent years, the entitlement for Payment for Municipal Services on state-owned buildings has been about 0.32% of the value of that property. This is only about one-sixth of the state average property tax rate. Assuming the state would pay a similar percentage to fund municipal services to nonprofit property, and assuming that property, based on DOR's analysis for 2008, is \$21.1 billion, the cost to the state would be \$67 million annually. If the state were to make full reimbursement—that is, pay at the full property tax rate—the amount would be about \$400 million each year in aid from the state to local schools and governments.

### Option 3d: Require a payment for select county services

Counties also incur expenses for public safety, roads, snow removal, trash and recycling, so one can argue that if municipalities are reimbursed for providing these services to state and nonprofit property, counties should be reimbursed as well. In 2008, county costs were about 23% of municipal expenditures for these services. Assuming the state provides the reimbursement for nonprofits and applying that percentage to the amounts needed to fully reimburse municipalities for services to property owned by the state (\$31 million) and nonprofits (\$67 million), the additional cost would be \$7 million for state property and \$16 million for nonprofit property.

#### Option 4: Impose requirements on creating or expanding a property tax exemption

Legislation to create or expand a property tax exemption may undergo significant review before it is enacted, but that is usually not the case. State law requires any bill creating an exemption to be referred to the Legislature's Joint Survey Committee on Tax Exemptions, which must report on the proposed exemption's legality, desirability from a policy perspective and fiscal effect before the Legislature may act on the bill. Generally, the committee will not issue a report until it has held a public hearing.

However, an exemption can be created without this review. In particular, if the exemption is added as an amendment to another piece of legislation not reviewed by the Tax Exemptions Committee, it will escape review by that committee. Often, property tax exemptions are added to the state's biennial budget bill without a public hearing and with limited review.

*Often, property tax exemptions are added to the state's biennial budget bill without a public hearing and with limited review.*

Ways to ensure more stringent review of property tax exemptions before they are enacted include:

- Require that the exemptions be created in separate, single-purpose legislation—and specifically prohibit the enactment of property tax exemptions in the state budget bill;
- Require a sunset date at which new exemptions would expire and require an evaluation by the Department of Revenue of an exemption's cost and effectiveness before it can be re-authorized;
- Create a board of local government officials, appointed by the Governor with Senate approval, to review proposed exemptions and advise the Legislature of their efficacy before they can be voted upon by the Legislature. Local officials currently can express their views collectively through their associations or individually by testifying at public hearings or contacting their legislators directly. However, in these current avenues local officials can be viewed by legislators as just another group lobbying for their interests, rather than a partner in the provision of public services in the state;
- And require the state to reimburse local governments for the taxes that otherwise would have been paid by the owner of the newly exempt property. Currently, the Legislature enacts exemptions, but owners of taxable property pay for them in the form of higher property taxes. This would require the Legislature to use state tax dollars to foot the bill for the exemptions they create.

#### Option 5: Eliminate the exemption for manufacturing machinery and equipment

Wisconsin exempted manufacturing machinery and equipment (M&E) from the property tax in 1974 to encourage economic development in the state. However, the exemption is one of the reasons why the share of the property tax on residential property has increased (see the *Appendix I: Why Homeowners Are Paying More*). Its proponents continue to argue that the exemption brings manufacturing investment and jobs to the state and that eliminating it would seriously damage the state's economy, particularly manufacturing. Critics say that the exemption is an unfair tax break for business that forces homeowners to pay more than they should for local government services.

The Department of Revenue estimated that the value of exempt machinery and equipment at \$12.4 billion in 2007/08.<sup>19</sup> The exemption shifted slightly more than \$200 million in taxes from manufacturers to other property.

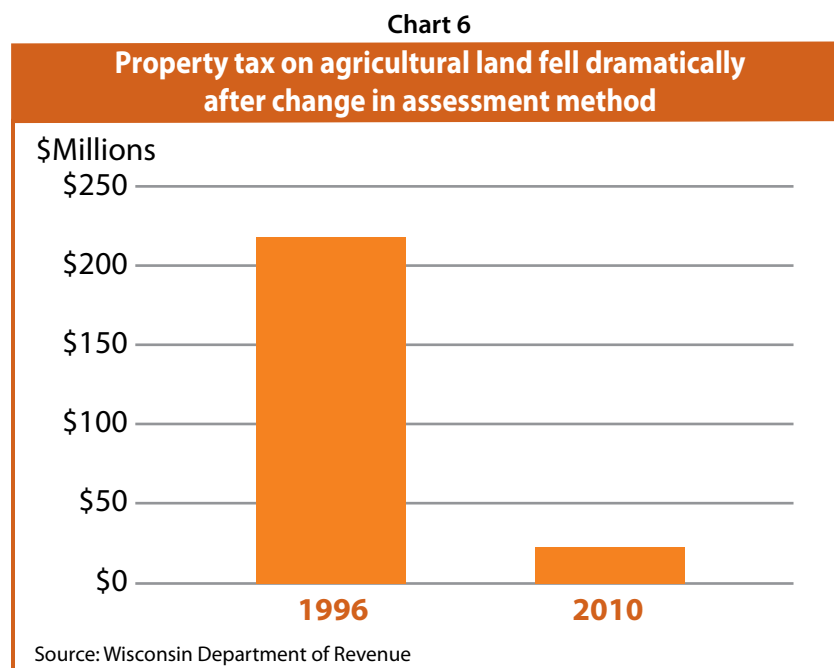
The exact amount shifted is not known because data on the value of exempt M&E are not collected. DOR's estimate for 2007/08 is based on the value of taxable machinery M&E that year and the assumption that about 10% of all M&E is taxable, a percentage derived from historical records. A careful evaluation of the value of the exemption to manufacturers, the cost in higher taxes to other property owners, and the effect on manufacturing investment might be useful.

