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WISCONSIN'S PROPERTY TAX TIMELINE

This short paper provides a summary overview of the property tax system, visually displaying the two-year process that entails assessing the value of property, determining and allocating the property tax levy, and collecting the property tax.

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July 2005

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INTRODUCTION

The property tax is Wisconsin's largest tax and is an important source of revenue used by local governments (towns, villages, cities, counties), technical colleges, schools and other special districts (e.g., sanitary, lake management). The state also uses the property tax to collect the state forestry tax.

The yearly process of calculating the property tax for each property owner is a complex system. Many "hands" shape and collect the tax:

- The municipal assessors
- Town, city, village and special district clerks and treasurers
- Municipal, county, and special district governing boards
- County treasurers
- County real property listers
- State Department of Revenue (DOR)

Each of these entities has specific duties assigned to them by state statute. Once they perform a task, they pass the responsibility to the next "hand." This paper breaks down the property tax system into three stages:

1. Assessment of property value
2. Apportionment of the property tax levy among jurisdictions and among municipal property taxpayers
3. Collection of the property tax

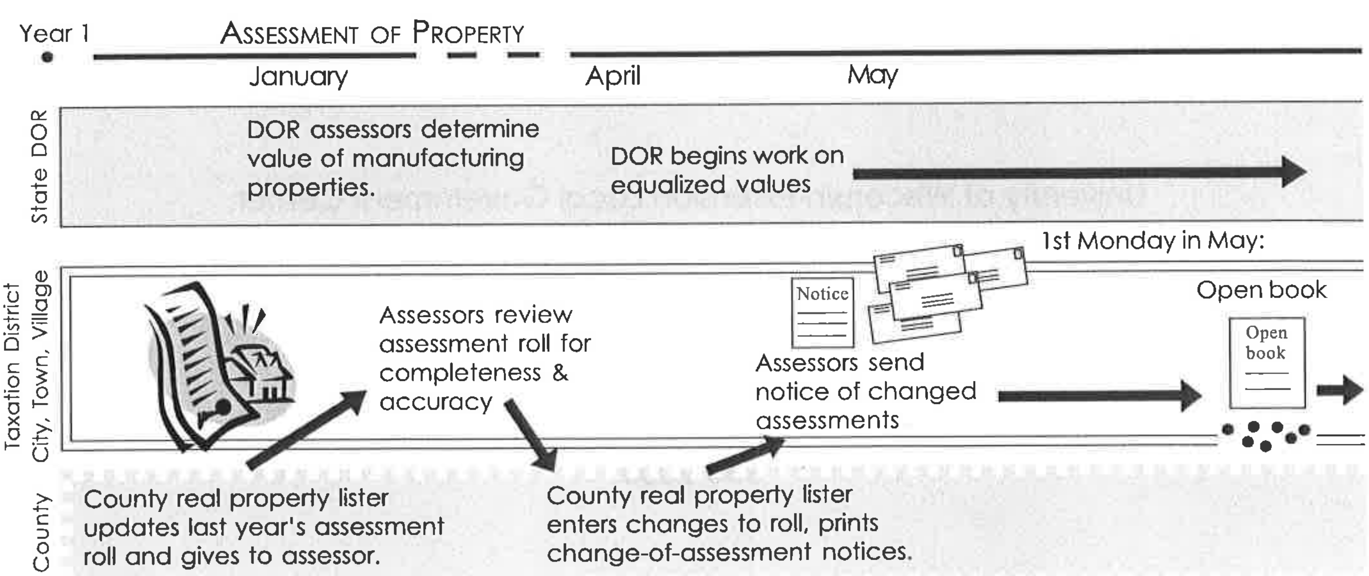
Together, these three stages combine in a two-year process. In the current year, property values are assessed for apportioning this year's tax in November and December and will become payable next year. The timeline at the bottom of this paper visually displays many of the processes and parties involved in administering the property tax system in chronological order.

STAGE 1: ASSESSMENT OF PROPERTY VALUE

January 1: Property Assessed

The assessed value of property is needed to determine how the property tax levies from all tax jurisdictions are distributed among the property taxpayers of a town, city, or village. Local assessors identify and value all taxable property in the municipality on an individual basis. It is their job to discover improvements, track demolitions of buildings and exemptions, and monitor property sales and business changes. Most municipalities then adjust last year's assessment roll provided by the county real property lister to reflect the changes to property. A few municipalities develop their own assessment and tax rolls, send out property tax bills and share this information with the county real property lister.

