

## Wisconsin is Over-Reliant on the Property Tax

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If you ask someone in my community what they think about their local government, one of the first things they will likely say is “our property taxes are too high” and they would be right. When I first moved here from Georgia, I was shocked by how high property taxes were here, and by here, I mean all over the state. The house I currently live in is assessed at about \$10,000 higher than the house I owned in Georgia and yet my property tax is twice as high! I got curious and started looking in to why that might be and I quickly realized how local governments in Wisconsin are forced to rely almost exclusively on the property tax for raising revenue. Well of course our property taxes are high! When you throw in the fact that the second largest portion of many municipalities’ revenue is state aid and consider that municipalities have no control over that revenue stream, it’s a recipe for disaster. If the State decides to decrease what it gives us, we are left with one of two options: reduce services or increase our property tax levy.

And let’s be clear. Increasing our levy is not as easy as it sounds because the State restricts our ability to do that as well. Under current State law, we can only increase our levy by the rate at which we experience new development, specifically our net new construction rate. What this means is that if you are a municipality that doesn’t experience growth, as is the case in Clintonville, you cannot increase your levy unless you meet one of the allowance requirements. The most common of those allowances is for debt, which allows a municipality to increase its levy by the amount it needs for its debt payment. Seems legit, right? Wrong. What this structure has done is forced municipalities to rely on borrowing for its major capital projects, rather than levy for them year to year. As Appleton Mayor Tim Hanna has said, “Levy limits are making us debt junkies.” It’s great for the banks and investors, but not so much for the taxpayers. We are making future generations pay for the purchases of today, and even worse, making them pay more for it because of interest. And to cap it all off, the State limits a municipality’s ability to borrow by restricting its debt capacity to five percent of its assessed value. For the City of Clintonville, that’s roughly \$10 million and we are currently at approximately \$6 million. Now, I want our taxpayers to know that the Council is firmly committed to reducing its debt and we have been working very hard to secure grant funds and find creative ways to make do with what we have, but it is a long process and one that is constrained in many ways by the State.

Recently, the Wisconsin Policy Forum, a non-profit engaged in nonpartisan, independent research on fiscal and policy issues affecting governments in Wisconsin, issued a report called [\*Dollars and Sense: Is it time for a new municipal financing framework in Wisconsin?\*](#), which was funded by the League of Wisconsin Municipalities, Wisconsin REALTORS Association, and Greater Milwaukee Committee, to look at Wisconsin’s reliance on the property tax and whether a different revenue generation structure was needed. The report found that of the twelve states in the Midwest region, Wisconsin had the highest reliance on the property tax of all twelve states and was ranked seventh nationally. Wisconsin also has the lowest sales tax

average of all twelve Midwest region states. In Georgia, I lived in a county with a sales tax rate of 8% and according to the Georgia Department of Revenue, only two counties in the entire state have a rate of less than 7% as of April 1, 2019 and a couple were just shy of 9%. The State sales and use tax is only 4%, meaning anything above that stayed in the county where the purchase was made and is apportioned between the municipalities and the county government based on an agreed upon formula. So the money stayed where it was spent. More importantly, the residents have to vote to approve these sale tax increases so it's not forced upon them. In addition, the sales tax is able to help offset the cost providing services to visitors and commuters who do not reside in a particular municipality but utilizes its services.

On average, Wisconsin municipalities receive about 42% of their revenue from the property tax and in Georgia it's about 27%. This is why my property tax bill in Georgia was significantly less than my tax bill here for a home of roughly the same assessed value. While some would argue that the State should just increase its state aid, which, by the way, when it was originally implemented was supposed to have 90% disbursement to local governments, I don't believe that's the right move. Yes, I think there should be more distribution to local governments but I don't want Clintonville to be any more reliant on the what the State decides to dole out than it has to be. And just like an investment advisor would say, we need to diversify. Municipalities and county governments shouldn't be forced to put all their eggs in one proverbial basket. The voters should have a say and by not even allowing that option, the State is telling the people it doesn't matter if you want this, we're not going to let you decide for yourselves.

Waupaca County, which has the half percent sales tax, collected a little more than \$3.7 million in sales tax revenue in 2018 and has averaged \$3.5 million over the last five years. Just half a percent! Assuming the sales tax revenue trends here continue, an 8% sales tax would generate about \$22 million a year. I'm not saying we should jump straight to that rate but I think it's important to understand the potential financial benefit that could be derived from a sales tax, which could include property tax relief. The total 2018 tax rate for a parcel in Clintonville is \$27.13 and the City's portion of that is \$10.08, but we're not alone. What we are doing to raise revenue at the local level clearly isn't working and we can't continue. Wouldn't it be nice if we could finally find a way forward that doesn't put so much emphasis on the property tax and puts more control in the hands of the voters?