



WISCONSIN LEGISLATIVE COUNCIL

TAX EXEMPTIONS FOR RESIDENTIAL PROPERTY (COLUMBUS PARK)

Room 225 Northwest, State Capitol
Madison, Wisconsin

January 14, 2005
10:00 a.m. – 2:00 p.m.

[The following is a summary of the January 14, 2005 meeting of the Special Committee on Tax Exemptions for Residential Property (Columbus Park). The file copy of this summary has appended to it a copy of each document prepared for or submitted to the committee during the meeting. A digital recording of the meeting is available on our Web site at <http://www.legis.state.wi.us/lc/2004studies.htm>.]

Call to Order and Roll Call

Chair Fitzgerald called the meeting to order. The roll was called and it was determined that a quorum was present.

COMMITTEE MEMBERS PRESENT: Rep. Jeff Fitzgerald, Chair; Sens. Julie Lassa and Cathy Stepp; Reps. Mark Gottlieb, Ann Nischke, and Leah Vukmir; and Public Members Gregg Hagopian, Paul Hoffman, Robert Jones, Frederic Mohs, Tim Radelet, Mary Reavey, John Sauer, and Earl Thayer.

COMMITTEE MEMBERS ABSENT Rep. Terese Berceau; and Public Member Fritz Ruf.

COUNCIL STAFF PRESENT: Laura Rose, Deputy Director; and Mary Matthias, Senior Staff Attorney.

Approval of the Minutes of the December 20, 2004 Meeting of the Special Committee

Mr. Mohs moved, seconded by Mr. Sauer, to approve the minutes of the committee's December 20, 2004 meeting. The motion carried on a unanimous voice vote.

Description of Materials Distributed

• **WLC: 0086/1, relating to requests for exemption from the property tax for certain residential housing, the use of rent proceeds, and payments for municipal services provided to certain tax-exempt residential housing.**

Ms. Matthias explained the provisions of WLC: 0086/1. The committee discussed the following options for amending the draft:

- Limiting the use of rent proceeds to benevolent activities that the tax-exempt entity undertakes at the property from which the proceeds are generated.
- Eliminating the provision that limits the amount of a payment for municipal services to the amount of property taxes that would have been assessed for the property if the property were not tax exempt.
- Amending the provision that allows a tax-exempt entity to appeal the valuation of a property used to determine the maximum amount of payment for municipal services that may be required and instead allow for an appeal of the amount charged for municipal services.
- Ensuring that the draft does not override any current statutory authority municipalities have to charge property owners for certain services such as fire calls, or authority to assess “special charges.”
- Ensuring that the draft grants a municipality authority to require payment from a tax-exempt property owner for the cost of making a municipal service, such as fire protection, generally available to the property and its residents, even if the property or its residents do not utilize the service in a particular year.
- Providing that the amount charged for municipal service would be determined by calculating the total cost of providing services to residents of the municipality and dividing that amount by the total number of occupied dwelling units in the municipality to ascertain the cost per occupied dwelling unit of providing the service. A tax-exempt property would be charged for municipal service according to the number of occupied dwelling units owned by the entity.
- Ensuring that municipalities have flexibility to assess charges for unforeseen needs.

Other issues discussed regarding the draft included: whether, if payments for municipal services are made mandatory, tax-exempt entities should also be required to make payments to other taxing entities such as school districts; whether statutorily mandating payments for municipal services would violate the Uniformity Clause of the Wisconsin Constitution; how to justify to the public that under the draft, some property owners would be required, in essence, to pay only a portion of their property taxes; how to calculate the benefit to society of the current tax exemption for benevolent associations as it applies to senior housing; and the propriety of the committee scrutinizing only the tax exemption for senior housing, but not similarly examining the benefit to society of exempt organizations, such as youth hockey leagues.

- **WLC: 0090/1, relating to eliminating the property tax exemption for certain residential property and the use of leasehold income by a benevolent association, church, or religious association that leases residential property for certain purposes.**

Ms Rose described the provisions of WLC: 0090/1. The committee discussed the following options for amending the draft:

- Limiting the use of rent proceeds to benevolent activities that the tax-exempt entity undertakes at the property from which the proceeds are generated.
- Amending current law to specify that the tax exemption applies to leased residential housing only if the landlord (the owner of the property) does not discriminate based on race.
- Providing that “luxury” or “high-end” housing, or housing that exceeds the median construction cost for similar housing in the region, is not exempt from property taxes regardless of the benevolent nature of the owner of the property.
- Utilizing the Homestead Tax Credit income limits as the eligibility standard for the tax exemption for residential housing owned by a benevolent association.

The committee also discussed whether it is appropriate public policy to provide the property tax exemption as an incentive for people to live in a continuum of care retirement community, and whether the exemption discourages divestment by the elderly. The committee also discussed whether it is appropriate that persons who similarly plan for their health care and housing needs by purchasing long-term care insurance are not similarly rewarded. Some members expressed concern that if the committee does not curtail the current exemption, municipalities will face continuous shrinking of their tax base, and property taxes will continue to rise for other homeowners, as more people take advantage of the exemption.

After discussion of how the work of the committee was to proceed, it was determined that a working group would be formed to try to reach a compromise on the issues discussed by the committee. The working group will report back to the full committee at a later date.

Chairperson Fitzgerald invited all members to serve on the working group. It was subsequently determined that the working group would consist of the following members: Reps. Fitzgerald and Gottlieb; and Public Members Mohs, Reavey, Sauer, Hagopian, Ruf, Radelet, and Hoffman.

Plans for Future Meetings

The first meeting of the working group is scheduled for *Thursday, February 10, 2005, at 10:00 a.m., in the Legislative Council Conference Room, One East Main Street, Suite 401, Madison*. The next meeting of the full committee will be held at the call of the chair.

Adjournment

The meeting was adjourned at 2:00 p.m.

MM:ksm