An alternative to eliminating the exemption is requiring the state to pay local governments for the taxes that manufacturers would otherwise pay on exempt M&E, as is done with exempt computer aids. Payments should go to the jurisdictions in which the exempt property is located. The state provided such a payment when M&E was first exempted, but that aid was phased out over a nine-year period. Based on the estimate above, the value of the additional aid would be at least \$200 million.

### Option 6: Restrict eligibility for use valuation of agricultural land

While most property is taxed at full market value, farmland is assessed according to its use value. That is, it is taxed based not on what the land would sell for on an open market but on how much income it would generate if used for farming. Corn farming is used as the proxy for any kind of agricultural use.

The main purpose for the switch from market-value to use-value was to relieve farmers of much of their property taxes. This was especially true in developing urban, suburban and exurban areas where land values were increasing while farm incomes were not. A driving force in the increased market value of farmland was its value to real estate speculators, who were buying farmland with the goal of eventually converting it to residential tracts or commercial property, as population moved in.



The change in assessment methodology met its goal of reducing property taxes on farmers, but of course with the result of increasing property taxes on everyone else (including the farmer's house, which is classified as 'other' real property). But its success in addressing another policy goal—slowing the loss of farmland to residential, commercial and other development—is not so clear.

Since 1995-96, the year before implementation of use valuation began, property taxes on farmland have dropped 81%—from \$235 million to \$44 million in 2009/10 (see Chart 6).

These taxes have been shifted from owners of farmland to owners of other property. For 2008-09, use value shifted about \$414 million in taxes from farmland to other property, raising taxes by 5% on those other properties.<sup>20</sup>

In practice, land can be assessed as agricultural and thereby receive favorable property tax treatment even when it is already zoned and surveyed for residential or commercial purposes. Indeed, land can be openly advertised for sale as residential or commercial and can be completely surrounded by residential or commercial property, yet still be treated for tax purposes as agricultural. This can happen if the piece of land—even if only as small as a typical residential housing lot—is used in a minimal way for an agricultural purpose. In some cases reported by Wisconsin assessors, land has been required to be assessed as agricultural even when the agricultural use consists of a nearby farmer mowing the weeds once a year and using them in his barn, or when the land has only widely scattered corn or other crops planted on it.

It's true that when the land is converted to non-agricultural use—for example, when the land is sold to someone to build a residence on it—the owner is subject to a charge that recaptures at least a portion of the difference in taxes paid, but even so the property tax savings are substantial. In 2008/09, use values—the assessed value as agricultural land—were only 5.4% of market values statewide. This means the property taxes were barely one-twentieth of what they would be if the land were assessed as residential or commercial. In some growing communities in southeastern Wisconsin, use values were a fraction of 1% of market values. In other words, the property tax savings to developers were more than 99%.<sup>21</sup>

Enacted in 1995, use valuation of agricultural land first began to be implemented in 1996 and 1997, when farmland values were frozen at 1995 levels. A 10-year phase-in of use values began in 1998. After use valuation was upheld in court, the phase-in was discontinued and use valuation was fully implemented in 2000.

The formula used by the Department of Revenue to value agricultural land is based on net income per acre from corn production. The value per acre is established by capitalizing net income using an interest rate for agricultural loans and the full value property tax rate of the municipality in which the land is located.<sup>22</sup>

The use value law should be amended to restrict its eligibility so that the preferential valuation is not available to land that is being held for or is under development. A provision in the 2009-2011 budget bill would have excluded land platted or zoned for residential, commercial or industrial use, but it was not included in the final law. Other restrictions that have been proposed over the years include a minimum parcel size, a minimum dollar of agricultural production, and use in agriculture for several years before the land is eligible for the special treatment.<sup>23</sup>

### Option 7: Tax billboards as real property

Billboards may be relatively small as pieces of property, but there are so many of them in every county in the state that the consequences of how they are taxed can affect jurisdictions large and small. Billboards located on rented land—the typical situation—currently are assessed as personal property. This means their taxable value is based on replacement cost, minus depreciation. In other words, the taxable value of a highway billboard is simply what it would cost the billboard owner to replace it in the case, say, of storm damage.

*Billboards may be relatively small as pieces of property, but there are so many of them in every county in the state that the consequences of how they are taxed can affect jurisdictions large and small.*

This figure is very different from the market value of the billboard, however. Market value is based on how much rental income the billboard can collect from advertisers, if the billboard has a suitable permit from the local jurisdiction. For example, suppose a billboard were condemned to make room for a highway widening. The billboard owner would receive compensation based on the rent it can earn from that billboard, not based just on the replacement cost of the physical materials.

This use of income to assess real property is not unusual. This approach is commonly used to assess commercial property when it hasn't been sold recently or there are few sales of comparable property to guide the assessor.

There is a significant difference between assessing billboards based on physical replacement value and assessing them based on the income they generate from advertisers. A billboard valued on the income basis may be worth ten times or more what it is worth based simply on replacement value.

The City of Madison switched from the replacement method to the income method, but was challenged by a major billboard owner. The case, *Adams Outdoor Advertising, Ltd. v. City of Madison*, went to the Wisconsin Supreme Court. In its 2006 decision, based on technical issues involving distinctions between real property and personal property, the Court ruled that the value of the billboard permit does apply to real property, but this would mean taxing the owner of the underlying land rather than the owner of the billboard itself.

Since the *Adams* decision, some assessors are attempting to value all the elements—the billboards, the permits and the underlying location as well—and attribute that value to the billboard company. Clarifying legislation could codify this practice and ensure that the entire value of these assets are fully assessed to the right owners—the billboard companies.

