



Tom Barrett
Mayor, City of Milwaukee

September 24, 2004

Representative Jeff Fitzgerald
Chair, Special Committee on Property
Tax Exemptions for Residential Property
Room 308 North, State Capitol
P.O. Box 8952
Madison, Wisconsin 53708

Dear Representative Fitzgerald,

As you and the members of the committee begin your work to develop and recommend legislation relating to residential property tax exemptions, I would like to share my views. Municipalities, school districts, and counties rely on the property tax to fund services essential to our citizens. Therefore, any discussion of property tax policy must be approached thoughtfully and responsibly.

Tax exemptions serve an important public policy function when used appropriately. They can play a critical role in economic development, tax fairness and the provision of social services. It would, however, be unwise to adopt tax exemptions whose costs outweigh the benefits.

Tax exemptions have a significant cost in that they shift the tax burden more heavily to other homeowners still responsible for paying taxes. Every exemption directly results in an increase in property taxes or reduction in services for those who are still responsible for paying taxes. This consequence falls to all homeowners, low-income and high-income alike. Unlike other city subsidies, however, tax exemption decisions are imposed at the State level.

In many cases the State's decision may mirror what a city would otherwise decide. For example, it may make good policy sense to provide a subsidy to providers of housing for low-income individuals, as quality affordable housing is critical to a city's success. However, providing a subsidy to more affluent active adults at the expense of low-income homeowners is simply not fair. For Milwaukee taxing entities, we estimate that over \$7.5 million is provided annually to subsidize such homes. This is money that could otherwise be used to improve education, provide affordable health care, create jobs, and lower taxes.

It is also important that State policy in this area be as consistent as possible. Providing complete exemptions for high-end senior homes while offering only small payments under the Homestead Credit Program to those making \$24,500 or less is inconsistent. I would strongly recommend consideration of expanding the Homestead Credit within the scope of the committee's discussion.

I am confident that after your committee's thoughtful review of these issues, a reasonable solution can be reached to address the inequity that exists under the current approach to residential tax exemptions. I appreciate the opportunity to weigh in on this issue and I urge the committee to consider my concerns.

Sincerely,

A handwritten signature in black ink that reads "Tom Barrett". The signature is written in a cursive, slightly stylized font. The first name "Tom" is written with a large, sweeping "T" that extends to the left. The last name "Barrett" is written in a more compact, cursive style.

Tom Barrett
Mayor

c: Committee members