Assessors use several methods to arrive at the value of a property. For single-family homes, they usually determine market value by analyzing recent sales of similar properties. Apartments or office buildings are often assessed by calculating the present value of rental income and expenses to the owner of the property. New homes, and special purpose properties such as taxable medical clinics, are often val-



ued by determining the cost of replacing structures added to the value of the land. Agricultural land is assessed at "use-value", which is estimated as the value of agricultural income and expenses from the property. Manufacturing properties are valued at market value by specially-trained assessors at the DOR.

Assessors use a snapshot of each property's worth on January 1, which will reflect any changes made to the property from the prior year. This value is the one used to allocate the property tax at the end of the year. After January 1st, for example, if construction of a home begins in April and is completed in July, the value of the home will show up on the next year's assessment roll and be taxed. Only the land on which the home is constructed will be taxed in the year of construction. Similarly, if a home exists on January 1 and burns down in April, both the house and land will be assessed that year.

April: Notify Property Taxpayers/Hold Open Book

Open book is the time when the assessment roll is open for public inspection. In a best-case scenario, the assessor would send a notice in early April to all property owners whose assessments have changed. The notice must be sent at least 15 days prior to open book. The notice of change in assessment must show how much the assessment changed and include the time, date, and place of open book. While state law allows a municipality to convene open book just prior to and on the same day as the board of review, it is recommended that a municipality schedule open book sufficiently in advance of the more formal review board hearing to iron out any discrepancies on the assessment roll.

At open book, property owners can review their assessments and discuss with the assessor the factors used to determine the assessed value of their property. Under the law, assessors must be present and available for at least two hours during the scheduled open book. This review period of the assessment roll allows property owners the chance to understand their assessed value, compare it to other similar properties, and decide whether they wish to contest the value. As a result of these discussions with property owners, the assessor at this point is still authorized to make changes to the assessment roll.

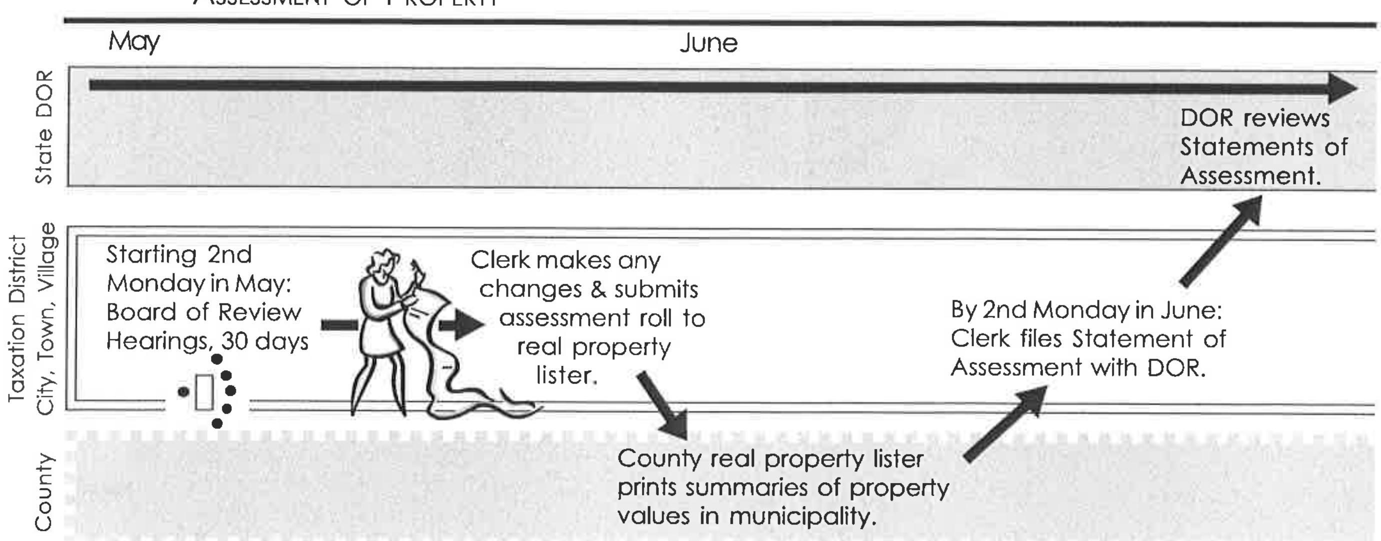
Some municipalities might not hold the open book during this time period because their assessment roll is not complete. Where a municipality is undergoing a revaluation of its taxable property, property taxpayer review of the assessment roll is often much later in the year as revaluation can be a lengthy and difficult process.