How much are billboards worth? The City of Milwaukee Assessor's Office estimates there are nearly one thousand billboards in that city. Using replacement values, they are assessed an average of about \$6,000 per billboard. Using market values—the rents the billboards generate—they would be worth about ten times as much. For Milwaukee, this is the difference between collecting about \$150,000 a year in property taxes from billboard owners versus collecting about \$1.5 million.<sup>24</sup>

Statewide, there are about 15,000 to 18,000 billboards, according to an estimate from Citizens for a Scenic Wisconsin, a nonprofit organization.<sup>25</sup> While most of these billboards would not command the same rents as a billboard in Milwaukee would, they could generate additional property taxes from a great number of jurisdictions, large and small.

### Option 8: Clarify the exemption for computers

While most business equipment is considered personal property and is subject to the property tax, Wisconsin does exempt mainframe computers, minicomputers, personal computers and servers; monitors, printers, and other peripherals; and operational, systems and prewritten software. The scope of exempt computers extends even to include such items as automated teller machines (ATMs) and the networked cash registers used by many retailers. Custom software, fax machines, copiers, equipment with computerized components and telephone systems are not exempt.

As business equipment becomes increasingly computerized, assessors and owners of business equipment often disagree on what qualifies for exemption. For example, the state Supreme Court ruled in *Xerox Corporation v. Wisconsin Department of Revenue* that multifunctional copier/printer/scanner/fax devices that contained a computer are taxable, while the Wisconsin Tax Appeals Commission determined in *City of La Crosse v. Wisconsin Department of Revenue* that certain computerized medical devices, for example, ultrasound, MRI and cardiology equipment, are tax-exempt.

The computer exemption is one case where the state reimburses local governments for the revenue that is lost. As a result, the cost of the exemptions is born by the state—in effect, by the income and sales taxes—rather than local property taxpayers. Nevertheless, technological changes in the decade since the computer exemption was enacted have been extensive, so a review of the exemption and its application is needed. In fact, constantly changing technology probably requires review at regular intervals.

### Option 9: Assure fair and consistent assessment

The fairness of the property tax rests among other things on there being a fair and consistent valuation of property, both within a jurisdiction and among jurisdictions statewide. The Wisconsin Department of Revenue (DOR) has proposed assessment reform it believes would enhance fairness, efficiency and transparency.<sup>26</sup> The Legislature should consider this or similar options to improve this key aspect of the property tax system.

DOR's proposal would require the following:

- Annual assessment of all property at fair market value, which is intended to result in fairer and more consistent values and to eliminate the need for DOR to equalize property values (adjust municipal assessments to fair market levels) among municipalities in the state. Currently, property assessments may not be updated for several years. As a result, the assessment of a particular parcel may, over time, become too high or too low relative to its fair market value and the difference from true value can vary widely among properties, leading to an unfair distribution of taxes.
- Consolidation of assessment functions through new assessment districts: The intent is to improve accuracy of assessments, review of appeals and cost efficiency. Up to 400 new districts would be formed—currently each of the state's 1,851 municipalities is responsible for assessing its own property—and each district would have a minimum of 7,000 parcels. Initially, DOR proposed countywide assessment, but that met with considerable opposition from local officials.
- Modernized data collection and reporting: Local assessors would be required to submit property data to DOR electronically, thereby decreasing errors and creating efficiencies. DOR would post data online so it would be more accessible to property owners and other interested parties.
- More uniform standards and stricter certification requirements for assessors to improve the quality of assessment.

### Option 10: Create a State Board of Tax Exemptions

As part of its assessment reform, DOR proposed a State Board of Tax Exemptions to promote consistent application of property tax exemptions throughout the state. Currently, exemptions are enacted by the Legislature, but administered by local assessors. It is local assessors—sometimes civil servants, sometimes private assessors hired by local governments—who determine, guided by DOR's *Wisconsin Property Assessment Manual*, whether a specific property within their jurisdiction should be taxable or exempt.

The potential exists for similar properties to be taxable in one municipality and exempt in another. Also, an entity owning similar properties in several jurisdictions can seek exemption in one community and, if it is granted, use that decision as grounds for seeking exemptions in others.

DOR sees this proposed board as advisory only: providing guidance to local assessors on whether specific properties qualify, or do not qualify, for exemption under the statutes. Some local officials have suggested a stronger role, such as the board being the first step in the appeal process should an owner disagree with a local assessor's denial of exemption. The appropriate roles and responsibilities of the state board will need to be determined.

### Option 11: Provide funds to municipalities for litigation over exemptions

Court rulings on whether property is taxable or exempt have statewide ramifications, but the responsibility for administering state-enacted exemptions is local. When a property owner challenges a municipal assessor's determination that a property is not exempt, that municipality has the responsibility to defend the determination in court.

That can be a drain on city financial and staff resources. Further, a city with limited resources may be pitted against an adversary with extensive legal and financial resources—a large, multistate corporation or even an industry. Even if it wins, the city receives no financial benefit, other than a lower tax rate for other property owners, because of the limits on property tax levies.

The Governor and Legislature should identify ways to support municipalities and assessors on exemption determinations with important implications for other municipalities and for the state as a whole. One possible route is to grant a State Board of Tax Exemptions power to review and rule on exemption determinations by local assessors and to defend its decisions in court. It should be noted that such powers are beyond those envisioned by the Department of Revenue in proposing such a board.

