



Public Policy Forum

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PROPERTY VALUES AND TAXES IN SOUTHEAST WISCONSIN

PROPERTY VALUES AND TAXES IN SOUTHEAST WISCONSIN

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INTRODUCTION

This report is an annual Public Policy Forum publication that analyzes property values and property taxes within the seven-county southeast Wisconsin region. The report measures trends in property values – an important indicator of our region’s economic health – and then examines how those trends impact the capacity of local governments and school districts to generate local revenues.

This year’s report first examines recently-released 2015 regional data on property values, breaking down the information by county and analyzing recent trends to determine whether values have recovered to pre-recession levels. Our analysis also contains information on 2014 property values, as those values were used to determine 2015 tax rates and levies, which are the focus of the second part of the report. The discussion of 2015 values not only provides insight on the pace of economic recovery in the region, but also sheds light on how this year’s property values might affect next year’s tax rates.

After presenting data on property values in the region, we next examine 2015 budgeted tax levies and tax rates in southeast Wisconsin. A particular focus this year is the changes to technical college levies resulting from legislation adopted by the Wisconsin Legislature in 2014. Our examination also explores the relationship between 2014 property valuations and 2015 taxes, and offers observations on trends and policy implications.

In this year’s report, we find that property values have continued the upward trend that began in 2014, though the rate of growth slowed this year, from 2.6% to 2%. We also notice that property value gains have not been shared equally across the region.

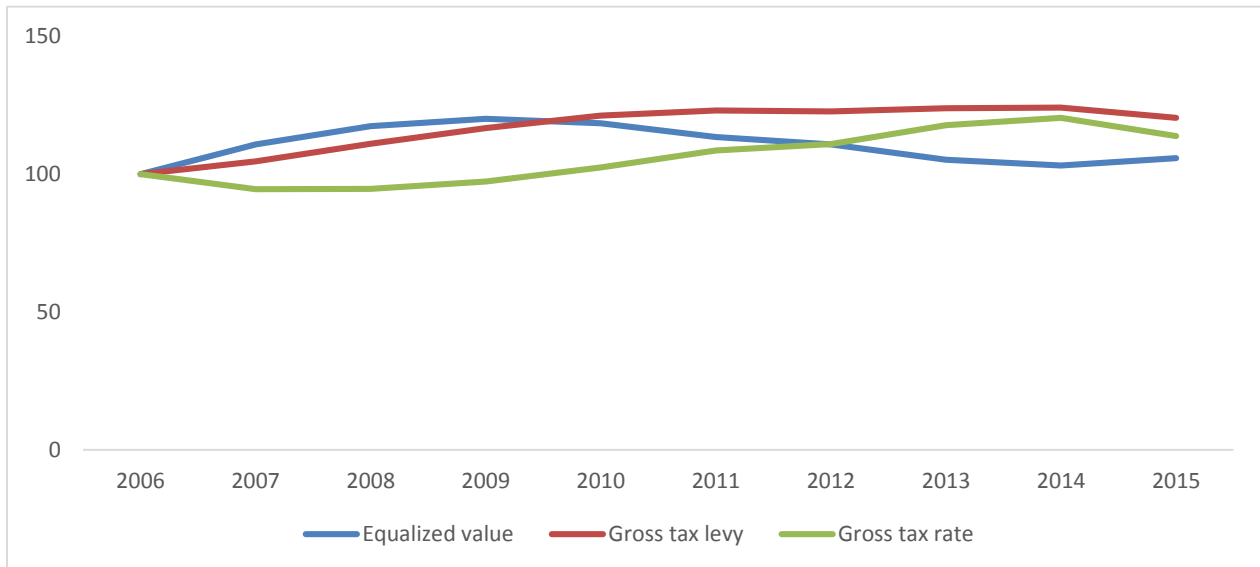
With regard to property tax levies, we find that the region’s overall gross levy declined by 3% in 2015. Every county in the region experienced a decline in its aggregate gross levy, ranging from Milwaukee County’s 1.8% decrease to Washington County’s 6.1%.

This decline in levies resulted largely from the passage of Wisconsin Act 145, which provided additional state aid to the state’s technical colleges with a corresponding requirement that property taxes be reduced by a roughly equivalent amount. The significant drop in levies – combined with the 2014 increase in property values – produced a 5.4% decline in the aggregate gross property tax rate for the region, to \$22.63 per \$1,000 of assessed value.

Chart 1 shows the aggregate equalized property values, gross tax levy, and gross tax rate for southeast Wisconsin indexed to 100 in 2006. This chart illustrates how reduced levies and increased values produced the substantial drop in the gross tax rate this year, which reverses several successive years of aggregate rate increases in the region.



Chart 1: Ten-year southeast Wisconsin aggregate property valuation, aggregate gross tax rate and aggregate gross tax levy, indexed to 100



MAJOR FINDINGS

- In 2015, aggregate property values in southeast Wisconsin increased for the second consecutive year, though at a slightly slower rate of 2%. Also for the second consecutive year, every county in the region experienced an increase, though there were disparities in increases across the region. For example, property values in Kenosha County increased by 4.8%, while those in Milwaukee and Walworth counties increased by only 0.7%.
- The City of Milwaukee was one of only 26 municipalities in the region that did not experience an increase in overall property values from 2014 to 2015. Property values declined in Milwaukee by 0.6%
- Residential values – which comprise the greatest share of overall property values in the region – continued the growth observed in 2014, but again at a slower rate (1.9%). All counties in the region experienced growth in residential values, led by Ozaukee County at 3.7%.
- Commercial property values in the region grew by 2.9% (a slightly higher growth rate than in 2014), while manufacturing property values increased by 3.8%, marking the third consecutive year of growth in that sector. The region’s manufacturing property values have returned to their 2008 peak.
- The effects of Wisconsin Act 145 – legislation adopted in March 2014 that reduced the amount of property taxes that could be levied by technical college districts – show up for the first time in 2015 property tax bills. We find that the legislation contributed heavily to a 3% decline in gross levies across the region. In addition, we see that the percentage of the region’s aggregate gross levy that is derived from technical colleges decreased from 7% in 2014 to 3.5% this year.
- For the first time since the recession hit in 2008, the aggregate hypothetical gross tax rate in the region decreased. That rate is now \$22.63 per \$1,000 of assessed value, which is a decrease of \$1.30, or 5.4%.



- The property taxes levied by school districts remain the largest component of the annual property tax bill, accounting for 45.4% of the aggregate tax levy in southeast Wisconsin. In 2015, the budgeted aggregate school district levy for southeast Wisconsin remained mostly unchanged (decreasing by 0.06%), thus contributing slightly to the region's overall decline in tax levies.
- To calculate an average tax bill in southeast Wisconsin, we apply the average residential property value in the region to the gross tax rate. The hypothetical average tax bill in the region declined by \$118 to \$4,298 in 2015.



METHODOLOGY

This report focuses on annual changes in property values, total property tax levies, and property tax rates in the seven-county southeast Wisconsin region.

Municipal tax rates are based on the total value of all taxable property in each municipality, also known as the tax base. Because local assessors are responsible for determining the property values for their jurisdictions, total assessed value across municipalities and counties is not a uniform measure. To bring all values to a uniform level comparable across jurisdictions, the state equalizes assessed values by using tools such as market sales analysis, random appraisals, and local assessors' reports. **Equalized values**, calculated yearly, are meant to reflect fair market value (the most probable selling price).

Our analysis utilizes equalized values determined by the Wisconsin Department of Revenue (DOR) as of January 1, 2015. Total property value has two categories: real estate and personal property. Real estate makes up the overwhelming majority of the tax base and has eight classifications: residential, commercial, manufacturing, agricultural, undeveloped, agricultural forest, forest, and other. The three classifications analyzed by the Forum are residential, commercial, and manufacturing.

Changes in property value are classified in three ways. "Economic change" refers to remodeling of existing properties or changes as a result of market conditions, such as during a recession. The other classifications include changes "due to new construction" and "other" changes. The "other" category includes technical corrections that were made to the value of the property, demolition or destruction of property, and changes in the exempt status or classification of property. New construction drives total value growth, as previously undeveloped parcels are used more intensively, generating a higher land utility and a higher value.

This report also uses data from the Wisconsin Department of Revenue on 2014-15 municipal property tax levies and tax rates in the seven counties of southeast Wisconsin. The data are not fully audited and thus are considered preliminary.

The **tax levy** is the amount of money that each taxing jurisdiction (county, municipality, school district, technical college district, tax increment finance district, special district and the state) expects to receive from property taxes. To calculate a **tax rate** (also known as a mill rate), each government divides the levy by the total property value (tax base) in its jurisdiction and multiplies the result by 1,000. This calculation allows property tax payments to be distributed evenly among taxpayers according to individual property values.

Budgets for taxing jurisdictions for 2015 – including property tax levies – were adopted late in 2014, and 2014 property values therefore were used to determine 2015 rates. Consequently, we look at 2014 property values in this report when we are analyzing the 2015 levies, as this allows us to illustrate the connection between 2014 values and 2015 levies. As in last year's report, we received data on 2015 equalized values in mid-August and decided to include analysis of that data as well in light of its availability and significance.

Because each property taxpayer lives within several taxing jurisdictions, we add the various tax rates together to arrive at the gross tax rate. It is important to note that in this report, **when the gross tax rate or levy for a particular county is referenced, it does not refer to the rate or levy attributable to county government in that county, but to the aggregate total of all taxing jurisdictions in the county (including the county government).**



Also, the net tax rate that determines each taxpayer's tax bill differs from the gross rate in that the net rate results from subtracting the state tax credit from the gross tax rate. Taxpayers can determine their individual payment by dividing their property value by 1,000 and multiplying the resulting number by the *net* tax rate. The report presents a hypothetical regional and county aggregated gross tax rate calculated by summing each municipality's gross tax rate into a rate for southeast Wisconsin, or for a county, as a whole.

Finally, while it is important to note that the property tax is the most prominent revenue-raising tool available to local governments and school districts, it is not the only tool. Local governments also make use of a variety of fees on items ranging from garbage pick-up to snow removal, and most school districts employ student fees for various activities. This report does not address trends in local government and school district fee collections. Consequently, it should not be used to evaluate overall local government revenue trends.

