



## PUBLIC POLICY FORUM

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### **Region's property tax collections see limited growth in 2017**

*1% increase in levies accompanied by decline in rate and a lower average property tax bill*

**MILWAUKEE** – *Friday, September 8, 2017* – Aggregate property taxes collected in the southeast Wisconsin region grew by 1.0% (\$38 million) from 2016 to 2017, with no county in the region seeing an increase of more than 2.2% and three growing by less than a percentage point. Meanwhile, with property values continuing to rebound, the aggregate gross property tax rate for property owners in the region decreased from \$22.60 per \$1,000 of equalized value in 2016 to \$22.11 in 2017 – the lowest level since 2012.

Those findings are included in the Public Policy Forum's latest property tax and values report, an annual publication that measures trends in property values – one of the region's most critical indicators of economic health – and examines how they impact the capacity of local governments and school districts to raise revenues.

The report also found that equalized property values in the region grew by 3.5% in 2017, slightly higher than last year's 3.2% growth rate and the highest rate of growth since 2007. While the region still has not recovered all of the property value it lost in the 2008-09 recession, its total equalized value of \$185.4 billion is now about 96% of the 2008 total.

"With aggregate tax levies in the region growing by just 1% in 2017 despite a 3.2% increase in property values the year before, taxpayers appear to be reaping a greater share of the benefit of enhanced valuations than school districts and local governments, whose ability to capitalize is

limited by state-imposed levy caps," says the report. "That clearly was the hope of lawmakers who created those caps, and this year's report provides new evidence that it is playing out the way they intended."

The report warns that while this is good news for property taxpayers, it may not be as comforting to some local governments and school districts that are struggling to maintain existing levels of service in the face of rising fixed costs.

"To the extent that (local governments and school districts) cannot fully tap into the growth in values to meet their expenditure pressures, they increasingly may be forced to consider service reductions and/or to seek greater efficiencies," says the report.

Other key findings from the 2017 analysis of property values and taxes in southeast Wisconsin:

- Every county in the region experienced an increase in aggregate equalized property values in 2017, led by Washington County at 5.6%. Unlike last year, however, the region's aggregate growth in property values lagged that of the State of Wisconsin as a whole, which experienced 4.1% growth in property values.
- Residential values – which comprise the greatest share of overall property values in the region – grew at their highest level since 2007, increasing 4.0% from 2016. All seven counties in southeast Wisconsin experienced increases in residential property values for the fourth consecutive year, with Washington County again leading the way at 5.9%.
- Commercial property values in the region grew by 2.4%, the lowest rate of growth since the return to positive growth in 2014. The state as a whole saw a 5.1% increase in commercial property value, which represents its highest rate of growth since 2007.
- On paper, the City of Milwaukee experienced a slight (0.5%) loss of equalized value in 2017, but that resulted from correction of an error made by the Department of Revenue in last year's equalized valuation calculation. Milwaukee's total growth in equalized value over the *two-year period* was 3.6%, or an average of 1.8% per year.

- The 49-cent decline in the region's aggregate property tax rate is the largest annual decrease since 2008. In fact, the region's aggregate rate now is about equivalent to what it was in 2012, which means an average property taxpayer in the region whose property value has not changed would be paying about the same amount in property taxes as he or she paid five years ago.
- Property taxes levied by school districts remain the largest component of the region's annual property tax levy (comprising 44.5% of total), but school district levies fell by \$20.6 million (1.1%) in 2017. Property taxes accruing to TIF districts saw a notable increase of 8.3%, although TIF districts still account for only 4.1% of total property taxes in the region.
- To calculate an average tax bill in southeast Wisconsin, we apply the region's average residential property value to the aggregate gross tax rate. The hypothetical average tax bill in the region decreased by \$59 to \$4,292 in 2017, which is the lowest since 2007.

"While efforts to ensure an appropriate balance between controls on property tax levies and sufficient funding for public sector services never are easy, they are far more manageable in an era of sustained property value growth," concludes the report. "The region's 3.5% increase in values in 2017 means that this positive environment will continue for most local governments and school districts as they get set to consider their 2018 budgets and levies."

The report was sponsored by Baird, the Commercial Association of Realtors Wisconsin, and the Greater Milwaukee Association of Realtors. It can be downloaded from the Forum's website at [www.publicpolicyforum.org](http://www.publicpolicyforum.org).

Milwaukee-based Public Policy Forum, established in 1913 as a local government watchdog, is a nonpartisan, nonprofit organization dedicated to enhancing the effectiveness of government and the development of southeastern Wisconsin through objective research of public policy issues.

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