*The Governor and Legislature should identify ways to support municipalities and assessors on exemption determinations with important implications for other municipalities and for the state as a whole.*

A good revenue source for a pool of funds to support this litigation is the property tax itself, since owners of taxable property are the beneficiaries when courts reject efforts to widen exemptions. When exemptions are granted, these property owners see taxes shifted to them. In 2009, the value of all taxable property in the state was \$512 billion. A 0.0002% tax—two ten-thousandths of one percent—would raise one million dollars, so a very small tax rate on all taxable property statewide could raise sufficient revenue to fund a State Board of Tax Exemptions or some other means of assisting municipalities with their exemption litigation expenses.

### Option 12: Exempt all personal property with state reimbursement to local governments

One of the most contentious areas of property taxation is the treatment of personal property. Disputes over the valuation of billboards and the computer exemption are examples. And businesses sometimes claim that a tax on their personal property is a disincentive to invest in new equipment. Further, the personal property tax is more costly to administer than the tax on real estate, since it must be reported by owners and reviewed by assessors.<sup>27</sup>



In 1970, personal property accounted for 16.2% of the property tax base statewide, but that percentage has declined to 2.4%, largely because of exemptions for manufacturing machinery and equipment, manufacturers' and merchants' inventory, and computers and peripheral equipment. These exemptions were created primarily to eliminate the perceived disincentive to investment from taxing this property.

Since personal property is only a small part of the tax base, yet raises legal and administrative concerns and may discourage economic development, the state might consider exempting all personal property and providing aid to local governments to replace the tax that would otherwise be paid on this property. The state provided such support when exempting manufacturing machinery and equipment and inventories, and currently provides computer aid equal to the tax that would be paid on exempt computers. Aids should be distributed according to the location of exempt personal property, since areas with more property would be more adversely affected by the exemption. This would require continued reporting of exempt personal property by businesses, just as they are currently required to report exempt computer equipment.

## Conclusion

Wisconsin's property tax generates far more revenue than any other state or local tax. It's critical to our quality of life, because it funds local schools, police and fire protection, parks, local roads and street lighting, and other essential public services used daily. There aren't any good alternatives to it.

But the property tax is far from perfect, and it is an unpopular tax. It is expensive to administer, it is unfair and it is not adequate to fully support the essential functions of schools and local government. Broadening the tax base could help alleviate each of these problems, by involving more taxpayers in this most local form of taxation.

The property tax falls primarily on land and buildings, but a lot of property is exempt—even though that property benefits from the services financed by the tax. Other property is taxed but is valued well below the market value of the property. Furthermore, additional exemptions are frequently added by the Legislature and Governor.

A re-examination of exemptions and under-valuations is an essential part of modernizing the property tax and restoring its public reputation. The combination of tax-exempt and under-assessed properties in Wisconsin could, if fully taxed, generate hundreds of millions of dollars a year.

The options discussed here have touched on a number of issues related to assessment and tax exemption:

- Re-evaluating existing tax exemptions, especially for nonprofit organizations such as hospitals;
- Revaluating some forms of property that may be taxed but too lightly, including some real estate owned by speculators and billboards;
- Mandating payments in lieu of taxes in exchange for the provision of local services, so that even if properties remain exempt the owners make some contribution toward services funded by the tax;
- Improving the assessment process, so it is more consistent statewide and so that municipalities are better equipped to withstand legal challenges from property owners;
- And reforming the way tax exemptions are granted, so proposals for new exemptions are given a thorough review and existing exemptions are given periodic reviews.

## Options for Restoring Wisconsin's Property Tax Base

Property tax option	Why it would be useful	Recommendation
1. Re-evaluate all existing property tax exemptions	Once an exemption is created, it is rarely reviewed again to see if original reason for exemption still holds.	For each exemption, identify the policy goal supporting it; determine if the exemption achieves the goal; estimate the exemption's cost; decide whether to continue the exemption, set an expiration date or repeal it.
2. Review exemptions for nonprofit property owners, especially hospitals and retirement homes for the affluent	More than 90% of Wisconsin's hospitals are exempt from property tax, as are some of the state's most exclusive retirement homes.	Define clear standards for "benevolent" or "nonprofit" organizations. Define community benefit standards for hospitals. Add further restrictions on exemption for nonprofit retirement homes.
3. Require payments in lieu of taxes	Tax-exempt properties rely on local services that are funded through property taxes.	If these properties remain tax-exempt, they should at least pay a fee for the tax-funded services they receive.
4. Tighten requirements for creating new property tax exemptions	New exemptions can be created too easily, often without public hearings.	Requiring pre-approval review and sunset dates would force examination of whether exemptions meet a public need.
5. Eliminate exemption for manufacturing machinery and equipment	Over \$12 billion worth of manufacturing equipment and inventory are tax-exempt.	Determine if this exemption pays for itself through increased manufacturing investment, or is merely a subsidy.
6. Restrict eligibility for assessment as agricultural property	Some real estate speculators take advantage of tax breaks given to farmers by 'fake farming' on commercial or residential land.	Various criteria—such as the property's zoning, size and patterns of use—could distinguish genuine agricultural operations from ones designed solely to win a tax benefit.
7. Tax billboards as real property	Billboards are assessed on physical replacement costs rather than the rental income the billboards generate. This understates their market value by up to 90%.	Assess billboards based on rental income. This is the same method used to reimburse billboard owners when their property is condemned.
8. Tighten exemption for computers	Technology has changed radically in the decade since the exemption was created. Controversy arises over exemption status of business and medical equipment.	Restore the exemption to be closer to its original intent of exempting standalone computers, not a wide assortment of computerized items.