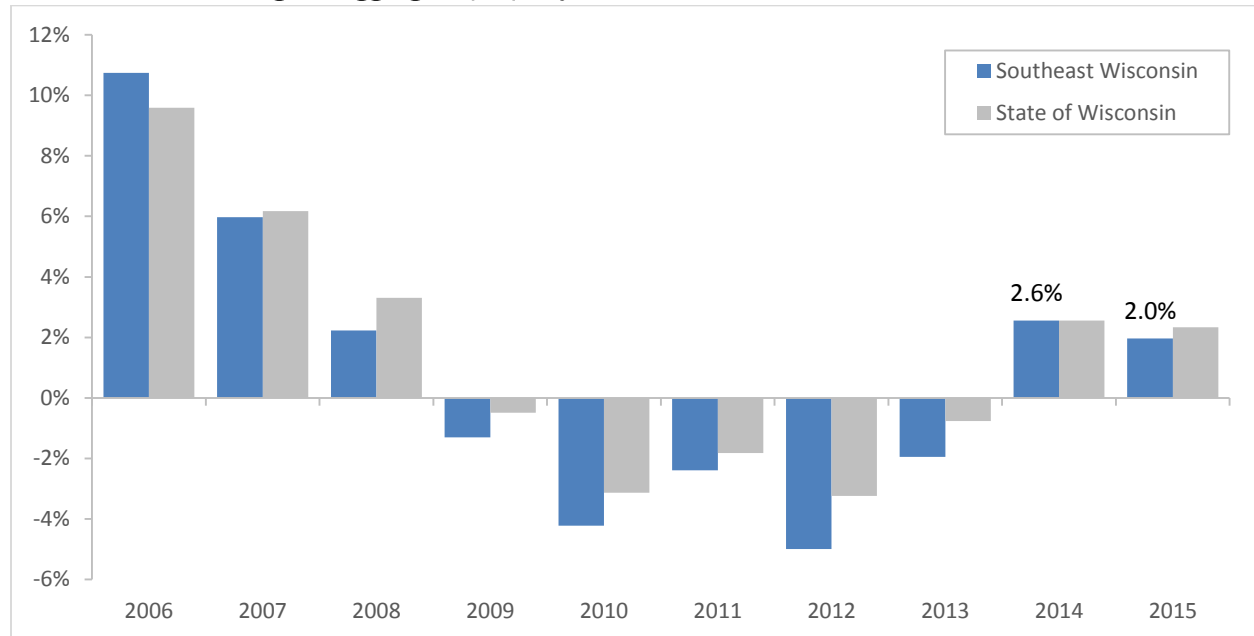


PROPERTY VALUES IN SOUTHEAST WISCONSIN

PROPERTY VALUES RISE IN 2015, BUT AT A SLOWER RATE

Aggregate property values in southeast Wisconsin increased by 2.0% to \$173.6 billion in 2015. While this marks the second consecutive year of property value growth after five consecutive years of declines, the 2% rate of growth was slower than the 2.6% increase experienced in 2014. The region's growth rate also lagged the 2.3% rate for the state as a whole. **Chart 2** shows annual percentage changes in property values for both the region and state for the past 10 years.

Chart 2: Annual change in aggregate property values in southeast Wisconsin and State



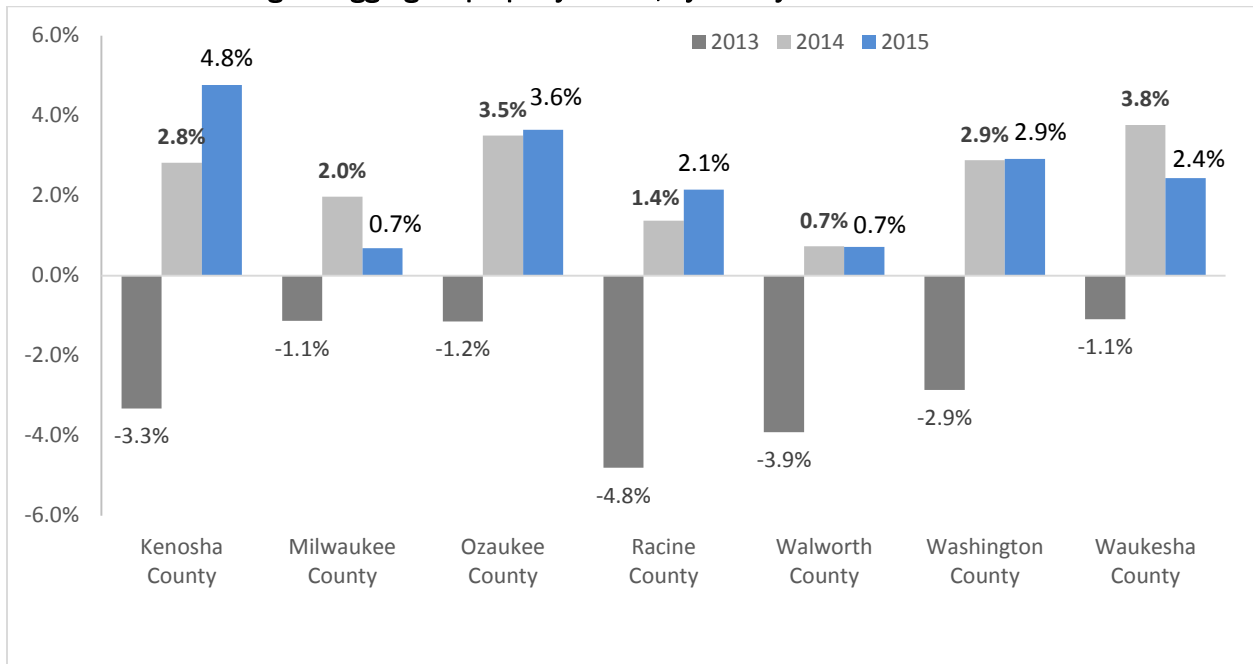
GAINS NOT EQUAL THROUGHOUT REGION

Chart 3 breaks down the change in property values for each of the seven counties in southeast Wisconsin during the past three years. (County-by-county 10-year trends in total, residential, and commercial property values are available on our website at <http://publicpolicyforum.org/2015-county-county-property-values-taxes>) For the second consecutive year, every county in the region experienced property value growth. Kenosha County led the way with a 4.8% increase, while Ozaukee and Racine counties also had growth rates that exceeded the previous year. Prior to increases in the last two years, Kenosha County had experienced the largest post-recession five-year decline in values in the region.

Milwaukee and Waukesha counties both saw their rate of property value growth diminish from 2014. Milwaukee County (tied with Walworth) had the smallest growth rate in the region at 0.7%. Waukesha County's growth rate was much higher at 2.4%, but that rate still was 1.4 percentage points lower than 2014, representing the largest year-over-year decline in rate growth in the region.



Chart 3: Annual change in aggregate property values, by county



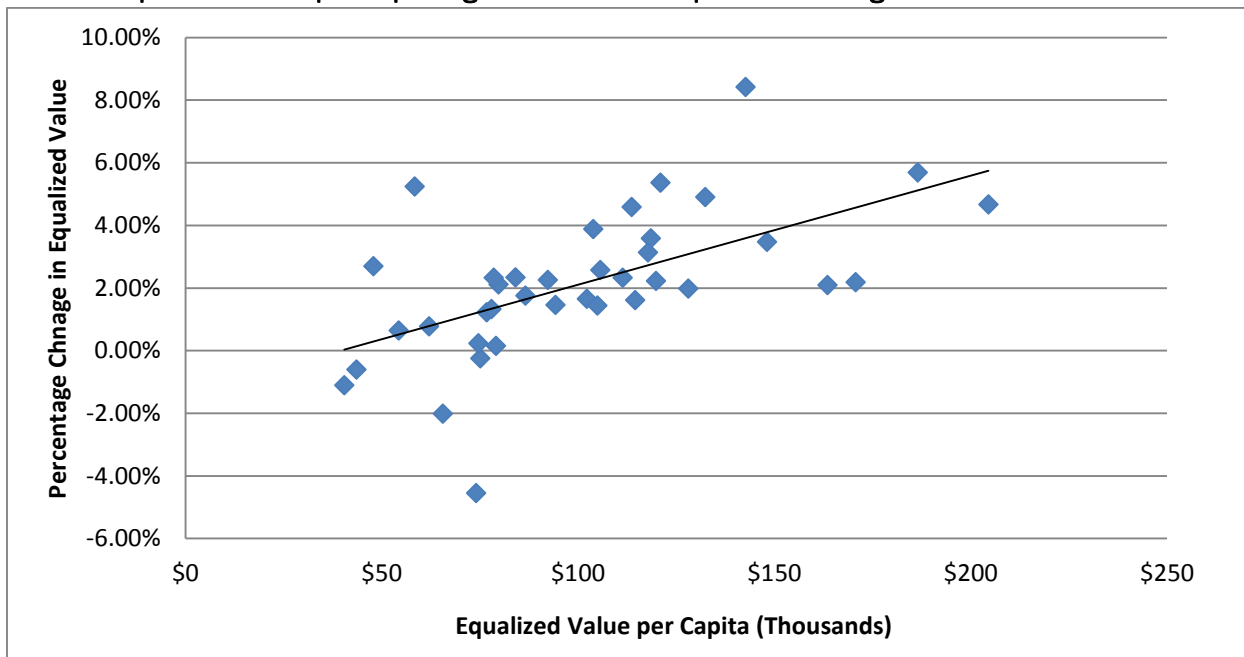
Our observation that property value gains are not spread proportionally across the region prompted us to explore whether wealthier parts of the region were growing faster than those with lower wealth, or vice versa. Consequently, we looked at the 38 municipalities in southeast Wisconsin with populations of more than 10,000 (those municipalities account for 79% of the region's total population) and compared their equalized values per capita with the change in their property values from 2014 to 2015.

The results of our analysis are shown in **Chart 4**. Generally speaking, those municipalities with a higher equalized value per capita (on the right side of the chart) were more likely to have higher growth rates, but the correlation was not substantial.¹

¹ Our analysis shows that for every \$1,000 of increase in equalized value per capita, the growth rate for that municipality will increase by .03 percentage points. This equation can explain about 33% of the variation in growth rates between municipalities. In addition, our analysis has found a 95% confidence interval, meaning that equalized value per capita almost certainly produces some positive impact on a municipality's growth rate.



