

Overview of Payback process for Refunded Taxes – process description, and Wisconsin Statutes

The property assessment and tax collection processes are cyclical in nature. These annual cycles create deadlines for the Assessor's and Treasurer's Offices. One of these deadlines involves the timely processing of tax bills.

Since the tax bills are sent out in December, changes to assessed value that affect the tax base are cut off from being processed in November. The tax rate that is established is based on the November tax base. However, after this date, assessment changes continue to be made on properties that the taxes have been calculated upon. When these assessment changes are made, the tax amount that was originally calculated changes. This typically means the property owner has overpaid.

Wisconsin Statute 70.511 provides direction as to how to proceed in these situations.

The tax bills are mailed out in December. At the time of tax collection, the city keeps only a part of the entire tax bill paid by any individual property, usually about 30 to 35%. The remainder of what is collected is distributed to the other taxing bodies. Therefore, when the city pays back a taxpayer and does not recover the portion assessed by the other taxing bodies, we in effect, are subsidizing the other taxing bodies.

When a refund of taxes is made, the City of Milwaukee pays back, to the taxpayer, the entire overpayment of taxes that they are due as a result of these assessment changes. After the assessed value is changed, the Assessor's office files paperwork with the Department of Revenue in order to receive authorization to get paid back by the other taxing bodies.

Wisconsin Statutes 74.41 and 74.42 allows municipalities to recover (from the various other taxing bodies) the portion of the taxes that should be refunded to the city. If the refunded tax meets conditions described there, we are allowed to submit to the Department of Revenue the information and they will inform the taxing districts the amount due us from them. This is what is referred to as a "chargeback". The city is entitled to chargebacks of approximately 65 to 70% of the amount that was originally refunded to the property owner.

Here's how the process works. By October of each year we submit to the Department of Revenue those property tax refunds/remissions that we have made that qualify for reimbursement from other taxing districts. They confirm that the reimbursement applies. After which, they send to the taxing bodies the amount that should be paid back

to the city. These monies are due to the city by the other taxing districts by February 15th of the following year.

The city's remission fund provides the funds to pay back the property owners. Determining the correct funding level for this fund is always a challenge because the number and amount of paybacks can vary significantly from year to year.

Reasons for Refunds (can be real estate or personal property):

- Assessment changes as a result of getting new information from property owners (after the assessments were established) – these are most commonly for commercial properties when the owners met with appraisers prior to appearing at the Board of Review when multiple years are being discussed
- Changes (reductions) by the Board of Review or as a result of court proceedings – these often occurs when multiple years are before the Board of Review
- Changes to Personal property assessed values because property owner provided actual information after assessments had been established
- Corrections by Assessment staff for exempt properties – this usually occurs when property owners provide required documentation after a deadline resulting in a change of status from assessable to exempt – The Benevolent Low Income Housing refund that the committee recently processed is an example of this
- Statutory changes that change the required methodology or exemption / assessment status resulting in an assessment reduction
- Changes in recommended valuation methodology from Wisconsin Department of Revenue
- Manufacturing property appeals that have gone to the Tax Appeals Commission and received a reduction

Wisconsin Statute

70.511 Delayed action of reviewing authority.

(1) VALUE TO BE USED IN SETTING TAX RATE. If the reviewing authority has not completed its work prior to the time set by a municipality for establishing its current tax rate, the municipality shall use the total value, including contested values, shown in the assessment roll in setting its tax rate.

(2) TAX LEVIES, REFUNDS.

[70.511\(2\)\(a\)](#)(a) If the reviewing authority has not made a determination prior to the time of the tax levy with respect to a particular objection to the amount, valuation or taxability of property,

the tax levy on the property or person shall be based on the contested assessed value of the property. A tax bill shall be sent to, and paid by, the person subject to the tax levy as though there had been no objection filed, except that the payment shall be considered to be made under protest. The entire tax bill shall be paid when due under s. [74.11](#), [74.12](#) or [74.87](#) even though the reviewing authority has reduced the assessment prior to the time for full payment of the tax billed.

(b) If the reviewing authority reduces the value of the property in question, or determines that manufacturing property is exempt, the taxpayer may file a claim for refund of taxes resulting from the reduction in value or determination that the property is exempt. If claim for refund is filed with the clerk of the municipality on or before the November 1 following the decision of the reviewing authority, the claim shall be payable to the taxpayer from the municipality no later than January 31 of the succeeding year. A claim filed after November 1 shall be paid to the taxpayer by the municipality no later than the 2nd January 31 after the claim is filed. Interest on the claim shall be paid to the taxpayer when the claim is paid at the average annual discount rate determined by the last auction of 6-month U.S. treasury bills before the objection per day for the period of time between the time when the tax was due and the date that the claim was paid. If the taxpayer requests a postponement of proceedings before the reviewing authority, interest on the claim shall permanently stop accruing at the date of the request. If the hearing is postponed at the request of the taxpayer, the reviewing authority shall hold a hearing on the appeal within 30 days after the postponement is requested unless the taxpayer agrees to a longer delay. If the reviewing authority postpones the hearing without a request by the taxpayer, interest on the claim shall continue to accrue. No interest may be paid if the reviewing authority determines under s. [70.995 \(8\) \(a\)](#) that the value of the property was reduced because the taxpayer supplied false or incomplete information. If taxes are refunded, the municipality may proceed under s. [74.41](#).