<p>9. Assure fair and consistent assessment</p>	<p>Adopting Department of Revenue recommendations would simplify the assessment process, save money for local governments and create more consistency statewide.</p>	<p>Department of Revenue’s proposal requires annual assessment at fair market value, consolidation of assessment functions, modernized data collection and uniform, strict standards for assessor certification.</p>
<p>10. Create a State Board of Tax Exemptions</p>	<p>A single entity with statewide authority would enforce consistency in assessments and help local governments defend assessments.</p>	<p>Currently, exemptions are enacted by the Legislature but administered by local assessors. A state board—even with only advisory powers—would increase consistency and give guidance to local assessors.</p>
<p>11. Provide funds to local governments for litigation over exemptions</p>	<p>Wealthy property owners can force favorable settlements from cash-strapped local governments simply by prolonging legal appeals. State aid for legal defenses would level the playing field.</p>	<p>A property tax of only 0.0002% would provide one million dollars annually to help local governments fight assessment challenges.</p>
<p>12. Exempt all personal property with state reimbursements to local governments</p>	<p>Personal property is less than 3% of the tax base, but generates a sizable proportion of assessment controversies. If all tax on personal property were eliminated, local governments would need reimbursement.</p>	<p>When the state exempted manufacturing machinery and equipment, it provided aid to replace lost revenue. It still does this for exempt computer equipment. If personal property were totally exempt, the state should do the same.</p>

## Appendix I: Why Homeowners Are Paying More

There are a variety of reasons, demographic, economic and political, why owners of residential property are paying a rising share of property taxes — and not all of them are “bad news” for homeowners. For example, the percentage of Wisconsin households that own their home has risen — from 65% in 1984 to 70% now, and this rate reached 73% in 2004, before falling in recent years due to the economic recession.<sup>28</sup> Rising homeownership rates mean greater demand for houses, which pushes up home prices and values. Since their home is the most important asset for most Americans, rising home values have increased the wealth of many households.

Another economic factor at play is the declining role of manufacturing in the economy, which has held down real property values and taxes in that sector. In addition, business investment is increasingly focused on equipment, rather than land and buildings. Thus, from 1984/85 to 2009/10, the share of property taxes borne by manufacturing real estate declined almost in half, from 5% to 2.7% of the total.

Finally, lawmakers have exempted or provided favorable treatment to several kinds of property — in particular, certain categories of personal property. Manufacturing machinery and equipment has been exempt since 1974, livestock, and manufacturing and commercial inventories since 1981,<sup>29</sup> and computers and peripheral equipment since 1999.

Since 2000, farmland has been assessed at its use value, its taxable value based on the income it generates from agricultural production, rather than its market value.<sup>30</sup> In 2008/09, use values were only 5% of market values, so this change has cut property taxes for farmers and other owners of farmland substantially.<sup>31</sup>

Taxes on agricultural land accounted for about 8% of total property taxes in the mid-1980s, but this percentage fell to 4% by 1995/96, the last year before use value began to be phased in, due to the poor farm economy and conversion of farmland to housing, commercial development or other non-agricultural uses. With use value assessment, property taxes on farmland have fallen to 0.4% of total property taxes.<sup>32</sup> Particularly in the past decade, falling prices for farm products and rising costs of farm production have reduced farm income. Since the taxable values of farmland depend on farm income, the drop in income has lowered taxable values, and thus lowered property taxes for farmers and other owners of agricultural land.

Also, since 2004, undeveloped land and agricultural forest are assessed at 50% of their full value.

## Appendix II: Property Exempt from the Wisconsin Property Tax

Statutory Section	Description of Exempt Property	Type of Exemption
<b>s. 70.11</b>		
(1)	Property of the state, including the Olympic Ice Training Center, but not including veterans homes [buildings at veterans homes are exempt under (3a); the Olympic Ice Training Center is also exempt under (45)]	Government
(2)	Property of counties, municipalities, school and technical college districts and other local governments	Government
(2m)	Property owned by an entity exempt from the federal income tax and leased to a school district	Education
(3)	Property of colleges and universities	Education
(3a)	Buildings at Wisconsin Veterans homes	Government
(3m)	Student housing facilities (limited to Pres House at UW-Madison)	Housing
(4)	Property of educational institutions and associations	Education
	Property of churches and religious associations, including housing of ordained ministers, members of religious orders and ordained teachers	Religion
	Property of benevolent associations	Nonprofit - General
	State-licensed care and service residential facilities	Medical
	Benevolent nursing homes	Medical
	Property of women's clubs	Nonprofit - General
	Property of historical societies	Nonprofit - General
	Property of free public library associations	Nonprofit - General
	Property of fraternal societies operating under the lodge system, but not college or high school fraternities and sororities	Nonprofit - General
(4a)	Benevolent low-income housing	Housing
(4b)	Housing projects financed by Housing and Economic Development Authority	Housing
(4d)	Benevolent retirement homes for the aged	Housing
(4g)	Real property held for rehabilitation or future construction and later sale to low-income persons	Housing
(4m)	Nonprofit hospitals	Medical
(5)	Property of agricultural fairs	Nonprofit - General
(6)	Property of fire companies	Nonprofit - General
(7)	Land owned by military organizations	Nonprofit - General
(9)	Memorial halls, including both real and personal property, owned by veterans organizations, counties or municipalities	Nonprofit - General