May: Board of Review

By law, the completed assessment roll should be delivered to the clerk by the first Monday in May, unless as noted, the municipality is undergoing a revaluation. The clerk examines the roll for errors and makes any corrections, such as correcting typing errors and including property mistakenly excluded.

If the property owner cannot persuade the assessor to change his/her value at open book, he or she can appeal the property value assessment to the board of review. Also, in the event a property owner was unable to attend open book, he/she can still appeal their property value assessment to the board of review. Starting the second Monday in May, the

Assessment of Property



municipal board of review has 30 days to convene. Even in cases where the assessment roll is not ready, the board must convene to adjourn to a later time. A public hearing is required for the board of review and must be noticed at least 15 days prior to the convening of the board of review.

At board of review hearings, property owners give sworn oral testimony and evidence supporting their opinion of property value. The assessor, who also provides sworn testimony, must be present throughout the hearing to defend assessments to the board. After hearing the evidence, the board determines whether the assessment should be changed. To be successful, an appeal must demonstrate that the property's assessed value sufficiently differs from the value for other similar properties within the municipality. The board must notify landowners of their decision by certified return receipt mail. The hearing procedure is recorded and is a quasi-judicial process. The property owner can appeal an unfavorable decision to a circuit court or the Department of Revenue. For more detailed information on the board of review procedures and property owner rights and responsibilities, see the two guides listed in the resource section at the end of this paper.

Second Monday in June: Assessments to DOR

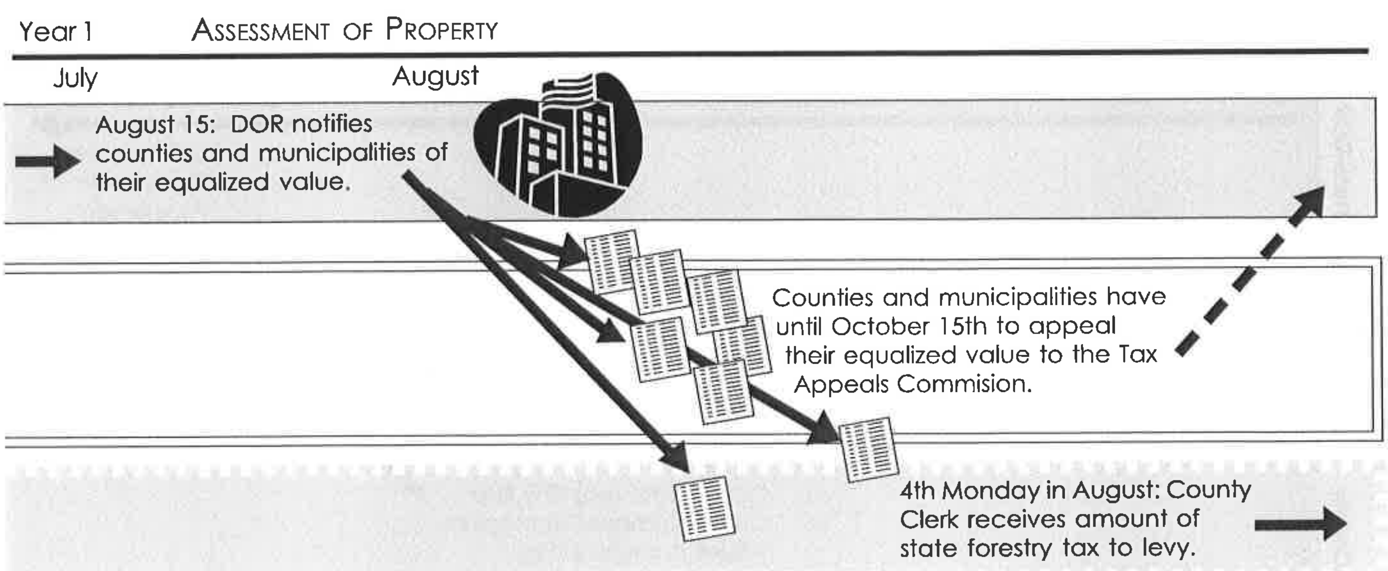
After the board of review hearings, the municipal clerk gives the assessment roll and any changes made to the county real property tax lister, who notes the changes and calculates the total assessed value in the municipality for each class of property and within each school, technical college and special district. The county real property lister passes this summary back to the clerk, who notes the totals on the Statement of Assessment and files it with the DOR by the second Monday in June. DOR uses this information to assist in calculating the equalized value of school and other special districts within the municipality and to inform municipalities of their ratios of assessed to equalized value for each class of property.