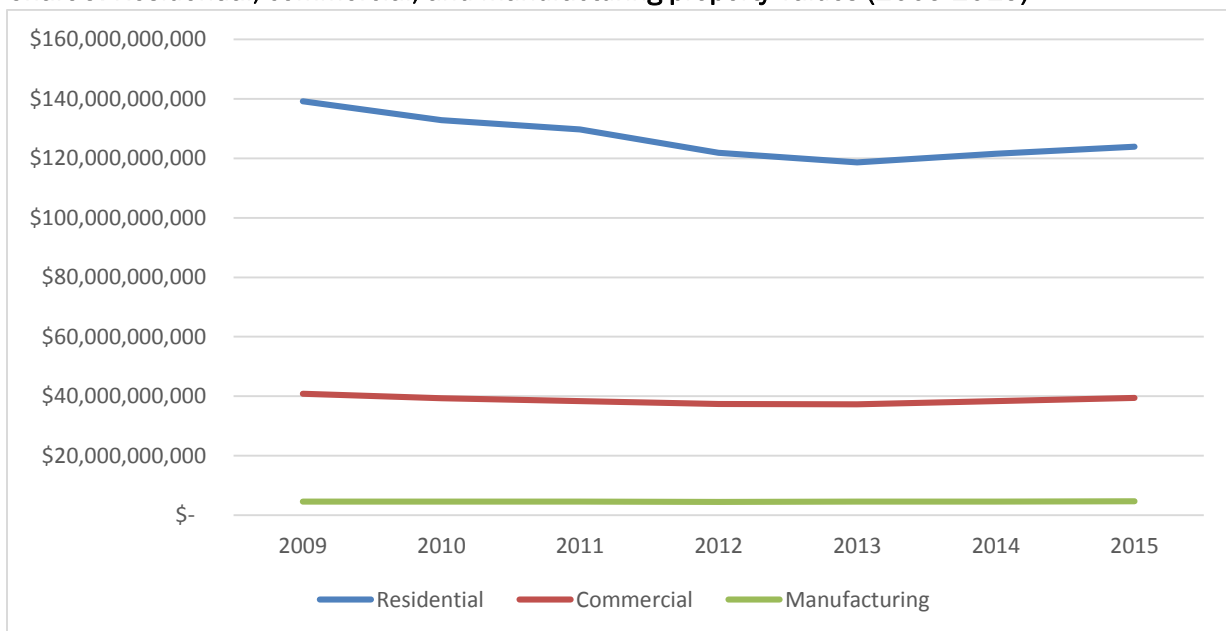
Chart 4: Equalized value per capita against the 2015 equalized value growth rate.



RESIDENTIAL PROPERTY VALUES DRIVE TOTAL VALUES, SHOW MODEST GROWTH

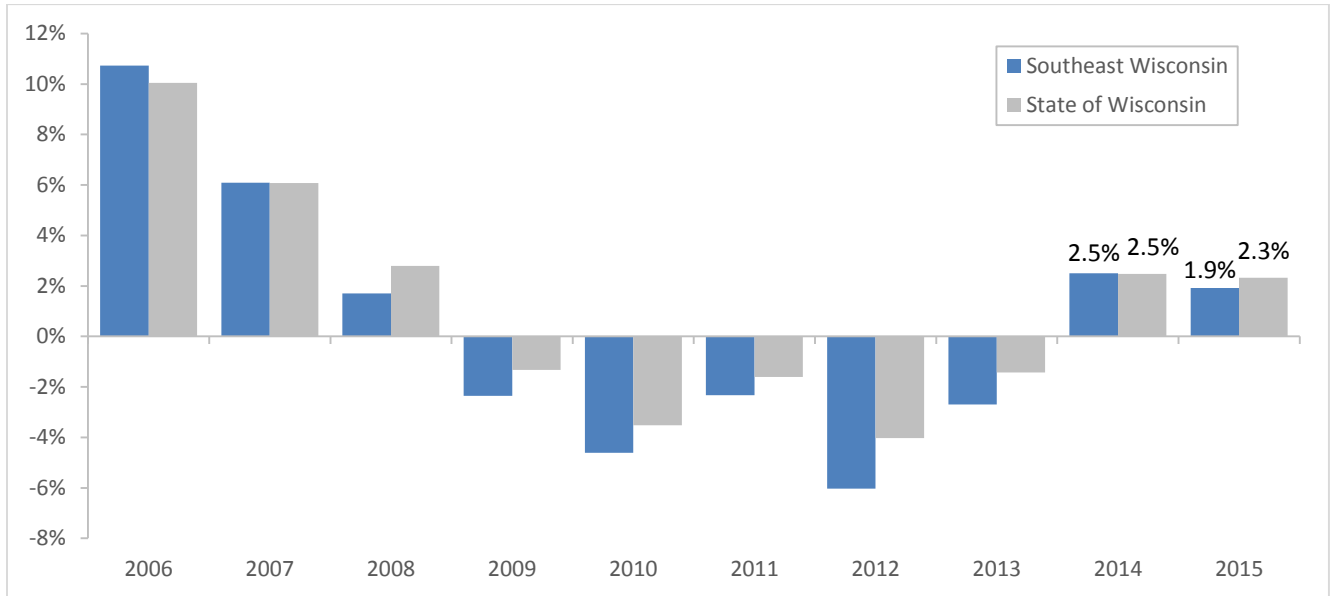
Residential property makes up the largest portion of total property values in southeast Wisconsin at 71.3%. As shown in **Chart 5**, a sharp decline in the value of residential property was the main driver in the decline of total property values prior to the rebound that began last year. Over the last two years, the 4.5% increase in residential property values was comparable to the increase in manufacturing growth rates (4.3%) but slower than commercial property growth rates (5.8%).

Chart 5: Residential, commercial, and manufacturing property values (2009-2015)



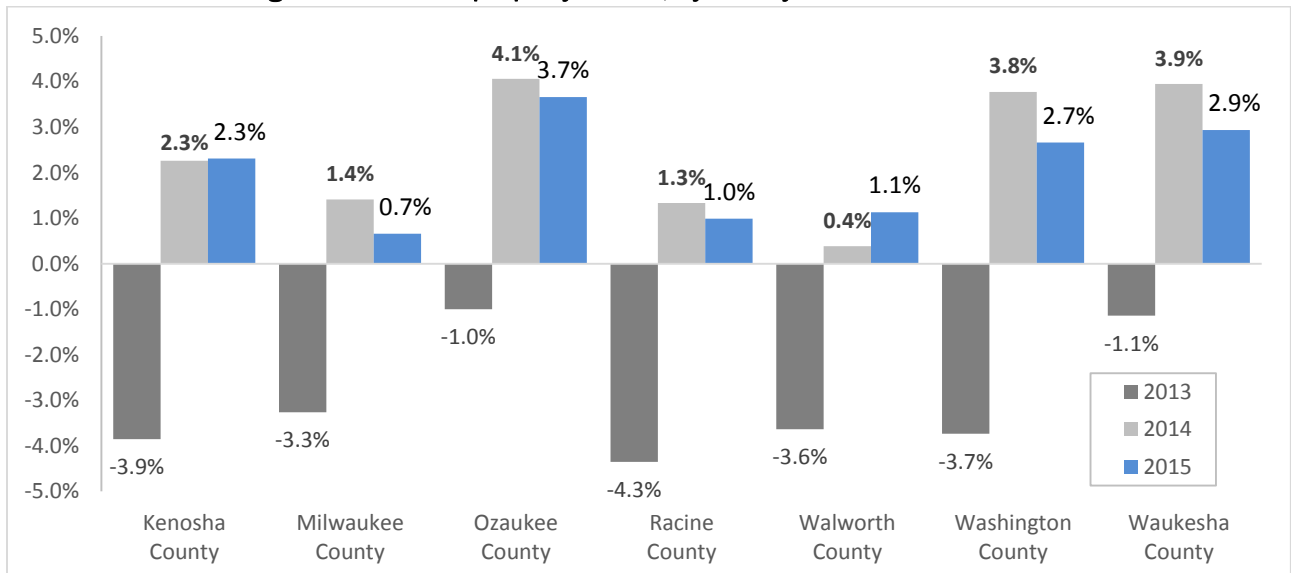
When we focus on 2014 to 2015 changes, we see in **Chart 6** that residential property values in southeast Wisconsin increased by 1.9%, which was a slower rate of growth than the 2.5% increase experienced from 2013 to 2014. Residential values in the state as a whole increased by 2.3% over the past year, a slightly smaller gain than the 2.5% experienced last year, but faster than the growth in the region.

Chart 6: Annual change in residential property values in southeast Wisconsin and State



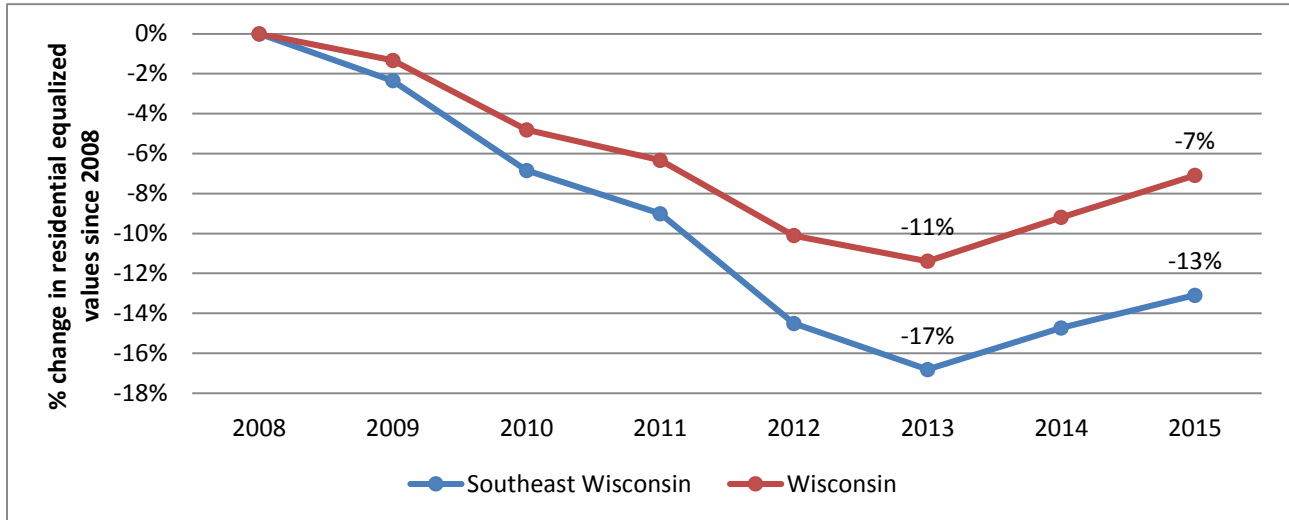
Examining residential property value data by individual counties, we find that each of the region’s seven counties saw an increase in its aggregate residential property values for the second consecutive year, though some gained much more value than others. As shown in **Chart 7**, Ozaukee County led the way with a 3.7% increase. At the lower end of the spectrum, Milwaukee County experienced only a 0.7% increase, which was impacted by a decline of 1% in residential values in the City of Milwaukee.

Chart 7: Annual change in residential property values, by county



While the rebound in residential property values is encouraging, the increases over the last two years have not been enough to bring residential values back to their pre-recession levels. As shown in **Chart 8**, the region and the state are recovering at similar rates, which leaves southeast Wisconsin's residential property values 13% lower than in 2008 (the pre-recession peak), and residential values in the state as a whole about 7% lower.