(10m)	Lions Foundation camps for children with visual impairments	Nonprofit - General
(11)	Bible camps	Religion
(12)	Property owned by the Salvation Army, Goodwill Industries, Boy Scouts, Boys' Clubs, Girl Scouts, Camp Fire Girls, Young Men's Christian Association and Young Women's Christian Association	Nonprofit - General
(13)	Land and personal property owned by cemetery authorities	Nonprofit - General
(13m)	Archaeological sites subject to an easement, covenant or restriction held or approved by the State Historical Society	Nonprofit - General
(14)	Property of public art galleries	Nonprofit - General
(15)	Manure storage facilities owned by farmers	Farming
(15m)	Secondary containment structures for liquid fertilizer or pesticides	Farming
(16)	Labor temples	Nonprofit - General
(17)	Farmers' temples	Nonprofit - General
(18)	Property of tax-exempt housing authorities	Housing
(19)	Property of licensed residential care centers for dependent or neglected children and juvenile delinquents	Medical
	Property of nonprofit institutions for housing the developmentally disabled	Medical
(20)	Property of a nonprofit organization for preservation of native plant or animal life, Indian mounds or other works of ancient persons, and geological and geographical formations of scientific interest	Nonprofit - General
(21)	Waste treatment facilities and pollution abatement equipment	Business
(22)	Camps owned by the Easter Seal Society for persons with disabilities	Nonprofit - General
(25)	Property of medical research foundations exempt from federal income tax	Medical
(26)	Property of industrial development agencies	Business
(27)	Manufacturing machinery and equipment	Business
(28)	Property of nonprofit humane societies	Nonprofit - General
(29)	Property of radio stations exempt from federal income tax	Nonprofit - General
(29m)	Property used as a theater owned by an entity exempt from federal income tax	Nonprofit - General
(29p)	Property used as an outdoor theater owned by an entity exempt from federal income tax	Nonprofit - General
(30)	Perennial plants producing an annual crop	Farming

(31)	Sports and entertainment facilities constructed by a nonprofit corporation for donation to the state or its instrumentality	Nonprofit - General
(31m)	Right-of-way and rolling stock owned by railroad historical societies	Nonprofit - General
(32)	Land, buildings and personal property of nonprofit youth hockey associations	Nonprofit - General
(33)	Nonprofit camps for mentally or physically disabled persons and their families	Nonprofit - General
(34)	Public buildings listed on the national or state register of historic places, owned by an entity exempt from the federal income tax, used for civic, government, cultural or educational purposes, and subject to an easement or covenant held by or approved by the State Historical Society	Nonprofit - General
(35)	Cultural and architectural landmarks designated by executive order	Nonprofit - General
(36)	Professional sports and entertainment home stadium, including related facilities	Nonprofit - General
	Football stadium used by a professional football team	Nonprofit - General
(37)	Property of a local exposition district (Wisconsin Center Tax District in Milwaukee)	Government
(38)	Property of University of Wisconsin Hospitals and Clinics Authority	Medical
(38m)	Property of the Wisconsin Aerospace Authority	Government
(39)	Computers including peripheral equipment and software	Business
(39m)	Cash registers and fax machines, excluding fax machines that are also copiers	Business
(40)	Property of a local cultural arts district [located in Madison]	Government
(41)	Property of the Fox River Navigational System Authority	Government
(41m)	Property of the Health Insurance Risk-Sharing Plan Authority	Government
(41s)	Property of the Wisconsin Quality Home Care Authority	Government
(42)	Property owned by an air carrier that operates a hub facility in Wisconsin	Government
(43)	Property including a theater and facilities used for arts education located in a municipal park and owned by an entity exempt from the federal income tax (Sharone Lynne Wilson Center for the Arts, Brookfield)	Nonprofit - General
(44)	Olympic Ice Training Center	Nonprofit - General



(45)	Property including a theater and facilities used for arts education on land owned by an entity exempt from the federal income tax prior to March 25, 2010, or donated to that entity by a business or municipality and located within 20 miles of the Mississippi River (La Crosse Community Theatre)	Nonprofit - General
(45m)	Trail groomers owned by snowmobile clubs or all-terrain vehicle clubs exempt from the federal income tax	Nonprofit - General
<b>s. 70.111</b>		
(1)	Jewelry, household furnishings, apparel and other personal property for personal use	Personal
(2)	Farm animals, bees and bee equipment, and fur-bearing animals and hides and pelts	Farming
(3)	Watercraft used in interstate commerce or laid up for repairs, commercial fishing boats and equipment, charter sailboats, and other charter boats used for tours	Business
	Watercraft used for recreational purposes	Personal
(3m)	Sports fishing charter boats	Business
(4)	Crops, seed, fertilizer and supplies used in crop production, medicinal plants, perennial plants producing an annual crop, plants in greenhouses or under hotbeds, sash and lath, and trees growing for sale as Christmas trees	Farming
(5)	Provisions and fuel used by families	Personal
(6)	Feed and feed supplements for feeding on a farm	Farming
(7)	Horses, mules, wagons, carriages, sleighs and harnesses	Farming
(8)	Tools used in a mechanic's trade	Business
(9)	Garden machines and implements and farm, orchard and garden tools owned and used in farming, an orchard or garden	Farming
(10)	Tractors and machines, and accessories, attachments, fuel and repair parts, used in farming	Farming
(11)	Cheese in storage for aging prior to cutting, packaging or further processing	Business
(14)	Milkhouse equipment used by farmers	Farming
(17)	Merchants' stock-in-trade	Business
	Manufacturers' materials	Business
	Livestock	Farming
(18)	Solar and wind energy systems	Business
(19)	Camping trailers, recreational mobile homes and recreational vehicles	Personal
(20)	Logging equipment for cutting and transporting trees and clearing land of trees	Business