June to August: Computing Equalized Value

The DOR annually determines the equalized value of all classes of property within municipalities. Whereas "assessed value" is a valuation of individual properties determined by the assessor, "equalized value" is the uniform measure used to value classes of property across the state. Equalized value is also known as market value, or what the property would sell at in the current market in an arm's-length sale (e.g., not a foreclosure or among family members).

Why does DOR compute equalized value? Most local assessors value property below or above market value, though they are required by law to be within 10% of full value once every four years. As long as the assessor consistently values all property **within** the municipality at the same percentage of market value, the assessment is fair among local taxpayers.

Many taxing jurisdictions span more than one municipal boundary, such as the county, technical college, school and other special districts. Equalized values are used to allocate these taxes equitably **among** municipalities. If property is not consistently valued across municipalities, then taxpayers in some municipalities would pay more and taxpayers in others would pay less than is fair. Therefore, the state determines a common measure of value to en-



How Does DOR Calculate Equalized Value?

1. Property sales. First, DOR appraisers use arm's-length sales prices for all the properties that were sold in the district. Then, they find the assessed value for those properties. For example, say there were four sales of residential property last year:

Sale	Assessed Value	Selling Price
1	$45,500	$50,000
2	24,000	25,000
3	95,000	100,000
4	73,000	75,000
Total	$237,500	$250,000

2. Assessment ratio. Then, DOR divides the sum of assessed values by the sum of sales prices for the properties. The result is called the assessment ratio:

$$\frac{\text{Sum of assessed values}}{\text{Sum of sales prices}} = \frac{\$237{,}500}{\$250{,}000} = 0.95$$

3. Equalized value. An assesment ratio of .95 means that the local assessor valued properties at 95% of true market value. The assessment ratio may then be used to determine the equalized value of the whole district, if other factors or methods don't need to be employed:

$$\frac{\text{Total assessed value of residential properties}}{\text{Assessment ratio}} = \text{Equalized Value}$$

$$\frac{\$22{,}500{,}000}{0.95} = \$23{,}684{,}210$$

sure that property taxes are distributed fairly. Equalized value is also used to calculate the maximum allowable debt under the state constitution for all taxing jurisdictions and distribute general educational aids to schools.

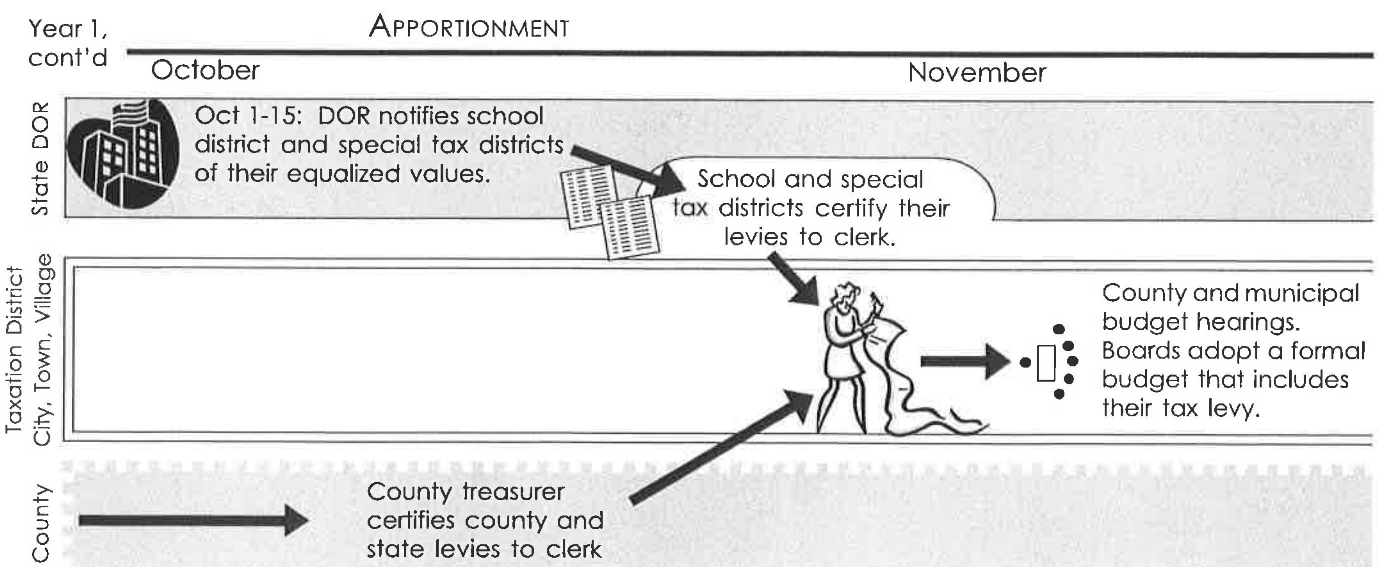
The DOR uses several methods that are similar to what local assessors use to estimate the full market value of properties. However, the valuation of individual properties is often not used in their determinations; rather, comparative data and statistical methods are used to determine values for classes of property within municipalities. The side box gives a simple example for residential property.