Chart 8: % change in residential property values since 2008 in the region and state



COMMERCIAL VALUES RETURN TO PRE-RECESSION LEVELS

In 2015, commercial property accounts for 22.7% of total property value in southeast Wisconsin. As shown in **Chart 9**, the region's total commercial value of \$39.4 billion is a 2.9% increase from 2014. Statewide, commercial values increased for the third straight year, though the 2014-15 increase of 2.9% was slightly lower than the previous year's 3.2% gain.

Chart 9: Annual change in commercial property values in southeast Wisconsin and State

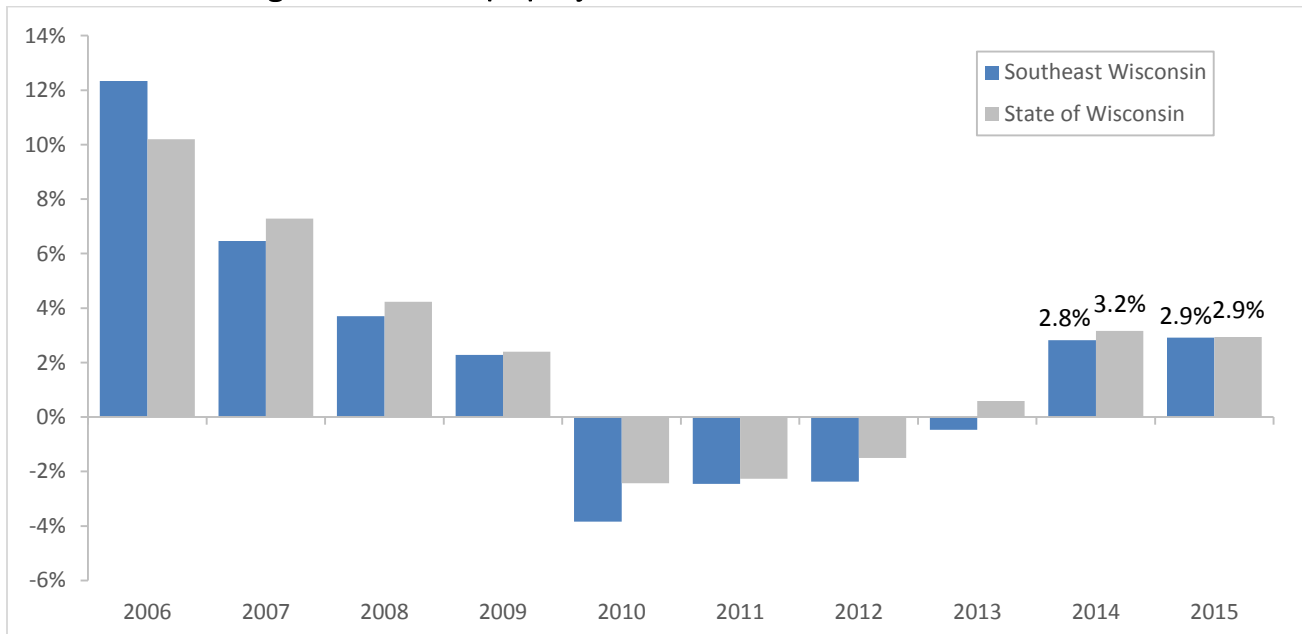


Chart 10 shows that commercial values in the region remain about 4% below the pre-recession peak (which occurred in 2009). Commercial values in the state as a whole, however, have now fully recovered to slightly exceed 2009 levels.

Chart 10: % change in commercial property values since 2008 in the region and state

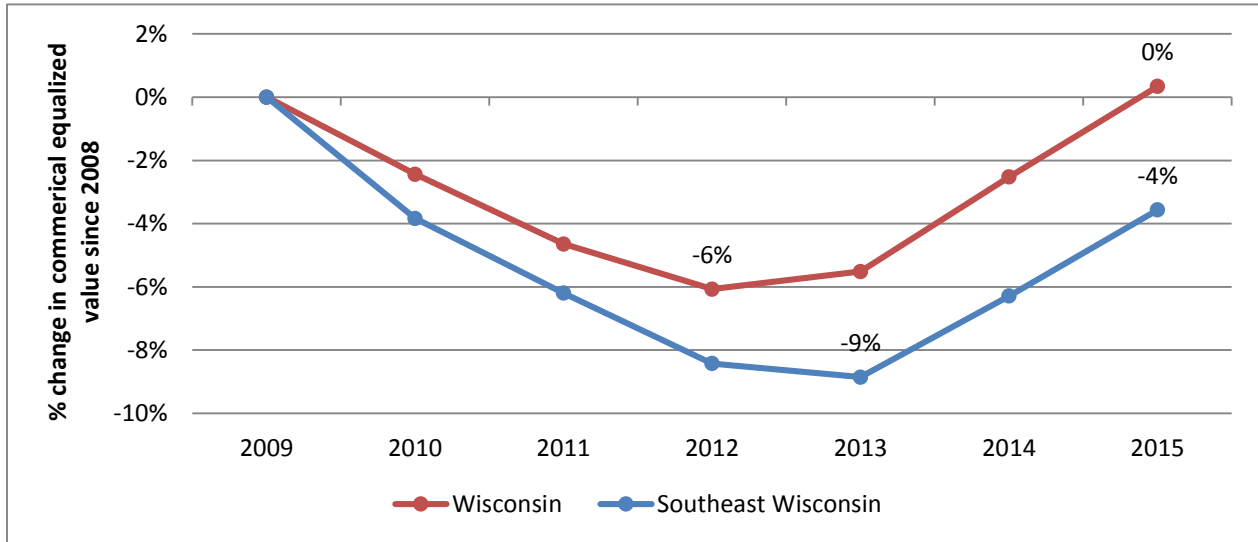
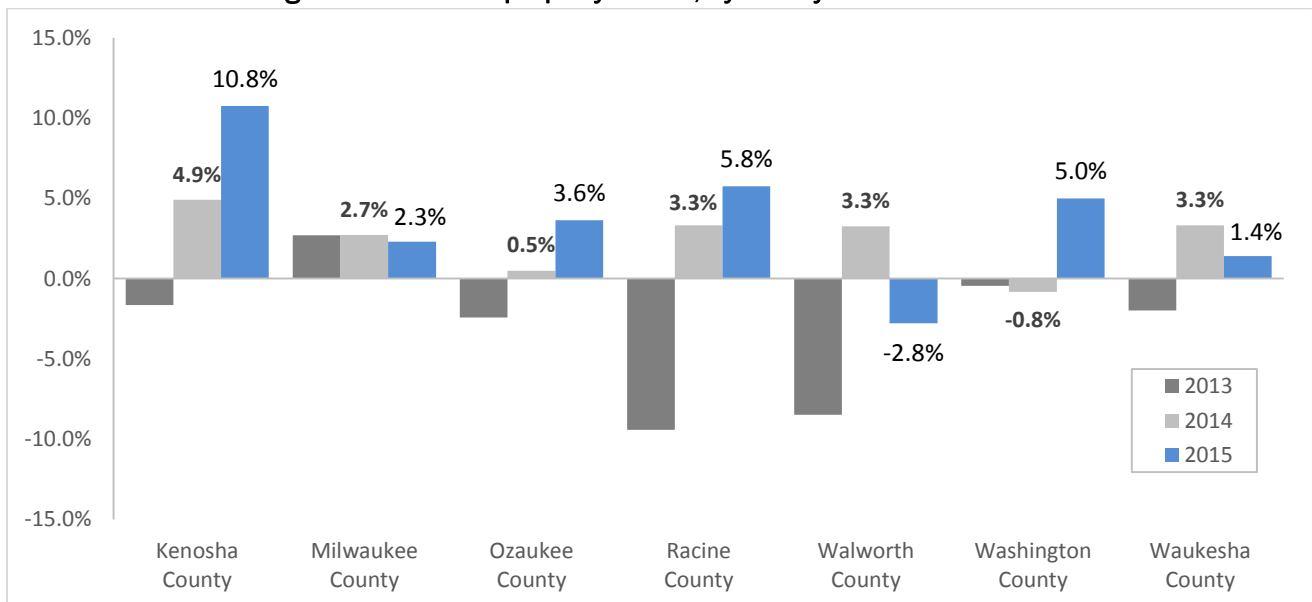


Chart 11 shows that the increase in commercial values in the region was far from uniform. Kenosha County led the way for the second consecutive year with an impressive 10.8% increase in commercial values, while three other counties experienced gains of greater than 3%. Conversely, Walworth County experienced a 2.8% decrease in commercial values. Milwaukee County experienced a third consecutive year of commercial value growth, though this year's 2.3% increase was slightly below the 2.7% increases experienced in each of the previous two years. Notably, Milwaukee County is the only county in the region to experience three consecutive years of commercial value growth.

Chart 11: Annual change in commercial property values, by county



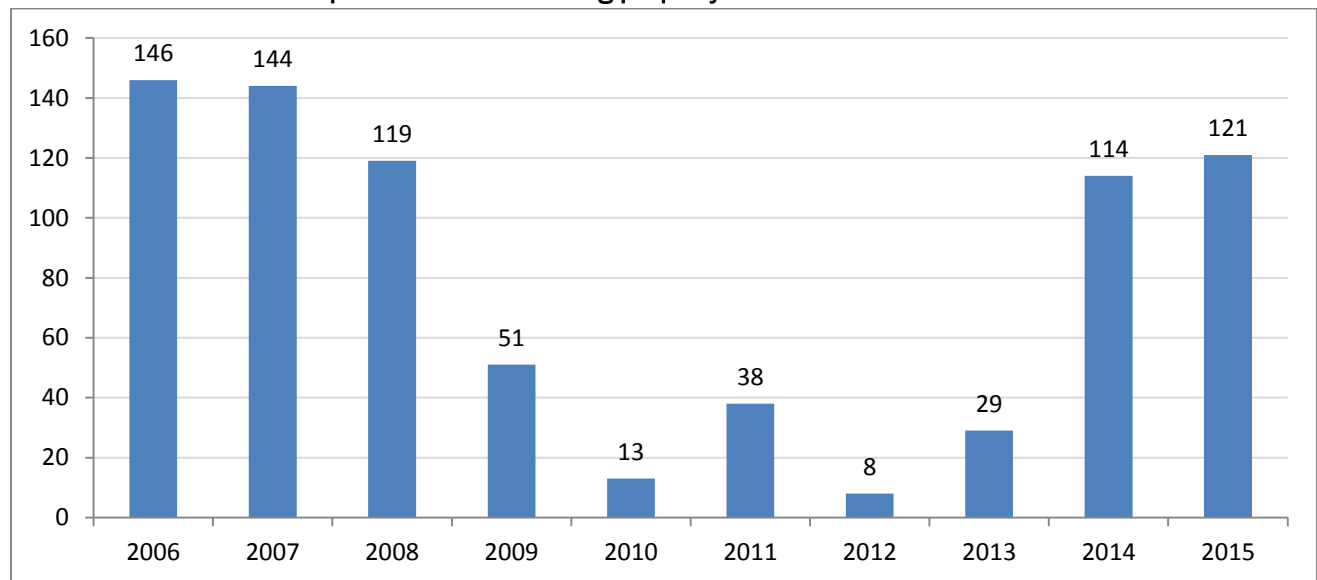
In 2015, manufacturing property accounts for only 2.7% of all property in southeast Wisconsin. Manufacturing property values increased by 3.8% during the past year, marking the third consecutive year of growth in those values. In fact, the \$4.72 billion in manufacturing property value in the region now matches the 2008 peak. Manufacturing property values in the state as a whole grew 3.2%.

