

## **Principles To Be Considered When Thinking About The Issue Of Residential Real Estate Tax Exemptions**

- 1) Tax uniformity is good and should be preserved wherever possible.
- 2) Exemptions to tax uniformity should be:
  - A) Designed to produce a defined public good (benefit) that cannot be efficiently achieved in another way.
  - B) Designed to produce a limited benefit and then expire when and if that benefit has been produced.
  - C) Designed to be accountable to the public for the benefits that are claimed and to be subject to modification if the justification for tax exemption in relation to the benefits changes.

3) If we can agree on the foregoing principals, our first goal should be to define the public good (benefit) that is claimed as justification for tax exempt status. Any enterprise is benefited by reducing operational costs. The mere claim that a non-profit will produce benefits by having its operational costs reduced should not be enough. There should be a link between the dollar amount of taxes that are not being collected and the benefit offered as justification for tax exemption. For instance, in Madison, student housing organized as coops are tax exempt while student housing organized as corporations are taxed. The hypothetical question would be, are the taxes that the City, County and School District are giving up commensurate in a dollar amount benefits that are claimed by giving students the experience of living in housing organized as a cooperative?

4) Finally, we should look at other means of accomplishing the same goals that could be more focused and more accountable. Specifically, we should look at WHEDA's operation to see whether or not there are other mechanisms that could advance WHEDA's goals other than tax exemption for properties that it owns or finances. We should look at how much tax WHEDA residential properties are now escaping and what its projections for future tax exemptions are. We should look at the location of those tax exempt properties and other low and moderate income properties owned by tax exempts to examine where the burden of lost taxes is falling and if it is equitably distributed between communities.