August 15: Equalized Value to Municipalities and Counties

By August 15 the Department of Revenue must certify to all municipalities and counties their equalized values. Any municipality or county can appeal its equalized valuation to the Tax Appeals Commission by October 15. Between October 1 and 15, DOR notifies special districts of their equalized value and the Department of Public Instruction notifies school districts of their equalized value. Except for municipalities, all certified equalized values exclude tax incremental district values. Equalized values are necessary for the "apportionment" stage.

STAGE 2: APPORTIONMENT

All local jurisdictions with the power to levy a property tax must hold a public hearing on their budget, noticed at least 15 days in advance of the hearing. The notice must also include a fairly detailed



budget summary, as specified in state law. This provision applies to counties, cities, towns, villages, school districts, technical college districts, and all other special districts, such as sanitary districts. These taxing jurisdictions use sources of revenue in addition to the property tax to finance their services and infrastructure. The "property tax levy" is the part of each jurisdiction's budget that is financed by the property tax.

Establishing the Levy

State law requires that local budgets balance. They are therefore prohibited from running annual deficits. A simple way to see how the tax levy is calculated is by the following formula:

Total Expenditures + Reserves
\- Total Nontax Revenues
= Property Tax Levy

This is a simplified version of the detailed calculations local governments and other taxing jurisdictions go through to arrive at their property tax levy. In fact, school districts are limited by the amount of revenue they can raise, and technical college districts and counties are subject to either specified or limited tax rates. The state tax rate is also specified by statute. In all these cases, there are limits to the amount of property tax the jurisdiction can levy.

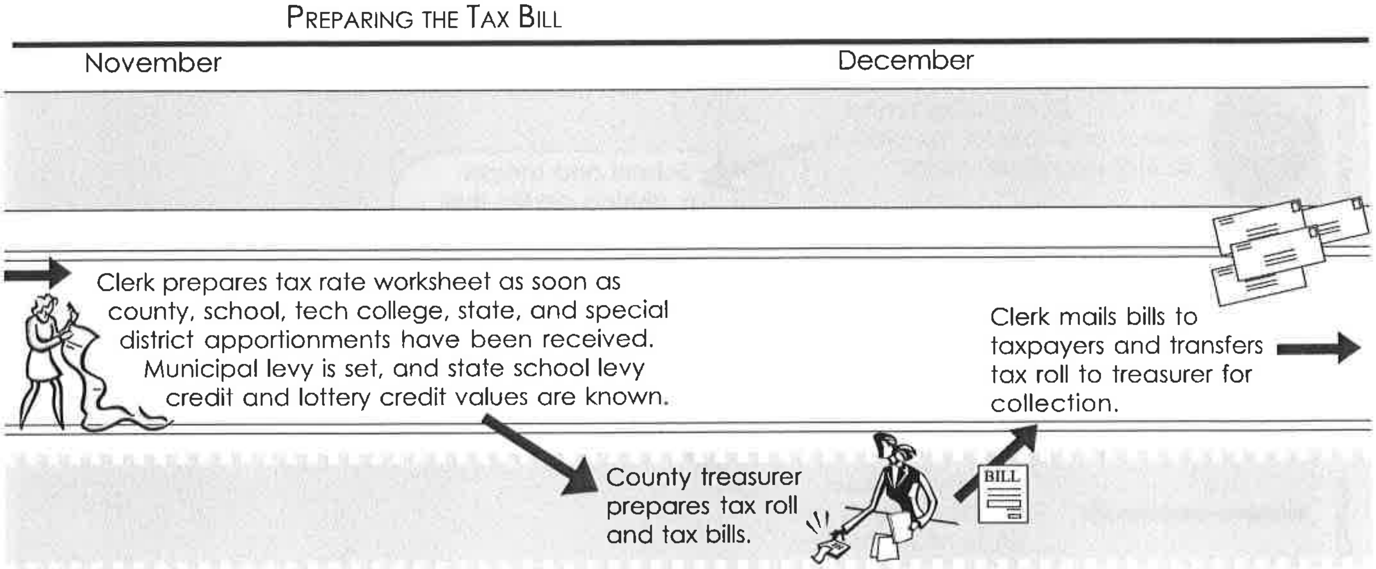
State law requires local taxing jurisdictions to hold public hearings on their annual budgets. After the public hearing, the governing body ultimately decides upon and adopts a final budget. In the case of towns, the citizens must directly approve the property tax levy at the annual meeting or a special town meeting before the board can adopt the budget. In some towns, the electors have delegated the authority to approve the levy to the board.