All seven counties in southeast Wisconsin saw increases in the value of their manufacturing property in 2015. Kenosha County led the way at 14.3%, while Washington and Ozaukee counties also had impressive growth of 7.3% and 6.9% respectively. Walworth County had the lowest manufacturing property value growth rate at 0.4%, while Milwaukee County was able to make up for a decline the previous year with 1.6% growth.

MORE MUNICIPALITIES EXPERIENCE INCREASED VALUES, BUT NOT MILWAUKEE

Chart 12 shows that 121 municipalities experienced an increase in overall property values in 2015 – the most in a single year since 2007. Dover and Sturtevant (both in Racine County) had the largest increase in values, both at 10.5%. Nine municipalities grew by more than 6% and 70 grew at a rate above the state average of 2.3%.

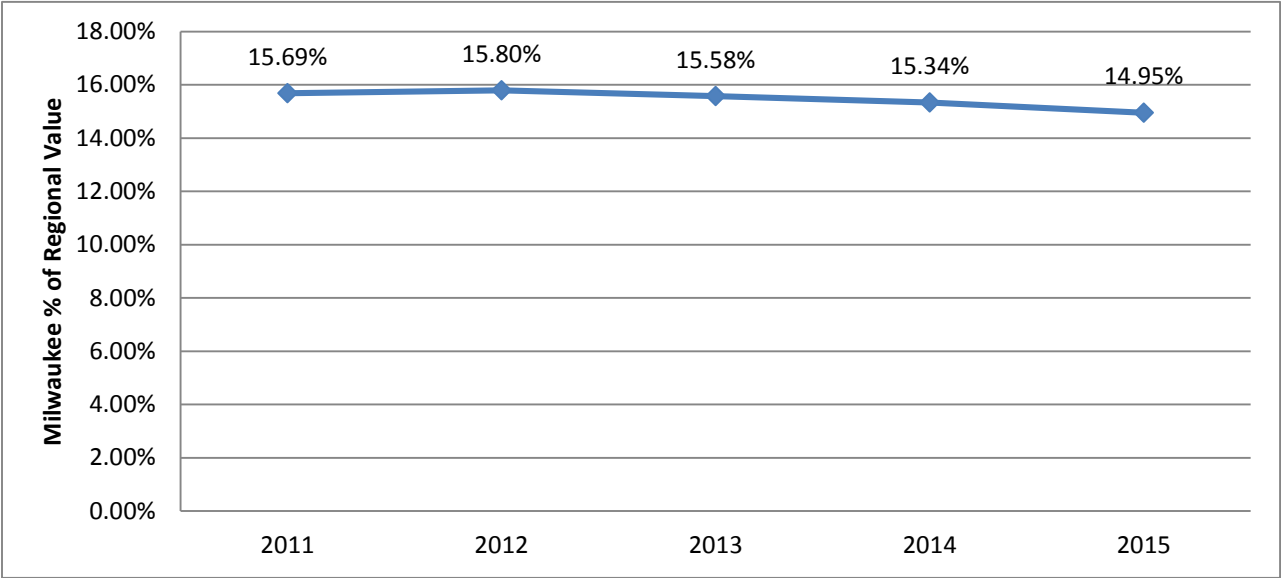
Chart 12: Count of municipalities with increasing property values



As noted above, one municipality that is notably absent from the 121 that experienced property value increases in 2015 is the City of Milwaukee, which saw a decline in values of 0.6%. This is the third consecutive year that property value growth in the City of Milwaukee has failed to keep pace with either regional or state growth. **Chart 13** shows that as a result, Milwaukee's share of the region's total property value is now 14.95%, which is down from 15.8% three years ago.



Chart 13: Share of southeast region's total value located in the City of Milwaukee



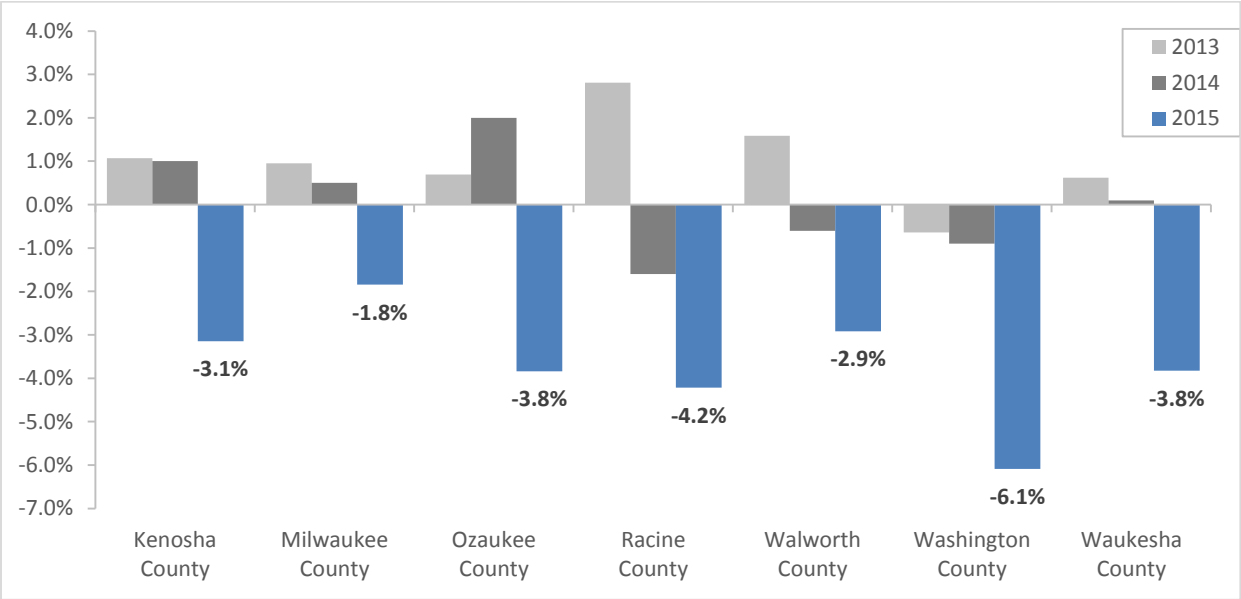
PROPERTY TAXES IN SOUTHEAST WISCONSIN

STATE ACTION TO LIMIT TECHNICAL COLLEGE LEVIES PRODUCES DESIRED RESULT

Our analysis of regional property tax levy trends examines tax levies adopted late in 2014 for the 2015 budget year. In 2015, the aggregate gross tax levy in southeast Wisconsin declined by about \$121 million (3.04%) to \$3.85 billion. As we will see, this decrease was impacted primarily by the adoption of Wisconsin Act 145 by the Wisconsin Legislature and governor, which shifted much of the responsibility for funding technical colleges away from the local property tax.

As shown in **Chart 14**, every county in the region experienced a decrease in its aggregate gross tax levy in 2015. Washington County experienced the largest decrease with a decline of more than 6%, while Milwaukee County saw the smallest decrease at 1.8%. (County-by-county 10-year trends in property taxes are available on our website at <http://publicpolicyforum.org/2015-county-property-values-taxes>)

Chart 14: Annual change in aggregate gross tax levy, by county



This year's decline in aggregate property tax levies among southeast Wisconsin counties continues a three-year trend in which all counties saw a reduction in growth or a decline in their aggregate property tax levies from the previous year (with the exception of Ozaukee County from 2013 to 2014). Several factors contribute to the annual property tax levies established by local officials, and this trend can be linked to several circumstances, including property tax levy limits placed on local governments by the state and decisions made by individual taxing jurisdictions.² However, the substantial reductions in 2015 can be linked mostly to Act 145.

² Under current law, municipalities and counties generally are prohibited from increasing their annual property tax levies by more than the greater of 0% or the percentage increase in equalized value from net new construction. Levy limits for school districts generally are established as caps on the amount of combined state aids and property tax levy that can be spent on a per-pupil basis. Act 145 changed the structure of technical college funding to work much the same way. More information is available at the Wisconsin Department of Revenue website, <http://www.revenue.wi.gov/propertytax/index.html>.



When we examine the total decrease in property taxes in the seven southeast Wisconsin counties combined, we find that the \$137 million reduction in property taxes levied to support technical colleges exceeded the overall \$121 million decrease in gross tax levies across the region. That means that the levies associated with other taxing jurisdictions increased by a combined \$15 million (still a very small amount), but the decrease in the technical college levies offset that increase and created the sizable overall decline.

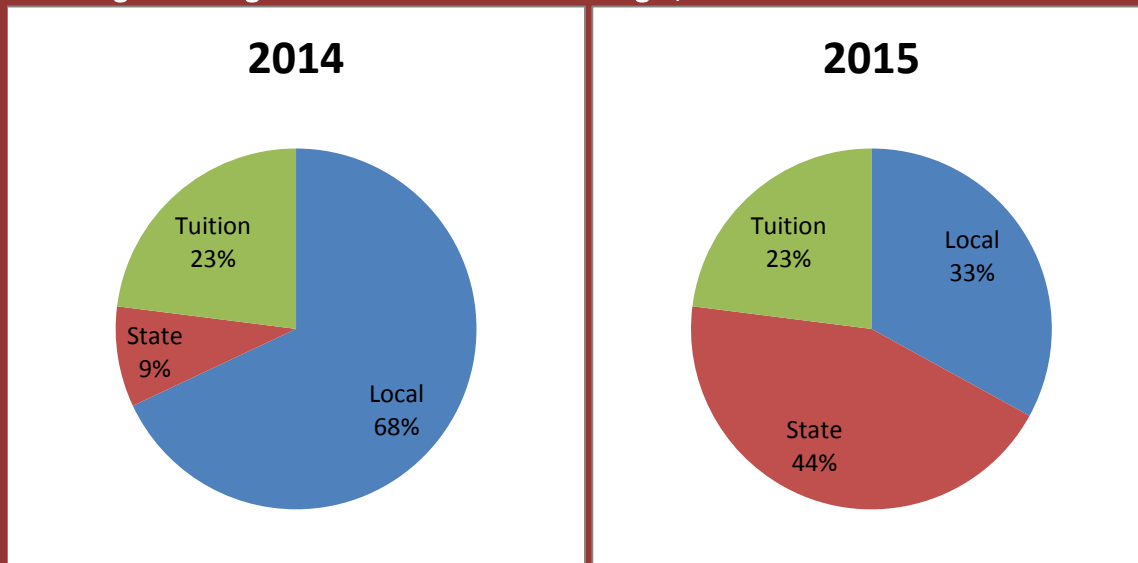
Wisconsin Act 145

Wisconsin Act 145 – signed into law in March 2014 – contained major adjustments to the state tax code, including a reduction in income tax rates and other modifications. Most significant to property taxpayers was its major change to the framework used to support the state's technical college districts. Act 145 used an unexpected revenue surplus that had materialized during the 2013-15 biennium to substantially increase the amount of state aids allocated to the technical college system. At the same time, the legislation capped the amount of revenue that technical colleges can derive from the combination of property taxes and state aid, thus ensuring that the increased state support would translate into property tax relief for citizens.