(21)	Structures providing shade for ginseng plants	Farming
(22)	Property owned by equipment rental and leasing companies for short-term rentals for temporary use	Business
(23)	Vending machines dispensing food and food ingredients	Business
(24)	Projection equipment and screens, and sound equipment owned and used by a motion picture theater	Business
(25)	Digital broadcasting equipments owned and used by radio and televisions or video service network	Business
(26)	High density sequencing systems for printed materials used in production	Business
<b>s. 70.112</b>		
(1)	Money and intangible personal property	Not applicable
(4)	Property of railroads and sleeping car companies, air carriers, water conservation and regulation companies, pipeline companies, and light, heat and power companies subject to state public utility taxes	Not applicable
(5)	Motor vehicles and trailers or semitrailers used with them	Personal
(6)	Aircraft	Business
(7)	Mobile homes and manufactured homes subject to municipal permit fees	Personal
s. 70.41 (1)	Grain stored in elevators and warehouses*	Subject to separate tax
s. 70.42 (1)	Coal docks*	Subject to separate tax
s. 70.421	Crude oil and refined petroleum products*	Subject to separate tax
s. 76.23	Property of air carrier companies, water conservation and regulation companies, pipeline companies transporting gas and other fuels, railroads, and sleeping car companies**	Subject to separate tax
s. 1.04	Federal property	Government

\* These properties are exempt because their owners are subject to separate occupation taxes, including: stored grain, one-fourth mill per bushel, except on-half mill on wheat and flax; coal, 5 cents per ton on bituminous and subbituminous coal, coke and briquettes, and petroleum carbon, coke and briquettes, and 7 cents per ton on anthracite coal, coke and briquettes; and petroleum, 5 cents per ton on crude oil.

\*\* These utilities are exempt because they are subject to a state-imposed utility tax on their property levied at the statewide average net property tax rate.

### Appendix III: Recently enacted property tax exemptions

Act	Statutes	Description
<b>2003-04</b>		
195	s. 70.11 (intro)	Leasing provisions - residential housing (in response to Columbus Park decision)
	s. 70.11 (29p)	Outdoor theater (Peninsula Players Theater, Door County)
2005-06		
4	70.11 (43)	Theater and arts education center (Sharon Lynne Wilson Center for the Arts, Brookfield)
70	70.11 (12)	Goodwill Industries
74	70.11 (41m)	Health Insurance Risk-Sharing Plan Authority
335	70.11 (38m)	Wisconsin Aerospace Authority
<b>2007-08</b>		
19	s. 70.11 (21)	Limits on the exemption for waste treatment facilities and pollution abatement equipment (in response to the Newark decision)
20	70.11 (44)	Olympic Ice Training Rink
	70.111 (26)	High density sequencing systems
<b>2009-10</b>		
28	70.11 (2)	Property of regional transit authorities
	70.11 (3m)	Student housing facilities (Pres House at UW-Madison)
	70.11 (4)(a), (b)	Ch. 50, including leasing provisions
	70.11 (4)(b)	Leasing provisions - residences for the disabled
	70.11 (4a)	Benevolent low-income housing, including leasing provisions
	70.11 (4b)	Low-income housing financed by WHEDA
	70.11 (4d)	Benevolent retirement homes, including leasing provisions
	70.11 (41s)	Wisconsin Quality Home Care Authority
152	70.11 (45)	Nonprofit community theater (La Crosse Community Theatre)
155	70.11 (45m)	Trail groomers of snowmobile and all-terrain vehicle clubs

## References

1. Jack Stark, "A History of Property Tax and Property Tax Relief in Wisconsin," *Wisconsin Blue Book*, 1991-92, available online at: <http://www.legis.state.wi.us/lrb/pubs/feature/proptax.pdf>.
2. Net property tax collections equal the gross levy of \$10.11 billion, reduced by \$0.75 billion of state tax credits on property tax bills. For sales and use taxes, actual collections were available for the state tax, but not for local (county, baseball park and football stadium) taxes. The latter were estimated based on prior year totals, current year distributions and state tax collections.
3. Dennis Jacobs, "Which Tax Is the Unfairest of Them All?" The Gallup Organization, April 19, 2005, accessed at: <http://www.gallup.com/poll/15937/Which-Unfairest-Tax-Them-All.aspx>.
4. U.S. Bureau of the Census, *State and Local Government Finances*, 2008, accessed at: <http://www.census.gov/govs/estimate/>.
5. Wisconsin Department of Revenue, *Wisconsin Tax Incidence Study*, December 16, 2004, accessed at: <http://www.revenue.wi.gov/ra/txinci04.html>.
6. Rebecca Boldt, Bradley Caruth and Andrew Reschovsky, "Exploring Changes in Homeowner Property Taxes in Wisconsin, 2000 to 2005," Lincoln Institute of Land Policy Working Paper, accessed at: [http://www.lincolninst.edu/pubs/1565\\_Exploring-Changes-in-Homeowner-Property-Taxes-in-Wisconsin--2000-to-2005](http://www.lincolninst.edu/pubs/1565_Exploring-Changes-in-Homeowner-Property-Taxes-in-Wisconsin--2000-to-2005).
7. State of Wisconsin, *Summary of Tax Exemption Devices*, February 2009, accessed at: <http://www.revenue.wi.gov/ra/09sumrpt.pdf>. DOR also estimated that \$3.3 billion of computer equipment was exempt. The exemption did not affect tax rates because the state provides aids to replace the revenue that local governments would raise from taxing computers.
8. These exemptions are listed and categorized in Appendix 2.
9. Andrew Jaynes, "What is Benevolence? Clarifying Wisconsin's Real Property Tax Exemption for Benevolent Organizations and the Argument for the 'Retirement' of the Exemption for High-End Senior-Housing Complexes," *Wisconsin Law Review*, Vol. 2006, No. 5.
10. This discussion is based on essays by Evelyn Brody and Peter Sword in Brody, ed., *Property Tax-Exemption for Charities*, Urban Institute Press, 2002, and by Brody, "Of Sovereignty and Subsidy: Conceptualizing the Charity Tax Exemption," *The Journal of Corporation Law* 23 (4):585-629, Summer 1998, and by David L. Sjoquist and Rayna Stoycheva, *The Property Tax Exemption for Nonprofits*, Andrew Young School of Public Studies, Working Paper 08-15, July 2008.
11. Economists Dick Netzer and Richard Pomp come to this conclusion in their essays in Brody, ed., *Property Tax-Exemption for Charities*.
12. Institute for Wisconsin's Future, "The profitable nonprofit health care systems," presentation at the IWF conference, *Rethinking Ways to Fund Local Government: Exploring Property Tax Exemptions*, February 19, 2010, accessed at: [http://www.wisconsinsfuture.org/organizing\\_pages/events/conference%20materials/NormanPowerPoint\\_Healthcare\\_Facilities.pdf](http://www.wisconsinsfuture.org/organizing_pages/events/conference%20materials/NormanPowerPoint_Healthcare_Facilities.pdf). The presentation cited data from the Wisconsin Hospital Association's *Guide to Wisconsin Hospitals*.
13. Institute for Wisconsin's Future, "What nonprofit hospitals might pay in property taxes," 2010.