Apportionment

The clerks of each taxing jurisdiction extending into more than one municipality must apportion their levy among the municipalities. These clerks fill out and send a "Notice of Tax Apportionment" to each of the municipalities in their jurisdiction. The county clerk, for example, apportions the state and county levies by sending a notice to each municipality within the county. The notice includes the amount of property tax that needs to be collected on properties within the municipality. In the case of the county and state property tax, all property owners within the municipality will pay the tax. School districts, on the other hand, might overlap into only a part of the municipalitiy. A municipality may therefore have more than one school district and must apportion each school district's property tax levy among the appropriate property owners. Notices of apportionment are usually sent by early November so the municipal clerk has time to complete the "mill" rate (defined below) worksheets and send them to the county real property lister.

Property tax levies are apportioned *within* the municipality by establishing the tax rate, or mill rate, for each tax levy and applying it to the appropriate properties. Mill rate means "tax dollars per thousand of property value." At this stage, the assessed value is used to determine each property tax rate that will be applied to property. For example, a county levy of $25,000 in a municipality with $5,000,000 of assessed value would result in a prop-

Preparing the Tax Bill



erty tax rate of 0.0050, or $5 per $1,000 of property value, or 5 mills. For a home worth $65,000, the county tax levied would be $325, as calculated below:

$$\frac{\text{County Tax Levy of } \$25{,}000}{\text{Municipal Assessed Value of } \$5{,}000{,}000} = 0.0050 \text{ property tax rate}$$

$$\$65{,}000 \text{ Home} \times .0050 = \$325$$

The municipal clerk calculates the mill rate for each taxing jurisdiction and sends the completed mill rate worksheet to the county real property lister. The county real property lister will apply these rates in computing the property tax for each parcel of property within the municipality. The real property lister is also copied on the amount of the tax credits to be applied to the school levy and to the total tax bill.

Property Tax Credits

As each taxing jurisdiction prepares its levy and calculates the apportionment to underlying municipalities, the state government calculates the tax credits that will be used to reduce the bill to taxpayers.

School Levy Tax Credit. DOR notifies each municipality of its school credit amount by December 1. This credit reduces the school levy that appears on the property tax bill. The state pays the school levy tax credit to municipalities in July of the following year.

Lottery and Gaming Credit. The state sends the information on the Lottery and Gaming credit to the municipal clerk. It appears on the tax bill and reduces the property taxes owed.