Specifically, the state increased its allocation of state aid to technical colleges by \$414 million for the 2014-15 fiscal year, and designated \$406 million of that amount as “property tax relief aid.” In other words, technical colleges were required to reduce their property tax levies by \$406 million under the new revenue limits, producing an equivalent amount of property tax relief for Wisconsin property owners. This change in the funding framework for technical colleges remains in effect in the 2015-17 biennium.

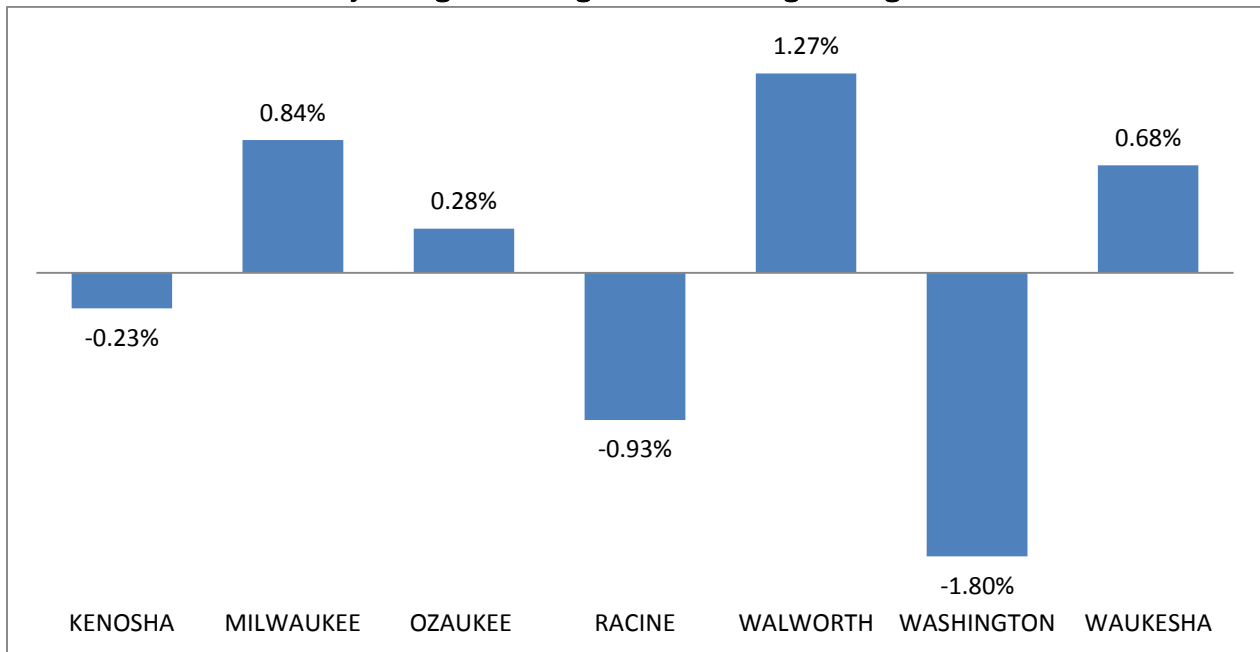
The chart below shows how the major technical college funding sources have shifted over the last two years as a result of Act 145. This change has lowered local property tax rates by 0.89 (\$89 for every \$100,000 of property value) statewide, though it also has required increased appropriations of state funds to support the technical college system. It is beyond the scope of this analysis to determine whether the change has had a positive or negative impact on the financial and programmatic health of technical colleges in the state.

Three Largest Funding Sources for State Technical Colleges, 2014 and 2015



While that was the case for the region as a whole, the experience among individual counties differed. **Chart 15** shows the percentage by which each county's aggregate tax levy increased or decreased when excluding the change in technical college funding. The three counties with negative percentages had tax levies that decreased beyond the reduction in technical college levies, while the other four would have experienced gross tax levy increases had it not been for the reductions that were attributed largely to Act 145.

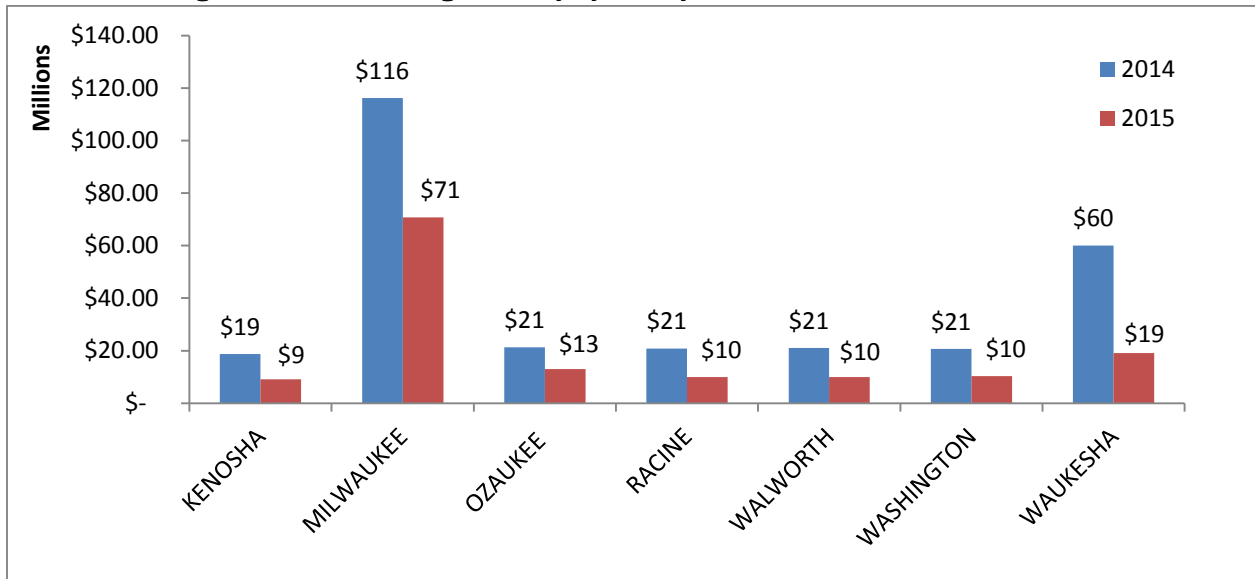
Chart 15: % of Total Tax Levy Change Excluding Technical College Changes



To further illustrate the impact of Act 145, **Chart 16** shows the reduction in technical college tax levy dollars collected by each county in 2015. The aggregate decline of \$137 million across the seven counties represents a 49% decrease from 2014, but because the formula used to distribute the increased state aid for technical colleges is based on a district's equalized value, some counties received more property tax relief than others. Waukesha County experienced a technical college tax levy drop of more than \$41 million, or almost 70%. Milwaukee County had the largest overall decline in the technical college tax levy (\$45 million), but it also experienced the second smallest percentage decline at 39%.



Chart 16: Change in technical college tax levy by county, 2014-2015



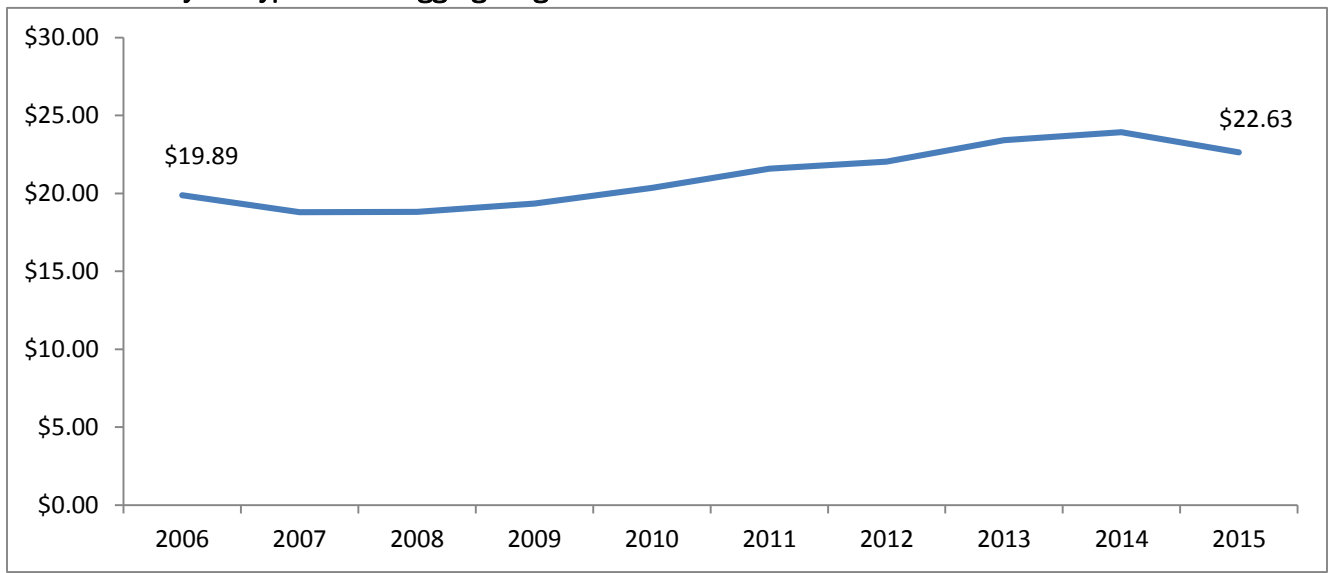
Finally, from a municipal perspective, 93% of municipalities (137 out of 147) saw a decrease in their overall tax levy from 2014 to 2015, compared to 57% from 2013 to 2014. Five municipalities – Kewaskum, Barton, Paris, Addison, and Somers – experienced overall levy decreases greater than 10%, while the largest increase belonged to the City of Elkhorn in Walworth County at 6.7%. The overall gross levy for the City of Milwaukee decreased by 2%.