(bm) No later than July 1 of each year, each municipality that pays a refund under par. (b) for property that is assessed under s. [70.995](#) shall notify the department of administration of the amount of all such refunds paid by the municipality in the previous fiscal year. Annually, no later than the 3rd Monday in November, from the appropriation account under s. [20.835 \(2\) \(br\)](#), the department of administration shall pay to each municipality that pays a refund under par. (b) for property that is assessed under s. [70.995](#) an amount that is equal to 20 percent of the interest on such refunds paid by the municipality in the previous fiscal year and that has accrued up to the date of the determination by the tax appeals commission of the municipality's obligation.

(c) If the reviewing authority increases the value of the property in question, the increase in value shall in the case of manufacturing property assessed by the department of revenue under s. [70.995](#) be assessed as omitted property as prescribed under s. [70.995 \(12\)](#). In the case of all other property s. [70.44](#) shall apply.

Wisconsin Statute

74.41 Charging back refunded or rescinded taxes; sharing certain collected taxes.

(1) SUBMISSION OF REFUNDED OR RESCINDED TAXES TO DEPARTMENT. By October 1 of each year, the clerk of a taxation district may submit to the department of revenue, on a form prescribed by the department of revenue, a listing of all general property taxes on the taxation

district's tax roll that, subject to subs. (1m) and (2), meet any of the following conditions:

- (a) Have been refunded to taxpayers under s. [70.511](#).
 - (b) Have been rescinded or refunded to taxpayers under s. [74.33](#).
 - (bm) Have been refunded or collected under s. [70.43](#).
 - (bn) Have been rescinded or refunded to taxpayers under s. [70.74](#) or [75.25 \(2\)](#).
 - (c) Have been refunded to taxpayers under s. [74.35](#) or [74.37](#).
 - [74.41\(1\)\(d\)](#) (d) Have been corrected under s. [70.73 \(1m\)](#).
 - (2) Amount required for submission. A tax may be included on a form submitted under sub. (1) only if one of the following applies:
 - (a) The tax and all other taxes under sub. (1) which are levied for the same year and which are listed on the same form total at least \$5,000.
 - (b) The tax under sub. (1) for any single description of property in the tax roll for any one year is \$500 or more.
 - (3) Effect on equalized value determined. The department of revenue shall, by the November 15 following submission of the form under sub. (1), determine the amount of the change, if any, in the equalized valuation of the taxation district resulting from a consideration of the valuation represented by the taxes under sub. (1). The determination of the department of revenue under this subsection is reviewable only under s. [227.53](#).
 - (4) Amount determined. If the department of revenue determines under sub. (3) that the equalized value of the taxation district is changed as a result of consideration of the valuation represented by the taxes under sub. (1), the department of revenue shall do one of the following:
 - (a) Adjust the equalized value of the taxation district under s. [70.57](#).
 - (b) Determine the amount of rescinded or refunded taxes to be charged back to, and collected from, each taxing jurisdiction for which taxes were collected by the taxation district, and determine the amount of taxes collected under s. [74.33](#) to be shared with each taxing jurisdiction for which taxes were collected by the taxation district. The amount determined may not include any interest.
 - (5) Notice and payment.
 - (a) The department of revenue shall certify to the clerk of the taxation district the amount determined under sub. (4)(a) or (b) and shall furnish a copy of the certification to each affected taxing jurisdiction.
 - (b) Each taxing jurisdiction to which an amount is charged back under sub. (4)(b) shall pay the amount certified under par. (a) to the taxation district treasurer by February 15 of the year following the determination under sub. (3). By February 15 of the year following the determination under sub. (3), the taxation district treasurer shall pay the amounts to be shared with other taxing jurisdictions.
 - (6) No effect on mill rate limits. A tax levied by a taxation jurisdiction to fund an amount which the taxing jurisdiction is required to pay under sub. (5) shall not be considered in determining whether the taxing jurisdiction is in compliance with any statutorily imposed mill rate limit.
- History: [1987 a. 378](#); [1991 a. 39](#); [1995 a. 408](#); [2001 a. 16](#).

Wisconsin Statute

74.42 Charge back of personal property taxes; subsequent distributions.

- (1) Charge back. No earlier than February 2 and no later than April 1, the taxation district treasurer may charge back to each taxing jurisdiction within the taxation district, except this

state, its proportionate share of those personal property taxes for which the taxation district settled in full the previous February, which were delinquent at the time of settlement, which have not been collected in the intervening year and which remain delinquent. At the same time, if there are charge-backs, the taxation district treasurer shall charge back to the county the state's proportionate share of those taxes. Within 30 days after receipt of a notice of a charge-back, the taxing jurisdiction shall pay to the taxation district treasurer the amount due, and the state shall pay to the proper county treasurer the amount due.

(2) Subsequent distributions. An amount equal to any delinquent personal property taxes charged back under sub. (1) which are subsequently collected by the taxation district, minus the cost of collecting those taxes, shall be proportionately distributed to each taxing jurisdiction to which the delinquent taxes were charged back under sub. (1). Distributions under this subsection shall be made on May 15, August 15, November 15 and February 15.

History: [1987 a. 378](#); [1989 a. 104](#); [1991 a. 39](#); [1995 a. 278](#).