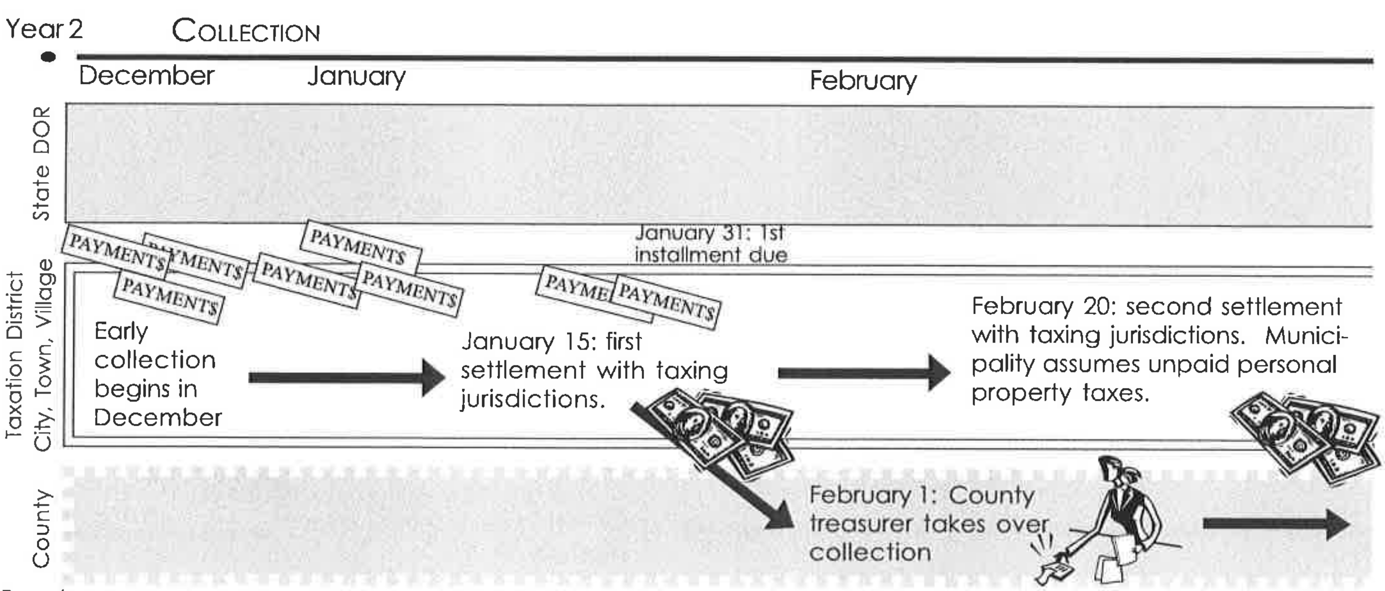
Printing and Mailing the Bills

By December 8, the county real property lister prints the property tax bills for almost all municipalities. Depending upon intergovernmental agreements, the county real property lister may mail the bills directly to property owners. Where no such agreement exists, municipal treasurers mail the bills to property owners. The property tax bill includes real property taxes (reduced by applicable tax credits), delinquent utility charges, special charges for services to property, special taxes, and any special assessments. A separate tax bill is prepared for property taxes on personal property.

Municipal clerks turn over the tax roll to municipal treasurers for tax collection and send a "Statement of Taxes" to the Department of Revenue that summarizes property tax totals. The Department uses this information to calculate the school levy tax credit for the following year, payment eligibility for the expenditure restraint program, and to check against municipal and county financial reports.

STAGE 3: COLLECTION

Collection of property taxes begins after the bills are mailed around mid-December. Some property owners choose to pay their property taxes before the end of the year so they can claim them as a deduction on that year's income taxes. The municipal treasurer collects these taxes and settles with the other taxing jurisdictions on January 15. "Settlement" means paying each taxing jurisdiction an equal percentage of its levy. For example, if 10% of the real and personal property taxes were collected in De-



cember, then each district would receive 10% of its levy by January 15.

Municipalities have the option to collect property taxes through multiple installments, but only about 60 municipalities have opted to do so. Since the two installment payment system is so prevalent, that is what is described here.

First Installment

Under a two-installment schedule, the first payment is due by January 31 and is collected by the municipal treasurer. Any tax payments that arrive after this date are considered "delinquent," except payments that are postmarked in January but arrive by February 5. The treasurer settles with all taxing jurisdictions for the amount of real and personal property taxes collected by February 20.

Personal property taxes, unpaid delinquent utility taxes, special charges and usually special assessments must be paid in full by January 31. With the exception of unpaid personal property taxes, the municipal treasurer turns over the tax roll to the county treasurer for collection of the second installment. The municipality assumes responsibility for collection of unpaid personal property taxes for the remainder of the year. In the following year, municipalities can charge back any unpaid personal property tax to the other taxing jurisdictions.