PROPERTY TAX RATES DECLINE AS VALUES INCREASE AND ACT 145 TAKES EFFECT

With both a major decline in the aggregate tax levy and an increase in equalized property values in 2014, the property tax rate in the region fell sharply in 2015. Overall, the aggregate property tax rate dropped from \$23.93 per \$1,000 of equalized value to \$22.63 – a decrease of 5.4%. This year’s significant decline in tax rates is a reversal of seven consecutive years of increases, as shown in **Chart 17**.



Chart 17: Ten-year hypothetical aggregate gross tax rate in southeast Wisconsin

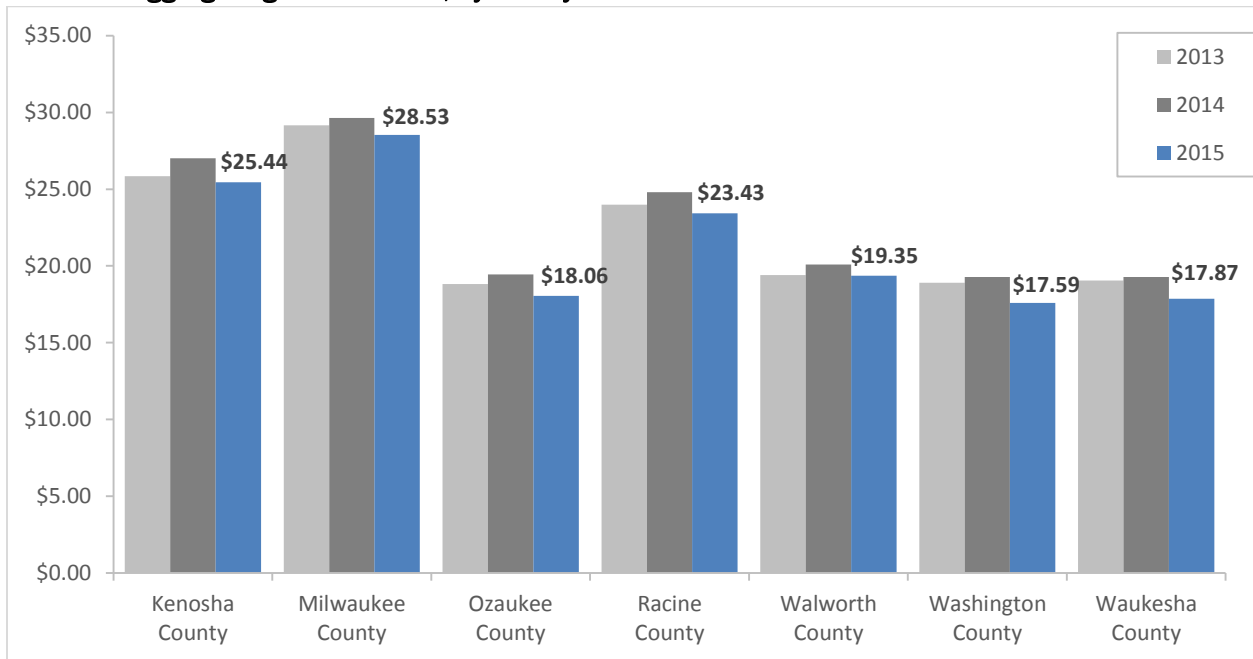


A major contributor to the seven-year trend of property tax rate increases was the annual declines in property values that were experienced from 2009 through 2013. However, while equalized values reversed that trend by increasing 2.6% in 2014, a bigger cause for the reduction in 2015 rates was the 3% reduction in gross levies described above.

Chart 18 shows that the aggregate gross tax rate decreased in every southeast Wisconsin county in 2015. The tax rate in Milwaukee County remained the highest of the seven but decreased by more than \$1 to \$28.53 per \$1,000 of assessed value. Washington County had the largest decrease at \$1.68 per \$1,000, while Walworth County had the smallest decrease at \$0.73 per \$1,000.

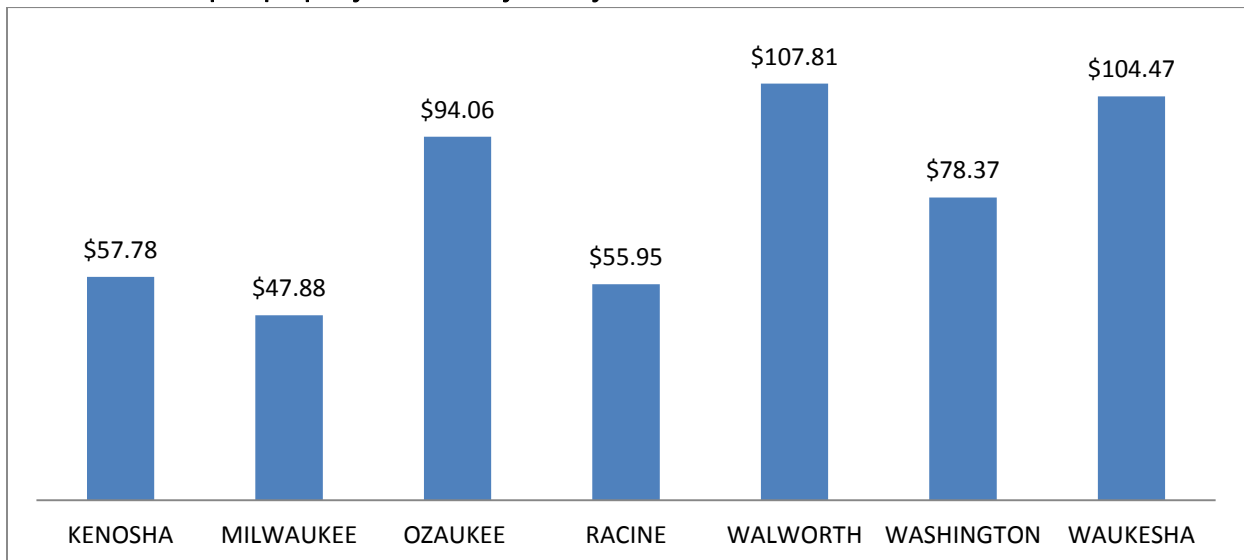


Chart 18: Aggregate gross tax rates, by county



Another means of assessing the impact of changes in tax rates and levies is to examine how they played out on a per capita basis. In years such as 2015 when levies and rates are declining, counties with higher average equalized values would be expected to experience more tax relief per capita. **Chart 19** shows that Walworth County had the highest tax relief per capita at \$107.81, followed closely by Waukesha and Ozaukee counties. Milwaukee County had the lowest per capita tax relief at \$47.88, less than half that of Walworth County. The City of Milwaukee had the fourth lowest per capita tax relief among southeast Wisconsin municipalities at \$35.86; only Sturtevant, Racine, and Genoa City experienced less tax relief on a per capita basis.

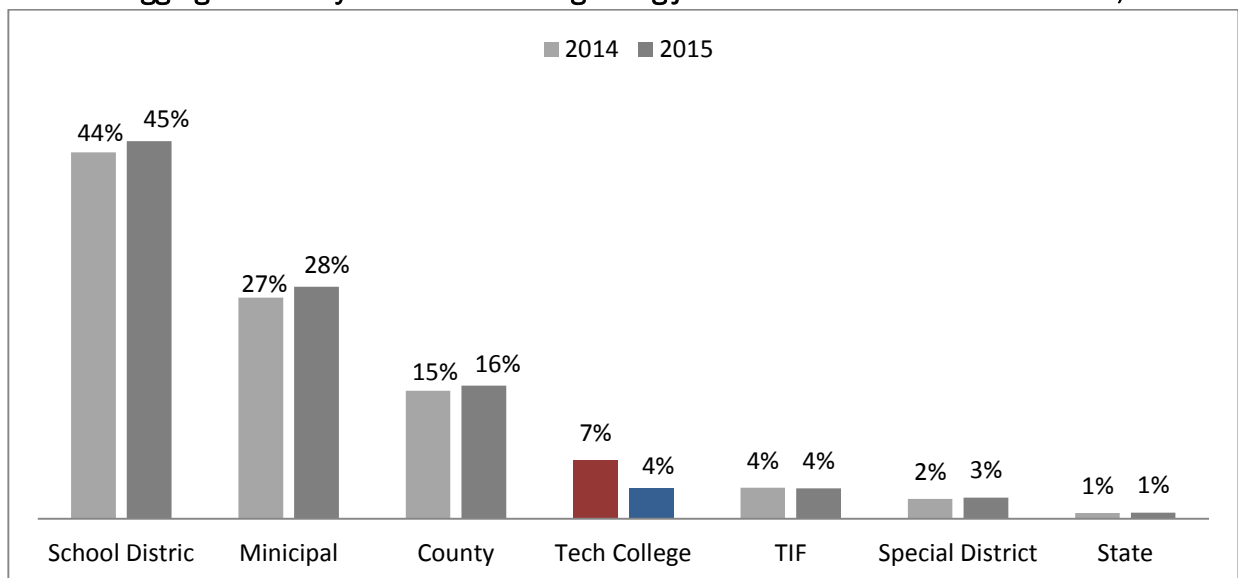
Chart 19: Per capita property tax relief by county



SCHOOL DISTRICT LEVIES DOWN BUT STILL ACCOUNT FOR LARGEST SHARE OF OVERALL LEVIES

When we look at the different components of 2015 property tax levies, we find that school district tax levies continue to represent the largest share of residents' tax bills in southeast Wisconsin, comprising 45% of the total. We also see that the \$137 million decrease in technical college levies throughout the region caused technical colleges' proportion of the overall tax bill to decrease from 7% to 3.5%. As shown in **Chart 20**, because of this dramatic drop in the technical college tax levy, several of the other taxing jurisdictions saw their proportional shares increase.

