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To: Members of the Special Committee on Tax Exemptions for Residential Property
From: Michael Higgins, City Assessor, City of Kenosha
Date: September 28, 2004
Re: Restoring Fairness to our Tax Policy

Thank you for allowing me to comment on the tax policy issues raised by the recent *Columbus Park Housing* case and subsequent legislative initiative that overturned the decision. It is my hope that this committee will provide the impetus for a tax policy change that will alter the erosion of the tax base in Wisconsin and provide good public policy in regards to property tax exemption issues.

History of Columbus Park

Prior to the lawsuit, Columbus Parks properties were exempt while being remodeled and then placed on the assessment role once they became rented. The law suit was initiated by Columbus Park to keep all of the properties exempt even after being rented. The properties in question are mainly duplexes located on separate and distinct parcels. The properties are part of Section 8 voucher program. The tenants paid a percentage of rent based upon their income and the rest of rent is paid with a voucher from the government. The owner of the properties(Columbus Park) receive market rent for this properties just like the rest of the multi-family properties in Kenosha.

The arguments in the case center on three main issues:

The Identity Issue

The lessee would be exempt from taxation under this chapter if it owned the property. This was what the Wisconsin Supreme Court ruled on and the legislative action overturned.

The Income Issue:

Leasing a part of the property does not render it taxable if the lessor uses all of the leasehold income for maintenance of the leased property, construction debt

retirement of the leased property or both. This is the current issue between the City of Kenosha and Columbus Park that is being litigated.

The Combination Issue:

Should the income and expenses of the entities be combined to cover all properties or should each individual property be dealt with separately. This issue will be part of future litigation.

The Problem

Under the current policy we are not providing the assistance to the legitimate subjects of charity which good public policy was intended. I believe that there are two main issues that need to be addressed in regards to fairness.

The first has to do with whom should be receiving the benefit of a property tax exemption. In the case of *Columbus Park Housing* the owners of the property receive market rent for their units, yet feel they are entitled to a property tax exemption. The government through a voucher program is making the owner of these properties whole. If you are the owner of a similar property next door and you collect market rent you do not receive a property tax exemption. Is this fair? Is this good public policy?

The second major problem exist in the high-end housing to affluent elderly. Some of these facilities require unbelievable high endowments and large monthly fees. Then the facilities are then given a property tax exemption simply because they provide elderly housing. At the same time, we having low income elderly who can't afford to pay a large endowment and are struggling to stay in their own homes and pay property tax. Where is the fairness in this? Is this good public policy to ask low income elderly to subsidize high end housing to affluent seniors? If you believe that this is a good policy then maybe you could explain it to the elderly in Kenosha including my mother.

The Solution:

The legislature must ensure that any tax relief goes to where it is needed most. It should continue to provide assistance to low income people through the voucher program and provide assistance to low income people living in their own homes by expanding the homestead relief program. These programs already have an income or means test with the benefit provided to the residents in need of help not to so called "benevolent" organizations. Wisconsin can no longer afford property tax exemptions that have property owners subsidize housing and bearing an unfair portion of the cost of government.

Thank you for your time and I look forward to working with this committee as it struggles with this very difficult issue.