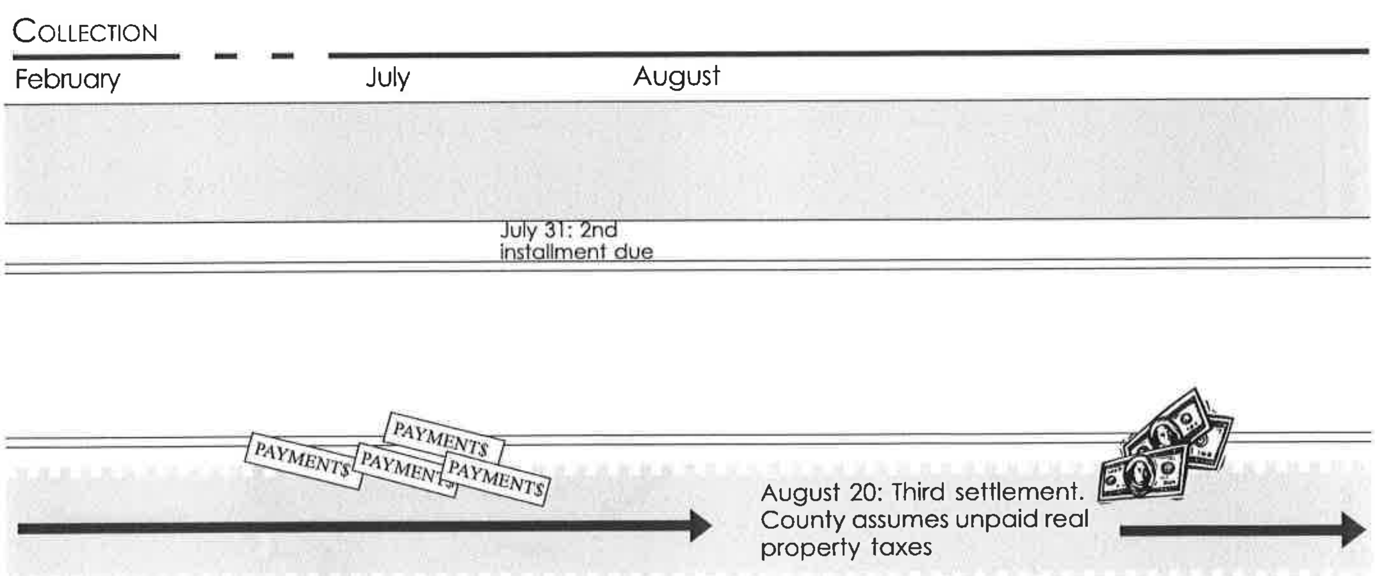
Second Installment

The second tax payment is due to the county treasurer by July 31. The county must settle with the other taxing jurisdictions by August 20. In this settlement, the county assumes the possible loss of delinquent real property taxes and special taxes and settles in full with each jurisdiction. When counties also assume the possible loss of delinquent utility charges, special charges, and special assessments, the county retains any penalties and interest on late payments.

For delinquent property taxes, the county treasurer issues a tax certificate on September 1 of each year stating the date that delinquency began for each property. The delinquency date is used in applying interest of 1.0% a month and penalties of up to .5% a month against the property. By law, property taxes become a lien upon the property against which they are levied and that lien is superior to all others except certain environmental remediation liens. After two years of tax delinquency, the county can begin foreclosure proceedings and will have first priority in most sales to satisfy any delinquent property tax amounts, including interest and penalties.

CONCLUSION

Administration of the property tax system is a complex process that includes many hands to assess and collect the tax fairly and efficiently. Perhaps it is easiest to understand the property tax system as unfolding in three distinct steps – valuation, apportionment of the tax, and collection – over a two-year period. The use of assessed and equalized values in property taxation may seem to hopelessly complicate the system and create unnecessary work. However, remember that assessed value is used to apportion property taxes among property owners *within* a municipality and equalized values are used to



apportion taxes *among* municipalities. Both valuation systems have their strengths suited to their function with the larger purpose of ensuring fairness. This paper highlights many of the parties and procedures involved in the process, but does not go into detail on any one part. For more detail on parts of the system that may be of interest to you, please see the resource listing below, which was used extensively in the development of this paper.

Many people were involved in reviewing and shaping this paper and the authors would like to acknowledge them for their time, effort and expertise – Gene Miller, Bureau of Equalization, DOR; Greg Landretti and Reed Johnson, Office of Assessment Practices, DOR; Carol Doran and Ken Schuck, State and Local Government Services, DOR; Rick Olin, Legislative Fiscal Bureau; Curt Witynksi, League of Wisconsin Municipalities; Rick Stadelman, Wisconsin Towns Association; Nick Gamroth, Trempealeau County Real Property Lister; and James H. Schneider, UW-Extension Local Government Center. Any errors or oversights are solely the responsibility of the authors.

By Kate Lawton and Sonia Dubielzig, July 2005.

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