14. *Hospitable Taxes: How non-profit hospitals profit from Wisconsin's outdated tax system*, May 2008, accessed at: [http://www.wisconsinsfuture.org/publications\\_pdfs/tax/hospital\\_taxes\\_5\\_08.pdf](http://www.wisconsinsfuture.org/publications_pdfs/tax/hospital_taxes_5_08.pdf).
15. Preliminary Offering \$83,275,000 in revenue bonds for Saint John's Communities Inc., through the Wisconsin Health and Educational Facilities authority.
16. Tom Kertscher, "Hospital plan is approved," *Milwaukee Journal Sentinel*. Oct. 4, 2005.
17. City of Milwaukee Assessor's Office, *Executive Summary: Assessor's Office 2007 Proposed Budget*.
18. Data are from the Wisconsin Department of Administration, which calculates the payments, available at: <http://www.doa.state.wi.us/subcategory.asp?linksubcatid=884&locid=9>. For more information on the program, see: Wisconsin Legislative Fiscal Bureau, *Payments for Municipal Services Program*, Informational Paper 20, January 2009, accessed at: [http://www.legis.state.wi.us/lfb/Informationalpapers/20\\_payments%20for%20municipal%20services%20program.pdf](http://www.legis.state.wi.us/lfb/Informationalpapers/20_payments%20for%20municipal%20services%20program.pdf), and Wisconsin Department of Revenue, "Payments for Municipal Services," January 11, 2007, available at: <http://www.revenue.wi.gov/ra/pms2007.pdf>.
19. State of Wisconsin, *Summary of Tax Exemption Devices*, February 2009, accessed at: <http://www.revenue.wi.gov/ra/09sumrpt.pdf>.
20. This estimate updates work done by Rebecca Boldt of the Wisconsin Department of Revenue in *Impact of Use Valuation on Agricultural Land Values and Property Taxes*, October 1, 2002, accessed at: <http://www.revenue.wi.gov/ra/agipro02.pdf>.
21. The Institute for Wisconsin's Future calculated the statewide average for its conference, "Rethinking Ways to Fund Local Government: Exploring Property Tax Exemptions," held in Madison on February 19, 2010. Information about the conference is available at: [http://www.wisconsinsfuture.org/tax\\_pages/property\\_tax\\_reform.html](http://www.wisconsinsfuture.org/tax_pages/property_tax_reform.html).
22. Income is capitalized by dividing it by the sum of the interest rate and the property tax; the capitalization rate may not be less than 11%.
23. These proposals are summarized in Wisconsin Legislative Audit Bureau, *Use Value Assessment of Agricultural Land*, July 2010, accessed at: [http://www.legis.wisconsin.gov/lab/reports/10-UseValueAssessment\\_itr.pdf](http://www.legis.wisconsin.gov/lab/reports/10-UseValueAssessment_itr.pdf).
24. Presentation by City of Milwaukee Assessor's Office at the conference, "Rethinking Ways to Fund Local Government: Exploring Property Tax Exemptions," held in Madison on February 19, 2010. Information about the conference is available at: [http://www.wisconsinsfuture.org/tax\\_pages/property\\_tax\\_reform.html](http://www.wisconsinsfuture.org/tax_pages/property_tax_reform.html).
25. Citizens for a Scenic Wisconsin, *Outdoor advertising in Wisconsin*, accessed at: <http://www.scenicwisconsin.org/>.
26. Wisconsin Department of Revenue, *Property Assessment Reform*, March 2010, accessed at: <http://www.revenue.wi.gov/news/PAR031010.pdf>.
27. For more information on the tax treatment of personal property, see Rick Olin, *Study of the Treatment of Personal Property under the Property Tax*, Wisconsin Legislative Fiscal Bureau, September 2002, accessed at: <http://www.legis.state.wi.us/lfb/misc/propertytaxstudy.pdf>.

28. U.S. Bureau of the Census data on homeownership can be found at:  
<http://www.census.gov/hhes/www/housing/hvs/annual08/ann08ind.html>.
29. The exemptions for livestock and inventories were phased from 1977-1981.
30. Phase-in of use valuation of farmland began in 1996.
31. An analysis prepared by the Institute for Wisconsin's Future for "Rethinking Ways to Fund Local Government: Exploring Property Tax Exemptions," a conference on the property tax held in Madison on February 19, 2010, estimated that, in 2008/09, use value shifted an estimated \$414 million in taxes from farmland to other property. Specifically, use value lowered taxes on farmland by 92% and raised taxes on other property by 5%.
32. Wisconsin Department of Revenue, *Town, Village and City Taxes*, various years, accessed at: <http://www.revenue.wi.gov/report/t.html>.

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