

MEMORANDUM

Office of the City Attorney

Suite 800 - City Hall

(414) 286-2601

HAGOPIAN MEMO NO. 4

TO: MEMBERS, SPECIAL COMMITTEE ON TAX EXEMPTIONS, Wisconsin Legislative Council Special Committee On Tax Exemptions For Residential Property (*Columbus Park*, 2003 WI 143), 2003 WI Act 195, 2003 SB 512

FROM: GREGG C. HAGOPIAN, Assistant City Attorney

DATE: January 6, 2005

RE: New Law Suggestions

In my Memo No. 3 to this Committee, dated November 3, 2004, in §E, I suggested statutory changes. I stand behind those. More specifically, and as further refined, taking into consideration my other memos and our most recent committee meeting, I suggest:

1. Break up §70.11(4) into subparts so the current exemption for “benevolent associations” is specifically isolated, as a subcategory, rather than being buried in sub (4) as it currently is. The Legislative Council did this in 0076, §3, and 0077, §1. This feature should be in the new law.
2. Create a clear and separate 70.11(4) exemption subcategory for “truly charitable entities” - non-profit facilities that own and use property exclusively to serve a truly charitable purpose with no requirement of remuneration (e.g. homeless shelters, battered spouse shelters, etc.). This is the category that all on the Committee would exempt. Keep 10-acre limit. Keep tenant-identity requirement for this subcategory because it should not apply because the category will involve transitional emergency housing rather than a Ch. 704 landlord-tenant relationship.
3. Create a clear and separate 70.11(4) exemption subcategory for non-profit nursing homes that serve Medicaid residents. From the 2000 Benevolent Retirement Home for the Aged Legislative Taskforce, this too was a category that all would exempt. Keep 10-acre limit.
4. Create a separate 70.11(4) exemption subcategory for “benevolent residential housing, including benevolent retirement homes for the aged” owned and

operated by a nonprofit benevolent association for benevolent purposes, to the extent actually occupied by low-income persons for residential purposes. Define “low income” by adopting the homestead-credit limit, and require the Dept. of Revenue to devise a form to be used by the landlord to annually get sign-off’s (verifications) from the tenants of income at or below the limit, so landlord can then use those forms to annually turn over to assessor. This exemption subcategory would specifically allow for partial exemptions. For example, in an 8-unit facility, if 5 units were occupied by tenants/residents at or below the limit, the property would get a 5/8 exemption for that year. Keep the 10-acre limit. But, with the homestead-credit limit established as the income limit, the rent-use requirement could be eliminated.

5. If the “benevolent association, including benevolent retirement homes for the aged” exemption subcategory does not get amended as per item 4 above:
 - a. then leave the exemption subcategory as “benevolent associations, including benevolent nursing homes and retirement homes for the aged,” but mandate a PILOT for that subcategory like the State already mandates for state-owned parcels (70.119), public housing authorities, (70.11(18) and 66.1201(22)), UW Hospitals and Clinics Authority (70.11(38) and 70.119), redevelopment authorities (66.1333(12)), and the DNR (70.114(4)), and adopt a 65-year-old-age requirement for retirement homes. Add precise legislature findings from Hagopian Memo No. 3 to insulate this PILOT mandate from legal attack. Keep the 10-acre limit.
 - b. Mandate appraisals from “benevolent associations, including benevolent nursing homes and retirement homes for the aged.” Appraisals, from owners, obtained at their expense, would be required to be turned over to assessor at inception of new law, and upon request/application for exemption for new exemptions, and also once every 5-years from all exempt benevolent associations as a condition to keeping/continuing exemption.

THE EFFECT OF ITEMS 4 AND 5 ABOVE IS THAT – EITHER THE HOMESTEAD-CREDIT LIMIT IS ADOPTED AS AN INCOME LIMIT, OR CURRENT “BENEVOLENTS” WILL HAVE TO PAY A PILOT AND START FURNISHING APPRAISALS.

PILOTS ARE THE ONLY MATTER NOT OBJECTED TO OR DISPUTED AT OUR COMMITTEE MEETINGS.

AND, IF NO MEANINGFUL (NON-IRS) INCOME LIMIT IS ADOPTED, THEN THE LEGISLATURE SHOULD GET PERIODIC DATA ON HOW MUCH MONEY IS BEING LOST EACH YEAR DUE TO EXEMPTION.

Problems with other proposals we talked about at our December 20, 2004 meeting include too much room for abuse and unfairness because limits still allow for mid to upper income residents living property-tax free at the expense of low income to middle income people who do not qualify for the particular housing, and other proposals. Moreover, nothing the Committee recommends, or the Legislature adopts, should be based on cross-reference to IRS policy.

GCH/ms
1049-2004-2244/88812