Chart 20: Aggregate tax levy breakdown among taxing jurisdictions in southeast Wisconsin, 2014-15

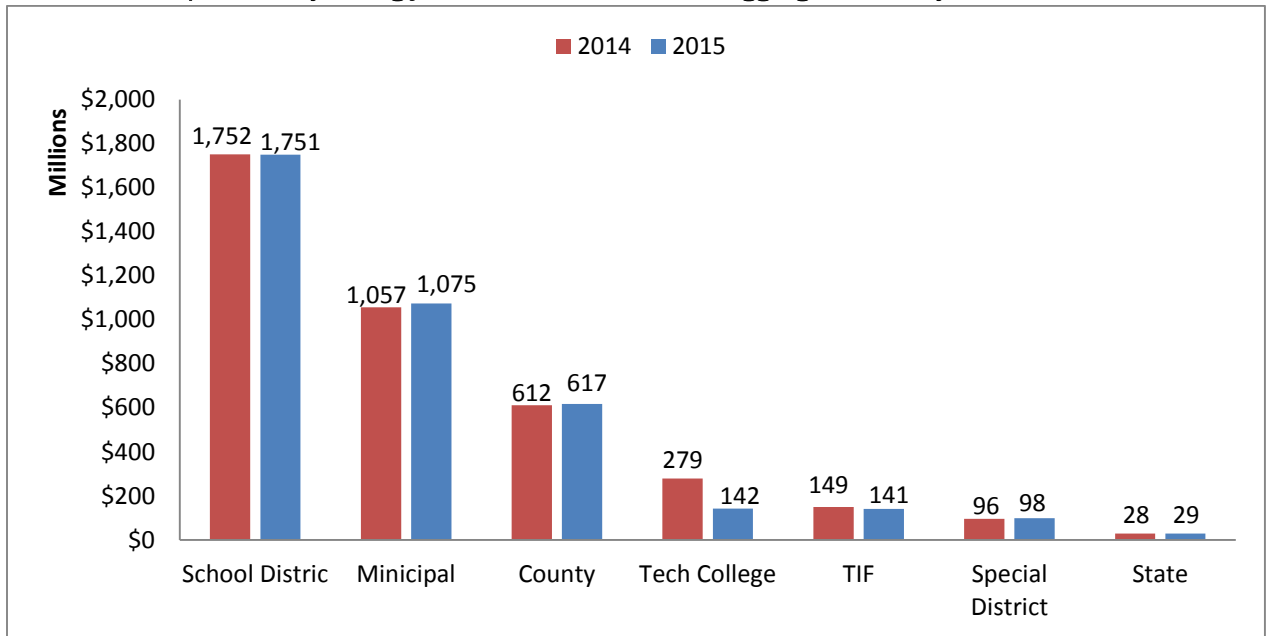


In terms of dollars (as opposed to proportional shares), two additional taxing jurisdictions besides technical colleges saw their levies decline in 2015: school districts (\$1 million or 0.06%) and TIF districts (\$8 million or 5.5%).³ Municipal levies across the region increased by \$17 million (1.7%) and county levies increased by \$6 million (0.9%). **Chart 21** shows the amount that each type of taxing jurisdiction contributes to the region's 2015 total aggregate property tax levy of \$3.85 billion.

³ An additional impact associated with Act 145 and its role in lowering property tax rates is that lower rates produce a decline in the property tax revenue generated to pay off debt associated with TIF districts. This circumstance could extend the life of tax incremental districts beyond originally anticipated expiration dates.



Chart 21: Components by taxing jurisdiction of 2015 total aggregate tax levy in southeast Wisconsin



EFFECTS ON TAXPAYERS

PROPERTY TAX BILLS DECLINE SIGNIFICANTLY

The property tax bill charged to an individual property owner reflects the aggregate of the tax levies of the various taxing districts, which are then applied via the property tax rate to the property’s assessed value. Annual changes to property tax bills received by property owners, therefore, reflect not only the levying decisions of government bodies and changes in the property tax rate, but also any change in the assessed value of the owner’s home or business.

While this dynamic prevents us from being able to assess impacts on individual property owners (as we do not know how the value of individual properties changed), we can illustrate the connection between values, levies, and rates by calculating changes to an average hypothetical tax bill for a resident of each county in Southeast Wisconsin and for the region as a whole. Below, we do so by using average 2014 residential equalized values, and applying 2015 aggregate gross tax rates to those amounts.

In 2014, the average residential property in southeast Wisconsin increased by almost 3% to \$189,952. Ozaukee County and Waukesha County had the highest average residential property values at \$270,099 and \$270,084 respectively. Milwaukee County continued to have the lowest average residential property value, at \$144,174. Only Walworth County experienced a decrease in its average residential property value from 2013 to 2014.

Table 1 shows the hypothetical gross tax bill for every county in southeast Wisconsin – and for the region as a whole – for the past three years. It shows that the hypothetical tax bill for residents in each of the seven counties declined substantially, reflecting the fact that decreased rates in each county outweighed the impact of increased property values in calculating each county's hypothetical tax bill (Walworth County was the only one of the seven in which the average residential value declined). For the region as a whole, the hypothetical tax bill declined by \$118, or 2.7%.

Table 1: Average property values, aggregate gross tax rates, and hypothetical gross tax bills

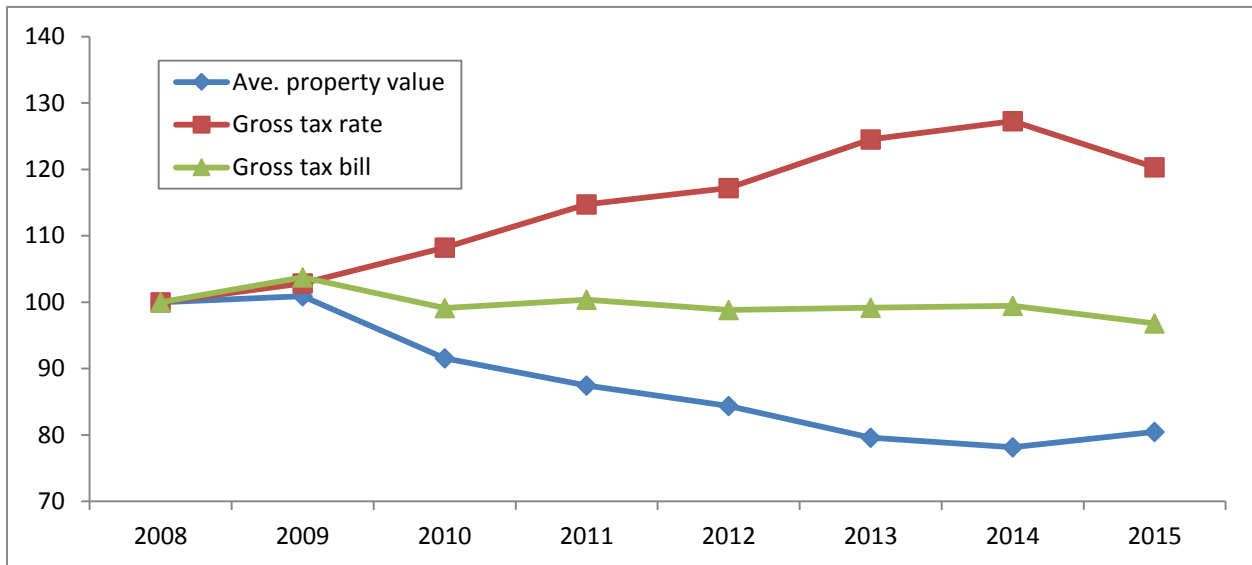
	2013 Averages			2014 Averages			2015 Averages		
	Value*	Rate	Bill	Value*	Rate	Bill	Value*	Rate	Bill
Kenosha Co	\$154,516	\$25.85	\$3,994	\$149,416	\$27.01	\$4,036	\$153,145	\$25.44	\$3,897
Milwaukee Co	\$144,101	\$29.15	\$4,201	\$144,174	\$29.64	\$4,273	\$146,514	\$28.53	\$4,180
Ozaukee Co	\$262,792	\$18.83	\$4,948	\$259,690	\$19.44	\$5,048	\$270,099	\$18.06	\$4,878
Racine Co	\$152,225	\$23.98	\$3,650	\$145,659	\$24.80	\$3,612	\$147,655	\$23.43	\$3,459
Walworth Co	\$217,682	\$19.41	\$4,225	\$210,617	\$20.08	\$4,230	\$209,693	\$19.35	\$4,058
Washington Co	\$220,429	\$18.90	\$4,166	\$198,904	\$19.27	\$3,833	\$205,998	\$17.59	\$3,624
Waukesha Co	\$263,912	\$19.05	\$5,028	\$260,361	\$19.28	\$5,020	\$270,084	\$17.87	\$4,826
SE WI	\$187,969	\$23.42	\$4,402	\$184,497	\$23.93	\$4,416	\$189,952	\$22.63	\$4,298

We also see that despite having the third-lowest tax rate, Ozaukee County, for the second consecutive year, has the highest hypothetical gross tax bill at \$4,874, followed by Waukesha County at \$4,826. This finding reflects the higher average residential values in each county. For the tenth consecutive year, Racine County had the lowest tax bill in the region, at \$3,459 (a decline of 4.4%).



Chart 22 shows the trend in the average tax bill, hypothetical gross tax rate, and average residential property value for the region indexed to 100 in 2008. The chart shows how the average residential values and the gross rate work together to affect the gross tax bill. As we noted above in our county-by-county analysis, the substantial decrease in the gross tax rate for the region as a whole outweighed the impact of increased residential value to produce a decline in the region's hypothetical gross tax bill.

Chart 22: Southeast Wisconsin hypothetical average tax bill, gross tax rate, and property value, indexed to 100



CONCLUSION

This year's analysis of property values and taxes shows the state's effort to provide property tax relief via a change in the funding framework for technical colleges has succeeded. From 2014 to 2015, property taxes levied across the state declined by more than \$220 million, or just over 2%. Honing in on the southeast Wisconsin region, we see a decline in the aggregate gross property tax levy of more than \$120 million (3%), thanks largely to a \$137 million decrease in technical college levies. As a result, the average hypothetical property tax bill in the region declined by \$118.

It is important to note that while the change in the technical college funding framework produced real property tax relief in 2015, it also has created a larger obligation for state taxpayers to finance the state's technical college system. This increased pressure on state resources contributed to the substantial challenges faced by lawmakers during the recently concluded deliberations on the 2015-17 state budget.

The region's municipal and county governments, meanwhile, saw only modest growth in their levies (1.7% and 0.9% respectively), while the aggregate levy for the region's school districts decreased by 0.06%. In the case of those jurisdictions, strict state-imposed levy limits likely were a major contributor. As we have noted in previous reports, while these levy limits are good news for property taxpayers, they can present substantial challenges to local government and school district leaders, who often must contend with annual increases in fixed costs that exceed the annual growth in the levy allowed under state law.

Good news for all parties in the region is the second consecutive year of growth in property values, which means local policymakers can generate more resources without increasing the property tax rate. However, of some concern is the slower growth in values in 2015 as compared to the previous year, as well as the slower growth rate in the region as compared to the state as a whole. While one year does not make a trend, it would be disconcerting if growth in values again was on a downward path, given that 2014 marked the first year of growth after several successive years of substantial decline. Also of concern is the 2015 decline in values for the City of Milwaukee, which shows that an important barometer of economic recovery still is not being felt in the state's largest municipality.

Despite these issues, the overall message to taxpayers and citizens conveyed by this year's analysis of property values and taxes in southeast Wisconsin is a positive one. Not only were tax levies and tax rates down for 2015, but 2015 property values are up, signaling less pressure on policymakers to raise rates for 2016. While the expenditure pressures facing local governments and school districts undoubtedly have not subsided, their ability to address those pressures going forward will be enhanced – at least a bit – if property values continue to grow.

